



August 29, 2013  
 Equity Focus  
 Rating: BUY  
 TP: HK\$ 5.87

H-Share price (HK\$) 4.18  
 Est. share price return 40.43%  
 Est. dividend yield 4.67%  
 Est. total return 45.10%

Previous Rating & TP BUY; HK\$ 6.57  
 Previous Report Date July 16, 2013

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**Key Data**

52Wk H/L(HK\$)	7.61 / 3.42
Issued shares (mn)	4,125
H-Shares (mn)	908
Domestic Share (mn)	3,217
Market cap	
H-shares (HK\$ mn)	3,795
Domestic Share (HK\$ mn)	13,447
3-mth avg daily turnover (HK\$ mn)	19.9
Major shareholder(s) (%):	
SINOMACH	77.99
Source(s): Company, Bloomberg, ABCI Securities	

**1H13 Revenue breakdown (%)**

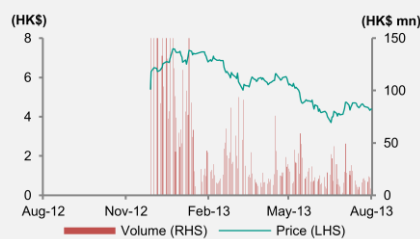
International engineering contracting	76.76
Trading	19.04
Others	4.20
Source(s): Company, ABCI Securities	

**Share performance (%)**

	Absolute	Relative*
1-mth	(8.93)	(7.56)
3-mth	(23.44)	(20.03)
6-mth	(39.42)	(36.46)

\*Relative to HSI  
 Source(s): Bloomberg, ABCI Securities

**1-Year stock performance**



Source(s): Bloomberg

CMEC (1829 HK)

Positive long-term prospect unchanged; maintain BUY

- 1H13 Revenue edged up 0.70% YoY. Revenue decline in trading business segment was offset by growth in international engineering contracting (IEC) segment
- Newly effective contracts in 1H13 declined 46.09% YoY, but acceleration of China's "go out" policy should propel growth going forward
- Total values of construction contracts and receipt in advance decreased by June 2013 compared to Dec 2012, indicating a slowing construction progress. Hence, the risk of slowdown in project delivery increases
- We cut our net income forecasts by 8.45% for FY13E and 3.20% for FY14E. Our revised TP is HK\$ 5.87 (previous TP: HK\$ 6.57). Maintain BUY for positive long-term prospect in Africa and Southern America

**Increased delivery of power segment construction project in 1H13.** Although revenue from trading business was down 43.64% YoY in 1H13, the decline was offset by revenue growth in IEC segment where project delivery increased. Within the IEC segment, revenue from power-related infrastructure construction projects was RMB 7,117mn, up 41.76% YoY. Looking forward, we expect delivery of construction projects to be lower than that of 1H13 will slow down compared to 1H13. We estimate that FY13E revenue from IEC segment will increase 14.10% YoY.

**More new contracts to turn effective in 2H13.** Newly effective contracts in 1H13 amounted to US\$ 1,164mn, down 46.09% YoY, beating our forecast of a decline of 54.67% YoY. For 2H13, as China is accelerating its pace to invest overseas, we can expect increased participation of Chinese enterprises in infrastructure construction projects, including power plant construction, in developing countries such as Africa and South America. We expect more new contracts will turn effective in 2H13, and estimate the total value of new contracts turning effective in FY13E to be US\$ 3,021mn.

**Possible slowdown in project delivery in 2H13 and 2014.** The total amount of construction contracts dropped from RMB 7,305mn by Dec 2012 to RMB 5,925mn by June 2013. The total amount of receipts in advance dropped from RMB 12,710mn by Dec 2012 to RMB 9,155mn by June 2013. It indicates that commencement of new projects and the pace of construction have been slowing down in 1H13. We believe the revenue growth in 2H13 and FY14 will be less than the original forecasts as a result.

**Maintain BUY; TP lowered to HK\$ 5.87.** We lower our net income forecast by 8.45% and 3.20% for FY13E and FY14E to account for the declining profitability of trading business and the risk of a slowdown in project delivery. Our ROAE estimate is lowered from 18.74% to 17.29% in FY13E. We cut our TP to HK\$ 5.87, representing 1.7x FY13E BVPS. Nonetheless, we maintain our BUY recommendation based on the Group's positive long-term growth prospect in the African and Southern American markets.

**Risk factors:** Slowdown of new contracts turning effective and project delivery; foreign exchange loss

**Results and Valuation**

FY ended Dec 31	2011A	2012A	2013E	2014E	2015E
Revenue (RMB mn)	20,518	21,296	20,438	23,152	27,550
Chg (% YoY)	7.55	3.79	(4.03)	13.28	19.00
Net Income (RMB mn)	1,472	1,928	1,848	2,495	2,901
EPS (RMB)	0.45	0.47	0.45	0.60	0.70
Chg (% YoY)	29.78	4.53	(4.18)	35.01	16.28
BVPS (RMB)	1.63	2.41	2.77	3.22	3.71
Chg (% yoy)	36.13	47.38	15.30	16.14	15.25
P/E (x)	-	7.19	7.50	5.55	4.78
P/B (x)	-	1.40	1.21	1.04	0.90
ROAE (%)	31.58	25.18	17.29	20.17	20.28
ROAA (%)	5.70	6.30	5.10	6.20	6.60
DPS(RMB)	0.04	0.16	0.16	0.21	0.25
Yield (%)	-	4.87	4.67	6.30	7.33
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

\*Net gearing=Net debt/Total equity  
 Source(s): Bloomberg, ABCI estimates

### Declined profit margin of trading business

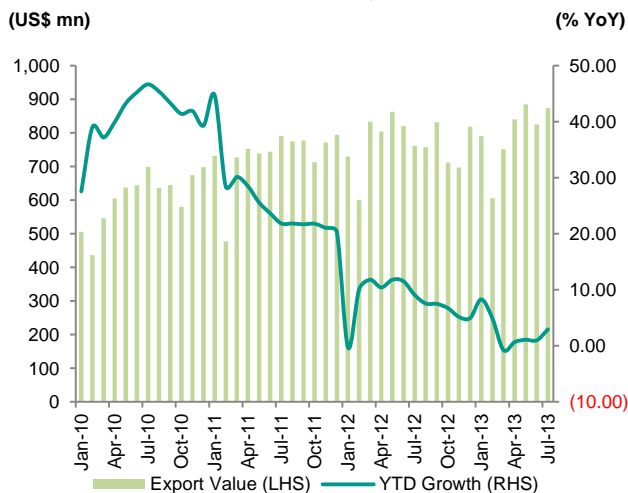
Trading business represented 19.04% of total revenue and 5.49% of gross profit in 1H13. It is the second largest revenue contributor of CMEC.

Profit margin of trading business of CMEC fell on the weakening exports in China. Segmental GPM for trading business dropped 2.02ppt YoY, or 3.03ppt HoH, to 5.59% in 1H13.

The growth in export value (in terms of US\$) of the engine and power generation equipment decelerated to 1.0% in 1H13, and the growth of export volume (in terms of unit) declined to -1.3% in 1H13. The weakening export trading of power generation equipment reduced GPM of the Group's trading business.

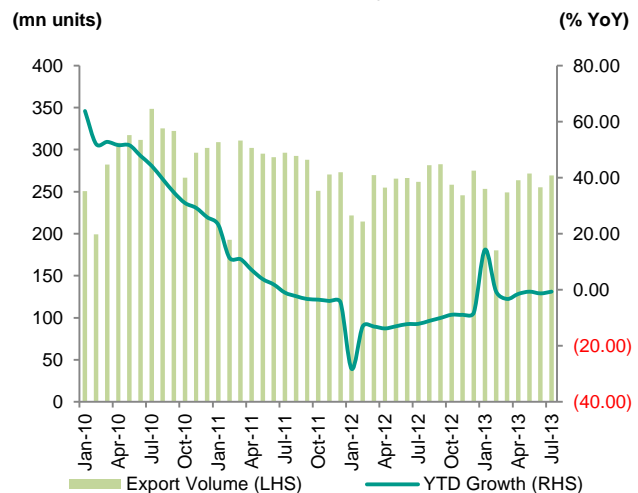
Looking forward, we believe the export of engine and power generation equipment will improve in 2H13. The cumulative export value (in US\$) of the engine and power generation equipment grew 2.9% YoY in 7M13, higher than 6M13 growth at 1.0%; Y-T-D decline in cumulative export volume (in unit) narrowed to -0.7% YoY in the first 7M13 from -1.3% YoY in 6M13. We also expect the GPM of the Group's trading business to improve in 2H13.

**Exhibit 1: Export value of engine and power generation equipment in China (Jan 2010-July 2013)**



\* The YTD Growth is calculated based on the cumulative export value  
Source(s): China Customs Statistics

**Exhibit 2: Export volume of engine and power generation equipment in China (Jan 2010-July 2013)**



\*The YTD Growth is calculated based on the cumulative export value  
Source(s): China Customs Statistics

**Exhibit 3: 1H13 results summary of CMEC**

	1H11	2H11	1H12	2H12	1H13	Growth (% YoY)	Growth (% HoH)
<b>Revenue (RMB mn)</b>	<b>9,839</b>	<b>10,679</b>	<b>10,354</b>	<b>10,942</b>	<b>10,427</b>	<b>0.70</b>	<b>(4.71)</b>
<b>International engineering contracting</b>	<b>5,507</b>	<b>6,548</b>	<b>6,426</b>	<b>6,819</b>	<b>8,004</b>	<b>24.55</b>	<b>17.38</b>
Power	4,339	5,230	5,021	5,026	7,117	41.76	41.59
Transportation	660	444	524	678	271	(48.28)	(60.03)
Telecommunications	0	2	346	388	132	(61.82)	(66.01)
Non-core sectors	508	871	536	726	484	(9.67)	(33.35)
<b>Trading</b>	<b>4,011</b>	<b>3,678</b>	<b>3,522</b>	<b>3,641</b>	<b>1,985</b>	<b>(43.64)</b>	<b>(45.48)</b>
International trade	2,563	2,647	2,851	3,003	1,616	(43.32)	(46.19)
Domestic trade	1,448	1,031	671	638	369	(45.02)	(42.14)
<b>Other</b>	<b>321</b>	<b>453</b>	<b>406</b>	<b>482</b>	<b>438</b>	<b>7.93</b>	<b>(9.17)</b>
<b>Gross Profit (RMB mn)</b>	<b>1,452</b>	<b>2,208</b>	<b>1,904</b>	<b>1,828</b>	<b>2,023</b>	<b>6.26</b>	<b>10.66</b>
<b>International engineering contracting</b>	<b>1,070</b>	<b>1,845</b>	<b>1,442</b>	<b>1,330</b>	<b>1,776</b>	<b>23.19</b>	<b>33.50</b>
Power	1,021	1,583	1,299	1,139	1,702	30.99	49.47
Transportation	36	41	80	(2)	33	(58.49)	(2,300.00)
Telecommunications	0	0	28	37	17	(38.85)	(54.30)
Non-core sectors	13	221	35	156	24	(31.62)	(84.61)
<b>Trading</b>	<b>202</b>	<b>234</b>	<b>268</b>	<b>314</b>	<b>111</b>	<b>(58.61)</b>	<b>(64.63)</b>
International trade	166	147	234	239	97	(58.56)	(59.40)
Domestic trade	36	87	34	75	14	(58.94)	(81.31)
<b>Other</b>	<b>179</b>	<b>129</b>	<b>194</b>	<b>184</b>	<b>136</b>	<b>(29.90)</b>	<b>(26.09)</b>
<b>GPM (%)</b>	<b>14.75</b>	<b>20.67</b>	<b>18.39</b>	<b>16.71</b>	<b>19.40</b>	<b>1.01ppt</b>	<b>2.69ppt</b>
<b>International engineering contracting</b>	<b>19.43</b>	<b>28.18</b>	<b>22.44</b>	<b>19.51</b>	<b>22.19</b>	<b>-0.25ppt</b>	<b>2.68ppt</b>
Power	23.52	30.27	25.88	22.65	23.91	-1.96ppt	1.26ppt
Transportation	5.51	9.30	15.17	(0.22)	12.18	-2.99ppt	12.40ppt
Telecommunications	N/A	13.04	8.04	9.58	12.88	4.84ppt	3.30ppt
Non-core sectors	2.58	25.32	6.55	21.47	4.96	-1.59ppt	-16.51ppt
<b>Trading</b>	<b>5.04</b>	<b>6.36</b>	<b>7.61</b>	<b>8.62</b>	<b>5.59</b>	<b>-2.02ppt</b>	<b>-3.03ppt</b>
International trade	6.48	5.54	8.21	7.96	6.00	-2.21ppt	-1.95ppt
Domestic trade	2.50	8.46	5.08	11.74	3.79	-1.29ppt	-7.95ppt
<b>Other</b>	<b>55.80</b>	<b>28.36</b>	<b>47.81</b>	<b>38.16</b>	<b>31.05</b>	<b>-16.76ppt</b>	<b>-7.11ppt</b>
<b>Major cost (RMB mn)</b>							
Selling and distribution cost	(409)	(569)	(505)	(582)	(526)	4.22	(9.66)
General administrative cost	(172)	(235)	(212)	(266)	(246)	15.87	(7.41)
<b>Cost ratio (%)</b>							
Selling and distribution cost	4.16	5.33	4.87	5.32	5.04	0.17ppt	-0.28ppt
General administrative cost	1.75	2.20	2.05	2.43	2.36	0.31ppt	-0.07ppt
<b>Net profit (RMB mn)</b>	<b>642</b>	<b>833</b>	<b>991</b>	<b>937</b>	<b>1,001</b>	<b>1.01</b>	<b>6.88</b>
<b>Net profit margin (%)</b>	<b>6.53</b>	<b>7.80</b>	<b>9.57</b>	<b>8.56</b>	<b>9.60</b>	<b>0.03ppt</b>	<b>1.04ppt</b>

Source(s): Company

**Exhibit 4: Major changes in our FY13E-15E forecasts**

	FY13E			FY14E			FY15E		
	Previous	New	Diff (%)	Previous	New	Chg (%)	Previous	New	Diff (%)
<b>Revenue (RMB mn)</b>	<b>23,163</b>	<b>20,438</b>	<b>(11.76)</b>	<b>26,898</b>	<b>23,152</b>	<b>(13.93)</b>	<b>35,367</b>	<b>27,550</b>	<b>(22.10)</b>
International engineering contracting	15,027	15,112	0.57	17,982	17,328	(3.63)	25,627	21,214	(17.22)
Trading	7,159	4,367	(39.00)	7,861	4,787	(39.10)	8,631	5,249	(39.19)
Others	977	959	(1.82)	1,055	1,036	(1.82)	1,108	1,088	(1.82)
<b>Gross profit (RMB mn)</b>	<b>4,030</b>	<b>3,680</b>	<b>(8.69)</b>	<b>4,787</b>	<b>4,333</b>	<b>(9.50)</b>	<b>6,433</b>	<b>5,143</b>	<b>(20.07)</b>
<b>GPM (%)</b>	<b>17.40</b>	<b>18.00</b>	<b>0.61ppt</b>	<b>17.80</b>	<b>18.71</b>	<b>0.92ppt</b>	<b>18.19</b>	<b>18.67</b>	<b>0.48ppt</b>
<b>Net income (RMB mn)</b>	<b>2,018</b>	<b>1,847</b>	<b>(8.45)</b>	<b>2,576</b>	<b>2,494</b>	<b>(3.20)</b>	<b>3,357</b>	<b>2,900</b>	<b>(13.63)</b>
<b>Net margin (%)</b>	<b>8.71</b>	<b>9.04</b>	<b>0.33ppt</b>	<b>9.58</b>	<b>10.77</b>	<b>1.19ppt</b>	<b>9.49</b>	<b>10.53</b>	<b>1.03ppt</b>
EPS (RMB)	0.49	0.45	(8.45)	0.62	0.60	(3.20)	0.81	0.70	(13.63)
BVPS (RMB)	2.81	2.77	(1.47)	3.27	3.22	(1.43)	3.86	3.71	(3.90)
DPS (RMB)	0.17	0.16	(8.45)	0.22	0.21	(3.20)	0.28	0.25	(13.62)

Source(s): ABCI Securities estimates

**Exhibit 5: Peer group valuation and earnings forecasts summary (share price as of Aug 28, 2013)**

Company	Ticker	Mkt cap (HK\$ mn)	As of 28/08/2013		P/E (x)		EPS (%YoY)		P/B (x)		ROAE (%)	
			CRY	Share Price	FY13E	FY14E	FY13E	FY14E	FY13E	FY14E	FY13E	FY14E
<b>Domestic Transportation Project Contractor</b>												
CRCC-H	1186 HK	15,653	HKD	7.54	7.94	7.32	10.58	8.39	0.93	0.85	12.32	11.97
CRCC-A	601186 CH	61,374	RMB	4.72	6.19	5.71	10.58	8.39	0.72	0.66	12.32	11.97
CRG-H	390 HK	17,122	HKD	4.07	8.94	7.08	5.96	26.21	0.82	0.74	9.56	11.02
CRG-A	601390 CH	57,830	RMB	2.67	7.30	5.78	5.96	26.21	0.67	0.61	9.56	11.02
CCCC-H	1800 HK	26,745	HKD	6.04	5.81	5.22	8.44	11.26	0.82	0.74	14.45	14.06
CCCC-A	601800 CH	59,390	RMB	3.99	4.78	4.29	8.44	11.26	0.67	0.61	14.45	14.06
CREGC	600528 CH	10,225	RMB	5.53	12.57	10.63	10.50	18.18	1.31	1.21	11.25	11.85
Shanghai Tunnel Eng Co	600820 CH	15,189	RMB	9.23	9.42	8.03	10.57	17.35	0.98	0.90	11.48	11.73
Xiangyu Dredging	871 HK	1,736	HKD	2.17	6.01	3.96	16.00	51.72	0.70	0.62	16.07	16.67
<b>Sector Weighted Average</b>					<b>6.39</b>	<b>5.51</b>	<b>1.88</b>	<b>32.22</b>	<b>0.78</b>	<b>0.72</b>	<b>11.48</b>	<b>11.78</b>
<b>Domestic Infrastructure Construction Contractor</b>												
CSCEC	601668 CH	122,786	RMB	3.23	5.29	4.61	17.50	14.57	0.82	0.71	17.96	16.50
Sinohydro Group	601669 CH	34,426	RMB	2.83	5.68	4.85	16.76	17.07	0.51	0.48	16.06	10.25
China Gezhouba Group	600068 CH	17,986	RMB	4.07	8.48	7.68	7.14	10.42	1.03	0.94	13.52	12.76
CSCI	3311 HK	47,520	HKD	12.22	17.28	13.47	23.34	28.29	3.00	2.57	18.73	20.84
CAMC	002051 CH	20,573	RMB	25.48	19.48	14.86	17.84	31.12	3.29	2.81	19.66	20.42
<b>CMEC</b>	<b>1829 HK</b>	<b>17,242</b>	<b>HKD</b>	<b>4.18</b>	<b>7.50</b>	<b>5.55</b>	<b>(4.18)</b>	<b>35.01</b>	<b>1.21</b>	<b>1.04</b>	<b>17.29</b>	<b>20.17</b>
<b>Sector Weighted Average</b>					<b>9.01</b>	<b>7.34</b>	<b>16.35</b>	<b>19.77</b>	<b>1.41</b>	<b>1.22</b>	<b>17.63</b>	<b>16.76</b>
<b>International Transportation Construction Contractors</b>												
Vinci S.A.	DG FP	243,500	EUR	39.35	11.45	10.86	(3.75)	5.41	1.55	1.45	13.66	13.34
Bouygues Construction	EN FP	83,766	EUR	25.41	10.80	9.94	17.28	8.72	0.90	0.88	8.68	9.18
Hochtief A.G.	HOT GR	42,710	EUR	53.69	16.60	14.18	50.47	17.03	1.30	1.25	8.68	10.18
Skanska A.B.	SKAB SS	59,682	SEK	119.60	13.99	13.02	23.57	7.41	2.42	2.28	18.39	19.57
Strabag S.E.	STR AV	19,250	EUR	16.35	15.67	12.73	79.83	23.11	0.57	0.57	3.67	4.42
FCC S.A.	FCC SM	17,827	EUR	13.56	713.42	23.66	(100.21)	2,915.79	1.92	1.73	(9.06)	8.11
Ferrovial S.A.	FER SM	96,050	EUR	12.68	27.67	28.04	(52.68)	(1.31)	1.67	1.69	5.27	5.67
BAM Groep	BAMNB NA	8,058	EUR	3.18	10.56	9.14	(138.10)	15.61	0.86	0.82	10.13	21.04
SNC-Lavalin	SNC CN	44,683	CAD	39.88	144.49	21.11	(86.54)	584.42	2.76	2.78	10.84	13.12
Obrascon Huarte	OHL SM	27,121	EUR	26.32	8.67	7.57	(69.88)	14.56	1.08	0.97	13.54	14.06
Sacyr S.A.	SYV SM	13,468	EUR	2.80	14.88	17.17	(108.89)	(13.30)	0.83	0.78	7.31	4.69
<b>Sector Weighted Average</b>					<b>42.51</b>	<b>14.74</b>	<b>(14.56)</b>	<b>124.94</b>	<b>1.57</b>	<b>1.51</b>	<b>10.62</b>	<b>11.57</b>
<b>International Infrastructure Construction Contractors</b>												
ACS	ACS SM	72,636	EUR	21.80	9.33	8.67	(135.34)	7.58	2.14	1.93	25.37	24.04
Jacobs Engineering Group	JEC US	59,582	USD	58.44	17.92	15.71	9.83	14.07	1.82	1.63	10.83	11.21
Hyundai Eng & Const	000720 KP	43,226	KRW	55,800	10.24	8.46	74.93	21.03	1.23	1.09	12.68	13.66
WorleyParsons Ltd	WOR AU	36,752	AUD	21.47	14.51	13.21	13.15	9.80	2.32	2.20	16.43	16.65
Abengoa S.A.	ABG SM	11,342	EUR	2.24	12.52	9.42	(22.17)	32.96	0.85	0.81	5.72	5.63
Daewoo Eng & Const	047040 KP	20,731	KRW	7,170	12.82	8.74	44.16	46.63	0.82	0.77	6.79	9.26
Impregilo SpA	IPG IM	14,360	EUR	3.40	17.17	10.83	(86.71)	58.59	1.04	1.09	4.33	9.83
<b>Sector Weighted Average</b>					<b>13.05</b>	<b>11.06</b>	<b>(23.60)</b>	<b>18.71</b>	<b>1.72</b>	<b>1.57</b>	<b>15.11</b>	<b>15.52</b>
<b>Overall Weighted Average</b>					<b>24.31</b>	<b>10.98</b>	<b>(7.46)</b>	<b>69.35</b>	<b>1.41</b>	<b>1.32</b>	<b>12.84</b>	<b>13.24</b>

Source(s): Bloomberg, ABCI Securities estimates

<sup>1</sup> The market capital value of the companies are translated into HKD

<sup>2</sup> ABCI Securities estimates

Source(s): Bloomberg, ABCI Securities estimates

**Consolidated income statement (2011A-2015E)**

<b>FY Ended Dec 31 (RMB mn)</b>	<b>2011A</b>	<b>2012A</b>	<b>2013E</b>	<b>2014E</b>	<b>2015E</b>
<b>Revenue</b>	<b>20,518</b>	<b>21,296</b>	<b>20,438</b>	<b>23,152</b>	<b>27,550</b>
International engineering contracting	12,055	13,245	15,112	17,328	21,214
Trading	7,689	7,163	4,367	4,787	5,249
Other	774	888	959	1,036	1,088
<b>COGS</b>	<b>(16,859)</b>	<b>(17,564)</b>	<b>(16,758)</b>	<b>(18,819)</b>	<b>(22,408)</b>
<b>Gross profit</b>	<b>3,659</b>	<b>3,732</b>	<b>3,680</b>	<b>4,333</b>	<b>5,143</b>
SG&A	(1,385)	(1,565)	(1,556)	(1,789)	(2,144)
Other income and gains	(287)	449	373	828	921
<b>Pre-tax profit</b>	<b>1,987</b>	<b>2,616</b>	<b>2,497</b>	<b>3,371</b>	<b>3,920</b>
Income tax	(515)	(688)	(649)	(876)	(1,019)
<b>Net profit</b>	<b>1,472</b>	<b>1,928</b>	<b>1,848</b>	<b>2,495</b>	<b>2,901</b>
Profit attributable to:					
Minority interests	(3)	0	1	1	1
<b>Equity shareholders of the Company</b>	<b>1,475</b>	<b>1,928</b>	<b>1,847</b>	<b>2,494</b>	<b>2,900</b>
<b>Basic EPS (RMB)</b>	<b>0.447</b>	<b>0.467</b>	<b>0.448</b>	<b>0.604</b>	<b>0.703</b>
<b>DPS (RMB)</b>	<b>0.043</b>	<b>0.164</b>	<b>0.157</b>	<b>0.212</b>	<b>0.246</b>

Source(s): Company, ABCI Securities estimates

**Consolidated balance sheet (2011A-2015E)**

<b>As of Dec 31 (RMB mn)</b>	<b>2011A</b>	<b>2012A</b>	<b>2013E</b>	<b>2014E</b>	<b>2015E</b>
<b>Current assets</b>	<b>19,331</b>	<b>27,936</b>	<b>31,018</b>	<b>33,926</b>	<b>37,051</b>
Cash and equivalent	9,516	19,008	22,851	25,919	29,067
Trade and bill receivables	3,381	3,052	2,390	2,445	1,870
Construction contracts	3,176	3,191	2,641	2,295	2,272
Inventories	212	226	430	291	568
Other current assets	3,046	2,459	2,705	2,975	3,273
<b>Non-current assets</b>	<b>7,277</b>	<b>6,834</b>	<b>7,175</b>	<b>8,033</b>	<b>9,343</b>
Property, plant and equipment	392	444	856	1,248	1,627
Lease prepayment	1,630	1,827	1,792	1,757	1,723
Intangible assets	5	8	6	5	5
Trade and other receivables	107	39	118	121	92
Construction contracts	4,774	4,114	3,227	3,442	4,220
Other non-current assets	369	402	1,175	1,459	1,677
<b>Total assets</b>	<b>26,608</b>	<b>34,770</b>	<b>38,193</b>	<b>41,959</b>	<b>46,394</b>
<b>Current liabilities</b>	<b>20,497</b>	<b>24,271</b>	<b>25,863</b>	<b>27,616</b>	<b>29,789</b>
Trade and bill payables	8,320	9,596	9,710	10,275	10,598
Receipts in advance	10,316	12,710	14,216	15,404	17,351
Short term borrowings	160	134	90	90	90
Other current liabilities	1,701	1,831	1,847	1,847	1,750
<b>Non-current liabilities</b>	<b>737</b>	<b>582</b>	<b>894</b>	<b>1,059</b>	<b>1,294</b>
Long-term payables	131	61	328	497	731
Long-term borrowings	226	155	105	55	5
Other non-current liabilities	381	366	461	507	558
<b>Total liabilities</b>	<b>21,234</b>	<b>24,853</b>	<b>26,756</b>	<b>28,675</b>	<b>31,083</b>
<b>Minority interests</b>	<b>(6)</b>	<b>(3)</b>	<b>(3)</b>	<b>(2)</b>	<b>(1)</b>
<b>Shareholders' equities</b>	<b>5,380</b>	<b>9,920</b>	<b>11,439</b>	<b>13,286</b>	<b>15,313</b>

Source(s): Company, ABCI Securities estimates

**Consolidated cash flow statement (2011A-2015E)**

<b>FY ended Dec 31 (RMB mn)</b>	<b>2011A</b>	<b>2012A</b>	<b>2013E</b>	<b>2014E</b>	<b>2015E</b>
<b>Profit before tax</b>	<b>1,987</b>	<b>2,616</b>	<b>2,497</b>	<b>3,371</b>	<b>3,920</b>
Change in depreciation and amortization	72	99	113	136	153
Change in working capital	1,434	5,038	4,195	2,566	2,450
Net financial cost (income)	(174)	(296)	(561)	(987)	(1,117)
Income tax paid	(683)	(604)	(932)	(1,258)	(1,463)
Others	387	391	(373)	436	629
<b>CF Operating</b>	<b>3,023</b>	<b>7,244</b>	<b>4,939</b>	<b>4,264</b>	<b>4,572</b>
Increase in PP&E	(51)	(84)	(486)	(490)	(494)
Increase in intangible assets	(1,001)	(237)	(0)	(0)	(0)
Others	324	(2,548)	0	0	0
<b>CF Investing</b>	<b>(728)</b>	<b>(2,869)</b>	<b>(487)</b>	<b>(490)</b>	<b>(494)</b>
Capital injection	20	3,012	455	0	0
Net debt financing	(1,450)	(97)	(94)	(50)	(50)
Dividend payout	(698)	(354)	(675)	(647)	(873)
Interest paid	(20)	(11)	(295)	(10)	(7)
Others	18	(1)	0	1	1
<b>CF Financing</b>	<b>(2,130)</b>	<b>2,549</b>	<b>(609)</b>	<b>(706)</b>	<b>(929)</b>
<b>Net change in cash</b>	<b>165</b>	<b>6,924</b>	<b>3,843</b>	<b>3,068</b>	<b>3,148</b>
Cash at the beginning	9,623	9,516	19,008	22,851	25,919
Adjustment (Time deposit & FX effect)	(272)	2,568	0	0	0
<b>Cash at the end</b>	<b>9,516</b>	<b>19,008</b>	<b>22,851</b>	<b>25,919</b>	<b>29,067</b>

Source(s): Company, ABCI Securities estimates

## Disclosures

### Analyst Certification

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### 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

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	$2.6 \leq$ 180 day volatility/180 day benchmark index volatility
High	$1.5 \leq$ 180 day volatility/180 day benchmark index volatility < 2.6
Medium	$1.0 \leq$ 180 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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