



August 29, 2013  
Equity Focus  
Rating: BUY  
TP: HK\$ 7.49

H-Share price (HK\$) 6.00  
Est. share price return 24.83%  
Est. dividend yield 2.92%  
Est. total return 27.75%

Previous Rating & TP BUY; HK\$ 9.45  
Previous Report Date July 24, 2013

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**Key Data**

52Wk H/L(HK\$)	12.16/ 4.74
Issued shares (mn)	7,706
H-Shares (mn)	1,430
A-Shares (mn)	6,276
Market cap	
H-shares (HK\$ mn)	8,580
A-Shares (RMB mn)	33,263
3-mth avg daily turnover (HK\$ mn)	88.3
Major shareholder(s) (%):	
Hunan SASAC	16.2
Source(s): Company, Bloomberg, ABCI Securities	

**1H13 Revenue breakdown (%)**

Concrete Machinery	44.28
Crane Machinery	32.74
Earth Moving Machinery	3.18
Environmental and Sanitation Machinery	7.00
Road Construction and Pile Foundation	4.60
Financial Leasing Income	4.08
Others	4.12
Source(s): Company, ABCI Securities	

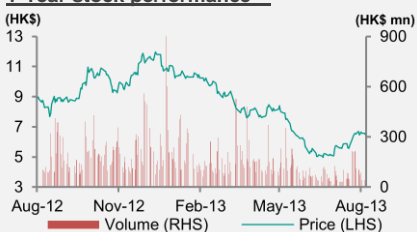
**Share performance (%)**

	Absolute	Relative*
1-mth	12.32	14.02
3-mth	(16.80)	(13.09)
6-mth	(37.72)	(34.68)

\*Relative to HSI

Source(s): Bloomberg, ABCI Securities

**1-Year stock performance**



Source(s): Bloomberg

## Zoomlion (1157 HK)

Disciplined credit sales to continue. Maintain **BUY**

- 1H13 revenue declined 30.75% and net income fell 48.01% on tightened credit sales and weakening machinery industry, however ...
- ... Profitability improved in 1H13 on a YoY basis. Net margin improved from 8.43% in 2H12 to 14.50% in 1H13
- 1H13 receivables level remained high. We expect tight credit sales to continue in 2H13 and 2014. Sales growth will therefore be weakened
- We lower FY13E/14E net income forecasts by 24.00% and 29.94%, respectively. TP is revised down 20.74% to HK\$ 7.49, reflecting 1.0x FY13E P/B. Maintain **BUY**

**1H13 revenue dropped but margins rose.** 1H13 revenue declined 30.75% YoY to RMB 20,165mn because of strategic tightening of credit sales to control risk and weak sales of machinery under China's prudent monetary policy. Although 1H13 gross profit dropped 34.69% and net income fell 48.01% YoY, 1H13 GPM recovered to 32.11% (2H12: 29.62%) and net margin rose to 14.50% (2H12: 8.43%).

**Prolonged recovery period of receivables.** Although the operating cash flow improved from RMB 454mn in 1H12 to RMB 863mn in 1H13, the trade and bill receivables increased 22.23% from RMB 20,193mn at end-2012 to RMB 24,681mn at end-June 2013, slightly higher than the average growth of 22.20% in trade and bill receivables among major domestic machinery makers during the same period. We expect Zoomlion to continue to tighten credit sales in 2H13 and 2014, and this may hinder sales recovery in the short run.

**Debt level improved in 1H13.** The gearing (total debt / total equity) dropped from 49.36% at end-2012 to 41.24% at end-June 2013. Net finance cost improved from a net cost of RMB 203mn in 1H12 to a net finance income of RMB 64mn in 1H13. With the tightened credit sales, the working capital-revenue ratio is expected to reduce gradually in the future.

**Maintain BUY with TP revised down to HK\$7.49 (previous TP: HK\$9.45).** We expect construction machinery industry will remain sluggish in 2H13 on the prudent monetary supply to the industry. To lower the receivables level, we expect credit sales will continue to tighten in 2H13 and 2014. We cut our FY13E/14E net income forecasts by 24.00% and 29.94%, respectively. Our new TP at HK\$ 7.49 represents 1.0x FY13E P/B. We believe the valuation is justified because of the improved asset quality driven by lower receivables and debt level. The counter is currently trading at 0.80x FY13E P/B. Maintain **BUY**.

**Risk factors:** Prolonged weakness in machinery industry; sales growth recovery hindered by tightened credit sales

**Results and Valuation**

FY ended Dec 31	2011A	2012A	2013E	2014E	2015E
Revenue (RMB mn)	46,323	48,071	41,144	43,665	48,443
Chg (% YoY)	43.89	3.77	(14.41)	6.13	10.94
Net Income (RMB mn)	8,066	7,330	5,424	6,068	7,337
EPS (RMB)	1.05	0.95	0.70	0.78	0.94
Chg (% YoY)	42.37	(9.20)	(26.01)	11.14	20.09
BVPS (RMB)	4.60	5.29	6.02	6.86	7.87
Chg (% YoY)	6.52	15.03	13.75	14.06	14.63
P/E (x)	-	5.07	6.85	6.16	5.13
P/B (x)	-	0.91	0.80	0.70	0.61
ROAE (%)	25.69	19.25	12.45	12.18	12.79
ROAA (%)	12.15	9.38	6.18	6.74	7.68
DPS(RMB)	0.25	0.20	0.14	0.16	0.19
Yield (%)	-	4.15	2.92	3.25	3.90
Net gearing (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

\*Net gearing=Net debt/Total equity

Source(s): Bloomberg, ABCI estimates

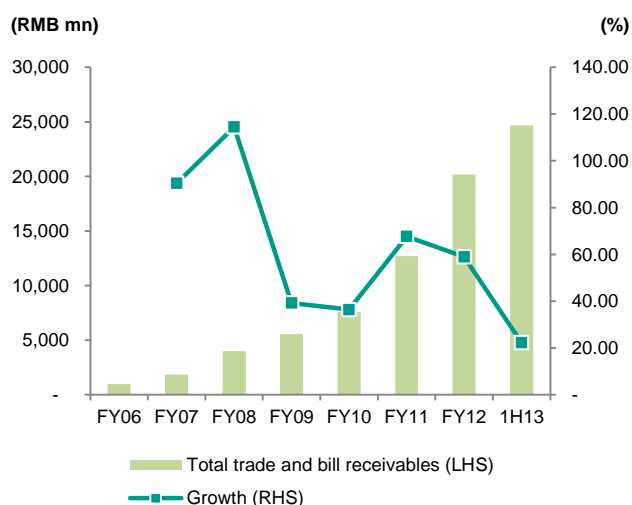
### Trading off sales growth for lower receivables

The Group started to tighten its credit sales to customers since 2H12. Thus, revenue dropped 49.82% YoY and 48.01% YoY, respectively, in 2H12 and 1H13.

Although the total receivables (trade and bill receivable and financial leasing assets) increased 5.35% from RMB 39,845mn by Dec 2012 to RMB 41,977mn by June 2013, the growth has been decelerating.

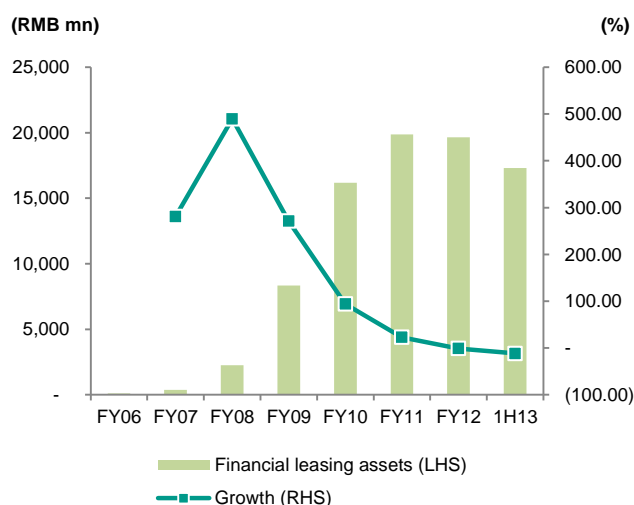
Looking forward, strategic tightening of credit sales will continue so that the Group can lower its receivables level. Hence, sales growth of Zoomlion will slow and we revise down our FY13E-15E earnings forecasts.

**Exhibit 1: Trade and bill receivable value of Zoomlion by end of FY06-1H13**



Source(s): Company

**Exhibit 2: Financial leasing assets of Zoomlion by end of FY06-1H13**



Source(s): Company

**Exhibit 3: Major changes in our FY13E-15E forecasts**

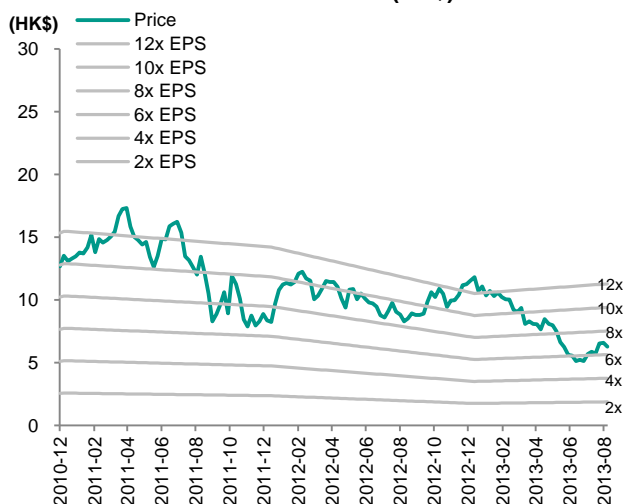
	FY13E			FY14E			FY15E		
	Previous	New	Chg (%)	Previous	New	Chg (%)	Previous	New	Chg (%)
<b>Revenue (RMB mn)</b>	<b>50,751</b>	<b>41,144</b>	<b>(18.93)</b>	<b>56,561</b>	<b>43,665</b>	<b>(22.80)</b>	<b>63,076</b>	<b>48,443</b>	<b>(23.20)</b>
Concrete Machinery	24,249	18,097	(25.37)	27,501	19,409	(29.42)	31,128	21,799	(29.97)
Crane Machinery	15,048	14,309	(4.91)	16,388	14,797	(9.71)	18,057	16,322	(9.61)
Earth Moving Machinery	2,506	1,156	(53.88)	2,830	1,333	(52.90)	3,199	1,537	(51.94)
Environmental and Sanitation Machinery	3,337	2,822	(15.44)	3,671	3,104	(15.44)	4,038	3,415	(15.44)
Road Construction and Pile Foundation	1,792	1,480	(17.39)	2,060	1,702	(17.39)	2,370	1,957	(17.39)
Financial Leasing Income	1,749	1,587	(9.24)	1,832	1,456	(20.52)	1,780	1,363	(23.41)
Others	2,070	1,694	(18.18)	2,277	1,863	(18.18)	2,505	2,049	(18.18)
<b>Gross profit (RMB mn)</b>	<b>15,352</b>	<b>13,104</b>	<b>(14.65)</b>	<b>18,071</b>	<b>13,782</b>	<b>(23.74)</b>	<b>20,835</b>	<b>15,677</b>	<b>(24.76)</b>
<b>GPM (%)</b>	<b>30.25</b>	<b>31.85</b>	<b>+1.60ppt</b>	<b>31.95</b>	<b>31.56</b>	<b>-0.39ppt</b>	<b>33.03</b>	<b>32.36</b>	<b>-0.67ppt</b>
<b>Net income (RMB mn)</b>	<b>7,136</b>	<b>5,424</b>	<b>(24.00)</b>	<b>8,662</b>	<b>6,068</b>	<b>(29.94)</b>	<b>10,544</b>	<b>7,337</b>	<b>(30.42)</b>
<b>Net margin (%)</b>	<b>14.06</b>	<b>13.18</b>	<b>-0.88ppt</b>	<b>15.31</b>	<b>13.90</b>	<b>-1.42ppt</b>	<b>16.72</b>	<b>15.15</b>	<b>-1.57ppt</b>
EPS (RMB)	0.93	0.70	(24.00)	1.12	0.78	(29.94)	1.35	0.94	(30.42)
BVPS (RMB)	6.24	6.02	(3.56)	7.37	6.86	(6.93)	8.72	7.87	(9.77)
DPS (RMB)	0.19	0.14	(24.00)	0.22	0.16	(29.94)	0.27	0.19	(30.42)

Source(s): ABCI Securities estimates

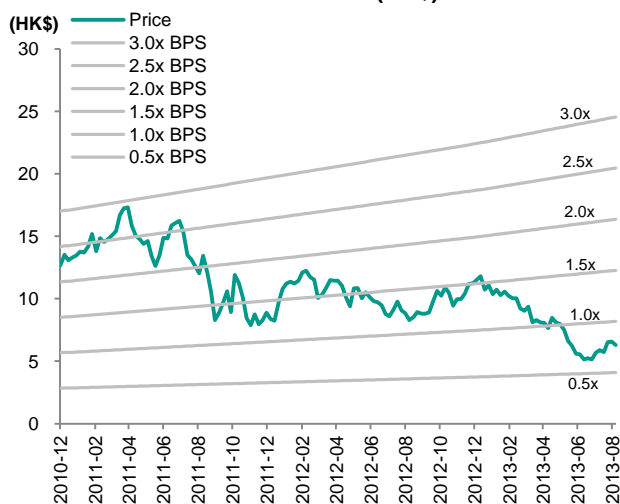
**Exhibit 4: 1H13 results summary of Zoomlion**

	1H11	2H11	1H12	2H12	1H13	Change (% YoY)	Change (% HoH)
<b>Revenue (RMB mn)</b>	<b>24,148</b>	<b>22,175</b>	<b>29,120</b>	<b>18,951</b>	<b>20,165</b>	<b>-30.75</b>	<b>6.41</b>
Concrete Machinery	11,134	10,078	16,906	6,690	8,929	-47.18	33.47
Crane Machinery	8,208	7,410	7,044	7,088	6,603	-6.26	-6.84
Earth Moving Machinery	673	375	1,324	945	642	-51.51	-32.06
Environmental and Sanitation Machinery	1,264	1,714	1,201	1,833	1,411	17.49	-23.02
Road Construction and Pile Foundation	1,006	731	779	779	927	19.00	19.00
Financial Leasing Income	749	834	783	817	823	5.11	0.73
Others	1,114	1,033	1,083	799	830	-23.36	3.88
<b>Gross Profit (RMB mn)</b>	<b>7,857</b>	<b>7,150</b>	<b>9,912</b>	<b>5,613</b>	<b>6,474</b>	<b>-34.69</b>	<b>15.34</b>
Concrete Machinery	4,041	3,503	6,123	1,884	2,809	-54.12	49.10
Crane Machinery	2,159	1,864	1,927	1,875	1,819	-5.60	-2.99
Earth Moving Machinery	125	89	335	168	149	-55.52	-11.31
Environmental and Sanitation Machinery	407	510	333	527	396	18.92	-24.86
Road Construction and Pile Foundation	383	282	326	326	345	5.83	5.83
Financial Leasing Income	597	779	759	732	822	8.30	12.30
Others	145	123	109	101	134	22.94	32.67
<b>GPM (%)</b>	<b>32.54</b>	<b>32.24</b>	<b>34.04</b>	<b>29.62</b>	<b>32.11</b>	<b>-1.93ppt</b>	<b>2.49ppt</b>
Concrete Machinery	36.29	34.76	36.22	28.16	31.46	-4.76ppt	3.30ppt
Crane Machinery	26.30	25.16	27.36	26.45	27.55	0.19ppt	1.09ppt
Earth Moving Machinery	18.57	23.73	25.30	17.78	23.21	-2.09ppt	5.43ppt
Environmental and Sanitation Machinery	32.20	29.75	27.73	28.75	28.07	0.34ppt	-0.69ppt
Road Construction and Pile Foundation	38.07	38.58	41.85	41.85	37.22	-4.63ppt	-4.63ppt
Financial Leasing Income	79.71	93.41	96.93	89.60	99.88	2.94ppt	10.28ppt
Others	13.02	11.91	10.06	12.64	16.14	6.08ppt	3.50ppt
<b>Major cost (RMB mn)</b>							
Selling and distribution cost	1,230	1,930	1,473	1,903	1,526	3.60	-19.81
Administrative cost <sup>1</sup>	1,166	1,093	1,458	1,494	1,331	-8.71	-10.91
<b>Cost ratio (%)</b>							
Selling and distribution cost	5.09	8.70	5.06	10.04	7.57	2.51ppt	-2.47ppt
Administrative cost <sup>1</sup>	4.83	4.93	5.01	7.88	6.60	1.59ppt	-1.28ppt
<b>Net profit (RMB mn)</b>	<b>4,651</b>	<b>3,404</b>	<b>5,622</b>	<b>1,708</b>	<b>2,923</b>	<b>-48.01</b>	<b>71.14</b>
<b>Net profit margin (%)</b>	<b>19.26</b>	<b>15.35</b>	<b>19.31</b>	<b>9.01</b>	<b>14.50</b>	<b>-4.81ppt</b>	<b>5.48ppt</b>
<b>Operating cash flow (RMB mn)</b>	<b>467</b>	<b>1,627</b>	<b>454</b>	<b>2,506</b>	<b>863</b>	<b>90.09</b>	<b>-65.56</b>
<b>OCF / Net income (%)</b>	<b>10.04</b>	<b>47.80</b>	<b>8.08</b>	<b>146.72</b>	<b>29.52</b>	<b>21.45ppt</b>	<b>-117.20ppt</b>

<sup>1</sup>: Including R&D expenses  
 Source(s): Company

**Exhibit 5: P/E band of Zoomlion-H (HK\$)**


Source(s): Company, Bloomberg, ABCI Securities estimates

**Exhibit 6: P/B band of Zoomlion-H (HK\$)**


Source(s): Company, Bloomberg, ABCI Securities estimates

**Exhibit 7: Peer group valuation and earnings forecasts summary (share price as of Aug 29, 2013)**

Company	Ticker	Mkt cap (HK\$ mn)	As of 29/08/2013		P/E (x)		EPS (%YoY)		P/B (x)		ROAE (%)	
			CRY	Share Price	FY13E	FY14E	FY13E	FY14E	FY13E	FY14E	FY13E	FY14E
<b>Construction Machinery Maker</b>												
CATERPILLAR INC	CAT US	414,101	USD	82.45	13.09	11.35	(27.66)	15.27	2.84	2.41	28.07	37.21
KOMATSU LTD	6301 JP	168,564	JPY	2,170	11.48	10.56	42.56	8.65	1.60	1.46	13.28	15.05
SANY HEAVY INDUS	600031 CH	69,389	RMB	7.19	8.76	6.44	9.47	35.93	1.93	1.55	21.92	27.41
<b>ZOOMLION HEAVY-H</b>	<b>1157 HK</b>	<b>8,580</b>	<b>HKD</b>	<b>6.00</b>	<b>6.85</b>	<b>6.16</b>	<b>(26.01)</b>	<b>11.14</b>	<b>0.80</b>	<b>0.70</b>	<b>12.45</b>	<b>12.18</b>
ZOOMLION HEAVY-A	000157 CH	42,147	RMB	5.30	7.53	6.78	(26.01)	11.14	0.88	0.77	12.45	12.18
XCMG CONSTRUCT-A	000425 CH	20,674	RMB	7.91	6.33	6.08	4.17	4.00	0.88	0.81	13.99	13.82
GUANGXI LIUGONG	000528 CH	9,040	RMB	6.34	17.00	10.05	49.20	69.17	0.74	0.70	4.39	6.83
TEREX CORP	TEX US	25,791	USD	29.88	15.02	10.31	107.19	45.70	1.41	1.23	10.13	12.33
TADANO	6395 JP	14,130	JPY	1,381	16.59	14.75	43.92	12.45	1.82	1.62	7.95	11.64
SHANTUI CONST-A	000680 CH	5,036	RMB	3.49	23.58	17.90	393.33	31.76	0.94	0.93	3.79	5.23
XIAMEN XGMA-A	600815 CH	4,994	RMB	4.11	(31.62)	18.27	(181.25)	(273.08)	0.86	0.83	(2.70)	4.62
LONKING HOLDINGS	3339 HK	6,934	HKD	1.62	9.23	6.55	299.47	41.03	0.79	0.70	9.09	11.37
<b>Sector Weighted Average</b>					<b>11.74</b>	<b>10.37</b>	<b>2.69</b>	<b>15.18</b>	<b>2.18</b>	<b>1.88</b>	<b>21.26</b>	<b>27.14</b>
<b>Agricultural Machinery Maker</b>												
DEERE & CO	DE US	253,151	USD	84.12	9.54	10.41	14.20	(8.38)	3.28	2.67	40.54	27.00
MAHINDRA & MAHIN	MM IN	54,735	INR	777.80	10.30	8.58	8.62	20.06	1.95	1.67	17.75	15.87
CNH GLOBAL NV	CNH US	87,185	USD	46.39	8.58	8.71	14.05	(1.50)	1.18	1.03	16.82	16.93
FIRST TRACTOR-H	38 HK	1,889	HKD	4.70	11.49	7.12	(6.30)	61.35	0.84	0.73	7.38	10.96
FIRST TRACTOR -A	601038 CH	5,441	RMB	7.23	22.00	13.63	(6.30)	61.35	1.60	1.40	7.38	10.96
ESCORTS LTD	ESC IN	1,128	INR	80.50	6.00	5.26	116.81	14.12	0.51	0.47	10.20	9.30
<b>Sector Weighted Average</b>					<b>9.60</b>	<b>9.81</b>	<b>13.32</b>	<b>(1.71)</b>	<b>2.60</b>	<b>2.15</b>	<b>31.64</b>	<b>22.97</b>
<b>Mining Machinery Maker</b>												
JOY GLOBAL INC	JOY US	40,290	USD	48.89	8.39	9.79	(19.07)	(14.28)	1.67	1.57	26.35	21.69
ZHENGZHOU COAL-H	564 HK	1,183	HKD	4.87	6.47	5.47	(38.33)	18.22	0.66	0.60	10.41	11.47
ZHENGZHOU COAL-A	601717 CH	12,834	RMB	7.35	12.16	10.28	(38.33)	18.22	1.23	1.13	10.41	11.47
TIAN DI -A	600582 CH	10,521	RMB	6.84	7.15	6.15	2.35	16.20	1.16	1.03	21.55	17.73
SANY HEAVY EQUIP	631 HK	7,025	HKD	2.31	10.12	8.52	14.21	18.85	0.97	0.89	9.78	10.73
LINZHOU HEAVY-A	002535 CH	3,841	RMB	5.65	8.00	5.91	64.19	35.41	1.24	1.04	17.19	19.14
SUNWARD INTELL-A	002097 CH	3,545	RMB	6.80	42.50	42.50	633.94	0.00	1.59	1.54	3.94	3.69
<b>Sector Weighted Average</b>					<b>10.47</b>	<b>10.48</b>	<b>16.57</b>	<b>1.50</b>	<b>1.43</b>	<b>1.33</b>	<b>19.97</b>	<b>17.46</b>
<b>Machinery Parts Maker</b>												
CUMMINS INC	CMI US	178,250	USD	122.76	15.07	12.63	(6.24)	19.27	3.01	2.56	23.15	21.87
WEICHAI POWER-H	2338 HK	49,499	HKD	28.15	12.46	10.69	20.93	16.59	1.58	1.40	13.56	13.90
TAIYUAN HEAVY-A	600169 CH	7,986	RMB	2.60	19.26	26.00	(198.47)	(25.93)	1.11	1.06	5.92	4.17
CHINA YUCHAI	CYD US	5,691	USD	19.69	6.93	5.93	16.87	16.90	0.73	0.68	10.86	11.82
<b>Sector Weighted Average</b>					<b>14.48</b>	<b>12.52</b>	<b>(6.48)</b>	<b>17.17</b>	<b>2.60</b>	<b>2.22</b>	<b>20.33</b>	<b>19.41</b>
<b>Industrial Machinery Maker</b>												
VOLVO AB-B	VOLVB SS	243,388	SEK	96.60	24.33	12.84	(27.00)	89.47	2.53	2.27	10.26	19.65
ATLAS COPCO-A	ATCOA SS	252,599	SEK	178.40	16.93	15.91	(7.95)	6.40	5.33	4.66	33.21	30.27
HYUNDAI HEAVY	009540 KS	118,177	KRW	223,000	8.51	7.07	45.28	20.38	0.90	0.85	10.54	12.32
SANDVIK AB	SAND SS	131,779	SEK	88.70	14.63	12.73	(6.90)	15.00	3.04	2.73	19.34	18.95
DOOSAN HEAVY	034020 KS	31,519	KRW	42,700	5.31	4.83	(447.41)	10.00	0.99	0.94	20.08	19.94
MANITOWOC CO	MTW US	21,230	USD	20.50	16.83	12.50	58.18	34.65	3.71	3.07	24.48	28.30
ANHUI HELI CO-A	600761 CH	5,758	RMB	8.84	10.34	8.89	25.74	16.26	1.35	1.20	13.86	14.41
<b>Sector Weighted Average</b>					<b>17.05</b>	<b>12.59</b>	<b>(20.95)</b>	<b>35.95</b>	<b>3.22</b>	<b>2.85</b>	<b>19.78</b>	<b>21.99</b>
<b>Overall Weighted Average</b>					<b>13.45</b>	<b>11.27</b>	<b>(4.14)</b>	<b>19.19</b>	<b>2.63</b>	<b>2.28</b>	<b>22.41</b>	<b>23.49</b>

<sup>1</sup>The market capital value of the companies are translated into HKD  
 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>46,323</b>	<b>48,071</b>	<b>41,144</b>	<b>43,665</b>	<b>48,443</b>
Concrete Machinery	21,212	23,596	18,097	19,409	21,799
Crane Machinery	15,618	14,132	14,309	14,797	16,322
Earth Moving Machinery	1,048	2,269	1,156	1,333	1,537
Environmental and Sanitation Machinery	2,978	3,034	2,822	3,104	3,415
Road Construction and Pile Foundation	1,737	1,558	1,480	1,702	1,957
Financial Leasing Income	1,583	1,600	1,587	1,456	1,363
Others	2,147	1,882	1,694	1,863	2,049
<b>COGS</b>	<b>(31,316)</b>	<b>(32,546)</b>	<b>(28,040)</b>	<b>(29,883)</b>	<b>(32,766)</b>
<b>Gross profit</b>	<b>15,007</b>	<b>15,525</b>	<b>13,104</b>	<b>13,782</b>	<b>15,677</b>
SG&A	(5,419)	(6,328)	(6,360)	(6,297)	(6,966)
Other income and gains	14	(339)	(303)	(280)	(3)
<b>Pre-tax profit</b>	<b>9,602</b>	<b>8,858</b>	<b>6,441</b>	<b>7,205</b>	<b>8,708</b>
Income tax	(1,429)	(1,329)	(966)	(1,081)	(1,306)
<b>Net profit</b>	<b>8,173</b>	<b>7,529</b>	<b>5,475</b>	<b>6,124</b>	<b>7,402</b>
Profit attributable to:					
Minority interests	107	199	51	56	65
<b>Equity shareholders of the Company</b>	<b>8,066</b>	<b>7,330</b>	<b>5,424</b>	<b>6,068</b>	<b>7,337</b>
<b>Basic EPS (RMB)</b>	<b>1.05</b>	<b>0.95</b>	<b>0.70</b>	<b>0.78</b>	<b>0.94</b>
<b>DPS (RMB)</b>	<b>0.25</b>	<b>0.20</b>	<b>0.14</b>	<b>0.16</b>	<b>0.19</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>47,842</b>	<b>63,243</b>	<b>62,616</b>	<b>68,664</b>	<b>75,095</b>
Cash and equivalent	17,483	22,146	18,169	24,874	33,721
Trade and bill receivables	11,789	17,508	20,679	19,521	16,676
Financial leasing receivables	7,089	9,194	8,492	7,955	7,441
Inventories	9,656	11,733	12,082	12,480	12,656
Other current assets	1,825	2,662	3,194	3,833	4,600
<b>Non-current assets</b>	<b>23,701</b>	<b>25,691</b>	<b>25,717</b>	<b>24,812</b>	<b>24,198</b>
Property, plant and equipment	4,886	6,112	6,475	6,579	6,677
Intangible assets	4,399	4,534	4,639	4,743	4,844
Long-term investments	146	385	424	466	512
Long-term receivables	12,780	10,458	9,200	8,618	8,062
Other non-current assets	1,490	4,202	4,979	4,406	4,104
<b>Total assets</b>	<b>71,543</b>	<b>88,934</b>	<b>88,333</b>	<b>93,476</b>	<b>99,293</b>
<b>Current liabilities</b>	<b>26,652</b>	<b>34,109</b>	<b>24,741</b>	<b>24,633</b>	<b>25,400</b>
Trade and bill payables	12,103	13,483	14,173	15,301	17,017
Receipts in advance	1,166	1,225	832	1,351	1,071
Short term borrowings	6,049	9,639	4,391	4,891	5,391
Other current liabilities	7,334	9,762	5,345	3,090	1,921
<b>Non-current liabilities</b>	<b>9,296</b>	<b>13,676</b>	<b>16,800</b>	<b>15,130</b>	<b>11,928</b>
Long-term borrowings	7,089	10,674	13,498	11,498	7,932
Other non-current liabilities	2,207	3,002	3,302	3,632	3,996
<b>Total liabilities</b>	<b>35,948</b>	<b>47,785</b>	<b>41,541</b>	<b>39,764</b>	<b>37,328</b>
<b>Minority interests</b>	<b>188</b>	<b>387</b>	<b>426</b>	<b>468</b>	<b>515</b>
<b>Shareholders' equities</b>	<b>35,407</b>	<b>40,762</b>	<b>46,366</b>	<b>53,244</b>	<b>61,450</b>
<b>BPS (RMB)</b>	<b>4.60</b>	<b>5.29</b>	<b>6.02</b>	<b>6.86</b>	<b>7.87</b>

Source(s): Company, ABCI Securities estimates



Consolidated cash flow statement (2011A-2015E)

FY ended Dec 31 (RMB mn)	2011A	2012A	2013E	2014E	2015E
Profit before tax	9,602	8,858	6,441	7,205	8,708
Changes in depreciation and amortization	456	502	582	592	601
Changes in working capital	(7,643)	(5,559)	(4,055)	3,973	6,279
Income tax paid	(975)	(1,657)	(1,084)	(1,187)	(1,402)
Financial cost	695	623	534	524	356
Others	(41)	193	212	234	257
<b>CF Operating</b>	<b>2,094</b>	<b>2,960</b>	<b>2,631</b>	<b>11,341</b>	<b>14,799</b>
Increase in PP&E	(1,210)	(1,633)	(850)	(600)	(600)
Increase in intangible assets	(372)	(230)	(200)	(200)	(200)
Others	81	(1,536)	(1,075)	(753)	(527)
<b>CF Investing</b>	<b>(1,501)</b>	<b>(3,399)</b>	<b>(2,125)</b>	<b>(1,553)</b>	<b>(1,327)</b>
Capital injection	1,509	-	-	-	-
Net debt financing	(2,393)	7,175	(2,424)	(1,500)	(3,066)
Dividend payout	(1,669)	(1,926)	(1,541)	(1,085)	(1,214)
Interest paid	(695)	(623)	(534)	(524)	(356)
Others	(27)	(114)	16	25	11
<b>CF Financing</b>	<b>(3,275)</b>	<b>4,512</b>	<b>(4,482)</b>	<b>(3,084)</b>	<b>(4,625)</b>
<b>Net change in cash</b>	<b>(2,682)</b>	<b>4,073</b>	<b>(3,977)</b>	<b>6,705</b>	<b>8,847</b>
Cash at the beginning	20,335	17,483	22,146	18,169	24,874
Adjustment (Time deposit & FX effect)	(170)	590	-	-	-
<b>Cash at the end</b>	<b>17,483</b>	<b>22,146</b>	<b>18,169</b>	<b>24,874</b>	<b>33,721</b>

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 - 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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