



September 4, 2014  
Company Report  
Rating: HOLD  
TP: HK\$ 4.43

H-Share price (HK\$)	4.24
Est. share price return	4.48%
Est. dividend yield	5.43%
Est. total return	9.91%

Analyst: Steve Wong  
Tel: (852) 2147 8869  
Email: stevecwong@abci.com.hk

**Key Data**

52Wk H/L(HK\$)	6.35 / 4.06
Issued shares (mn)	4,125
H-Shares (mn)	908
Domestic share (mn)	3,217
Market cap	
H-shares (HK\$ mn)	3,850
Domestic share (HK\$ mn)	13,640
3-mth avg daily turnover (HK\$ mn)	14.0
Major shareholder(s) (%):	
SINOMACH	77.99

Source(s): Company, Bloomberg, ABCI Securities

**1H14 Revenue breakdown (%)**

Power construction project	64.40
Transportation construction project	4.05
Telecom-infra. construction project	0.50
Non-core construction project	7.06
Trading business	20.14
Other	3.86

Source(s): Company, ABCI Securities

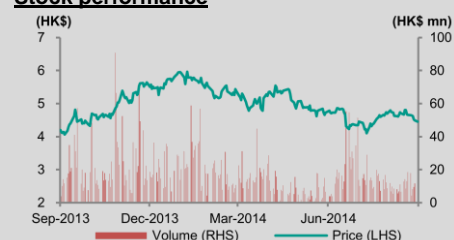
**Share performance (%)**

	Absolute	Relative*
1-mth	(6.38)	(6.69)
3-mth	(6.82)	(12.35)
6-mth	(15.32)	(22.05)

\*Relative to HSI

Source(s): Bloomberg, ABCI Securities

**Stock performance**



Source(s): Bloomberg, ABCI Securities

**CMEC (1829 HK)**  
**2H14 project delivery expected to slow;**  
**downgrade to HOLD**

- Revenue and net income in 1H14 were up 6.4% YoY and 8.7% YoY, in line with the industry's average growth, but growth would slow due to project suspension in Iraq
- GPM in 1H14 remained little changed YoY but we expect it to fall on changes in project-mix in the future with more transportation project, which GPM is 15.5ppt on average during FY09-1H14 lower than that of power project of the Group
- New effective contracts plunged 83% YoY to less than US\$ 200mn in 1H14, representing ~5% of the full-year target
- Due to the project suspension in Iraq and decline in new effective projects, we lower our FY14E/15E profit forecasts by 16%/21%; downgrade the counter to **HOLD** with a revised TP of HK\$ 4.43

**CMEC (1829) 1H14 Results.** Revenue was up 6.4% YoY to RMB 11,090mn in 1H14, representing ~44% of the full-year target. Increase in project delivery by CMEC was in line with the overall growth in overseas project delivery by the Chinese enterprises (+ 6.5% YoY) in 1H14, according to Ministry of Commerce. Power civil project, whose revenue edged up 0.4% YoY, was still the Group's largest segment, contributing to 64% of revenue and 83% of gross profit in 1H14.

**Gross profit margin was stable at 19.2% in 1H14, similar to 19.4% in 1H13.** 1H14 net income was RMB 1,088mn, up 8.7% YoY. If excluding the effect of FX gain and loss, core net income was RMB 1,163mn, which was similar to 1H13. Based on the backlog as of 1H14, the contribution of transportation civil projects will increase and this will weigh on the Group's margins.

**New effective contracts declined sharply in 1H14.** Total amount of new effective contracts was US\$ 197mn, down 83% YoY and represented ~5% of the full-year target only (full-year target: US\$ 4bn). Sharp decline in new effective contracts could imply slower earnings growth in the coming years.

**Downgrade to HOLD.** Sectarian war in Iraq - the country that contributed to 32% of the Group's revenue in 1H14, may affect the Group's project delivery in 2H14 and onwards. According to the Group, the major project in the region, a power plant construction project, has been suspended in 1H14. Given the uncertainties, we lower our FY14E/15E profit forecasts by 16%/21%. Our new TP of HK\$ 4.43 (original TP: HK\$ 6.99) is equivalent to 7.7x FY14E P/E, or the lower quartile of historical P/E since its listing in Dec 2012. Downgrade to **HOLD**.

**Risk factors:** 1) 2H14 net income growth may slow YoY due to the suspension of power project in Iraq; 2) Weak new contract flow will affect earnings growth in coming years; 3) FX risk due to large exposure in USD; 4) Higher exposure in BT/BOT projects in the future may increase liquidity and credit risks; (5) Geopolitical conflicts in Middle East may lead to suspension of more projects.

**Results and Valuation**

FY ended Dec 31	2012A	2013A	2014E	2015E	2016E
<b>Revenue (RMB mn)</b>	<b>21,296</b>	<b>21,426</b>	<b>22,781</b>	<b>24,404</b>	<b>27,466</b>
Chg (% YoY)	0.61	6.33	7.12	12.55	
<b>Net Income (RMB mn)</b>	<b>1,928</b>	<b>1,959</b>	<b>1,906</b>	<b>2,052</b>	<b>2,256</b>
Chg (% YoY)	1.61	(2.72)	7.66	9.94	
<b>EPS (RMB)</b>	<b>0.580</b>	<b>0.475</b>	<b>0.462</b>	<b>0.497</b>	<b>0.547</b>
P/E (x)	7.17	7.37	6.85	6.23	
<b>BVPS (RMB)</b>	<b>2.986</b>	<b>2.846</b>	<b>3.117</b>	<b>3.430</b>	<b>3.778</b>
P/B (x)	1.20	1.09	0.99	0.90	
<b>DPS (RMB)</b>	<b>0.203</b>	<b>0.190</b>	<b>0.185</b>	<b>0.199</b>	<b>0.219</b>
Yield (%)	5.58	5.43	5.84	6.42	
<b>ROAE (%)</b>	<b>25.20</b>	<b>18.09</b>	<b>15.49</b>	<b>15.19</b>	<b>15.17</b>
<b>Net gearing (%)</b>	<b>Net Cash</b>	<b>Net Cash</b>	<b>Net Cash</b>	<b>Net Cash</b>	<b>Net Cash</b>

\* Net gearing=Net debt/Total equity

Source(s): Bloomberg, ABCI Securities estimates

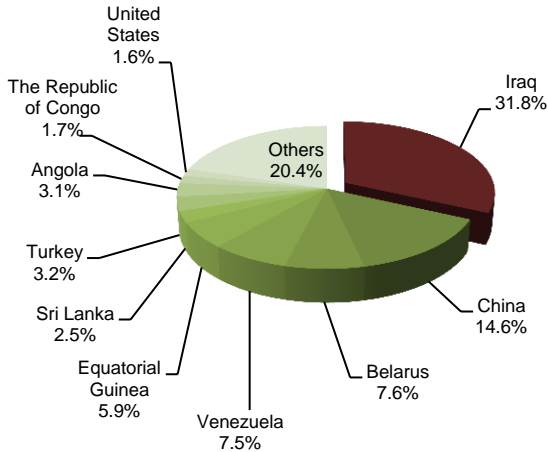


**Exhibit 1: CMEC's financial summary (1H12-1H14)**

	1H12	2H12	1H13	2H13	1H14	(% YoY)
<b>New contracts (USD mn)</b>	2,159	2,206	1,164	2,203	197	(83.08)
<b>Backlog (USD mn)</b>	6,051	7,059	7,054	8,217	7,040	(0.20)
<b>Revenue (RMB mn)</b>	10,354	10,942	10,427	10,999	11,090	6.36
Less: Operating cost (RMB mn)	8,450	9,114	8,404	9,280	8,964	
<b>Gross Profit (RMB mn)</b>	1,904	1,828	2,023	1,719	2,126	5.09
<i>GPM (%)</i>	18.39	16.71	19.40	15.63	19.17	(0.23ppt)
<b>SG&amp;A (RMB mn)</b>	717	848	772	943	829	7.38
Selling & distribution cost (RMB mn)	505	582	526	632	577	
Administrative cost (RMB mn)	212	266	246	311	252	
<i>SG&amp;A-to-revenue (%)</i>	6.93	7.75	7.40	8.57	7.48	0.07ppt
<b>Net profit (RMB mn)</b>	991	937	1,001	958	1,088	8.69
<i>Net profit margin (%)</i>	9.57	8.56	9.60	8.71	9.81	0.21ppt
Less: FX gain, hedging income and gain from disposals, net of tax (RMB mn)	(5)	10	(162)	152	(75)	
<b>Core net profit (RMB mn)</b>	996	927	1,163	806	1,163	0.01
<i>Core net profit margin (%)</i>	9.62	8.47	11.15	7.33	10.49	(0.67ppt)
Net debt (Net cash) (RMB mn)		(18,719)	(19,123)	(18,109)	(18,022)	
Total equity (RMB mn)		9,917	10,696	11,756	12,050	
<b>Net gearing (%)</b>		<b>Net Cash</b>	<b>Net Cash</b>	<b>Net Cash</b>	<b>Net Cash</b>	

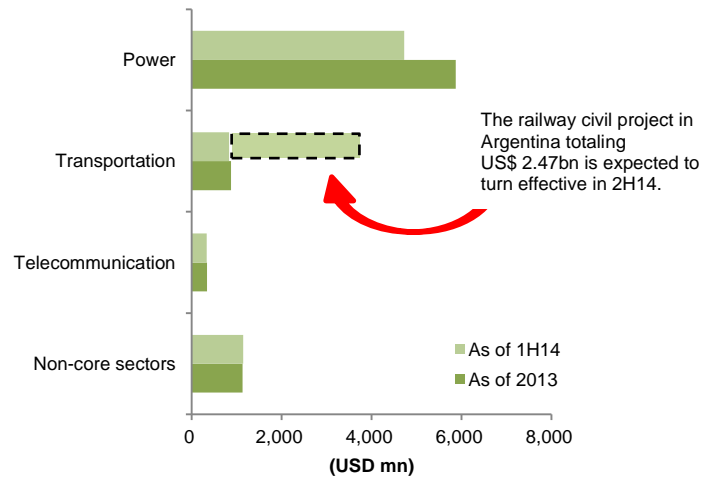
Source(s): Company, ABCI Securities

**Exhibit 2: Breakdown of revenue by geography, 1H14**



Source(s): Company, ABCI Securities

**Exhibit 3: Backlog of CMEC breakdown by project type**



Source(s): Company, ABCI Securities estimates

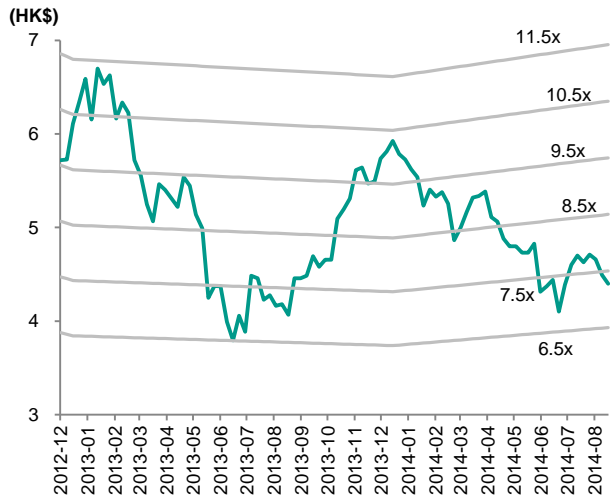
**Exhibit 4: FY14E-15E financial projections for CMEC**

	FY14E			FY15E		
	Previous	New	Chg (%)	Previous	New	Chg (%)
<b>Revenue (RMB mn)</b>	25,716	22,781	(11.41)	29,265	24,404	(16.61)
<b>Gross profit (RMB mn)</b>	4,395	3,856	(12.27)	4,903	3,778	(22.95)
<i>GPM (%)</i>	17.09	16.92	(0.17ppt)	16.75	15.48	(1.27ppt)
<b>Net income (RMB mn)</b>	2,277	1,906	(16.31)	2,607	2,052	(21.30)
<i>Net margin (%)</i>	8.85	8.37	(0.49ppt)	8.91	8.41	(0.50ppt)
EPS (RMB)	0.552	0.462	(16.32)	0.632	0.497	(21.32)
BVPS (RMB)	3.181	3.117	(2.00)	3.620	3.430	(5.25)
DPS (RMB)	0.193	0.185	(4.27)	0.221	0.199	(9.99)

Source(s): ABCI Securities estimates

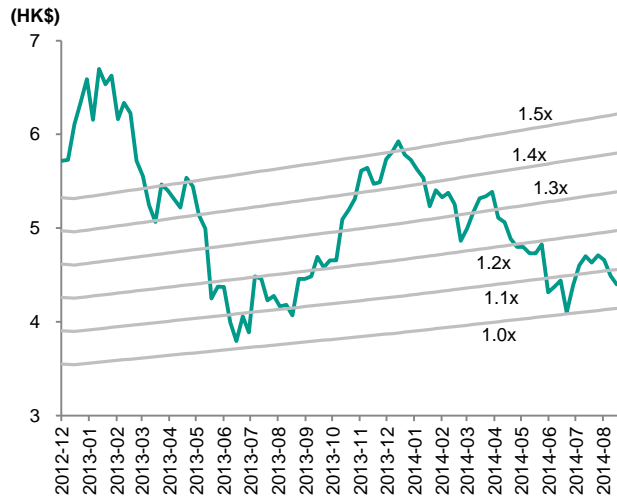


Exhibit 5: P/E band of CMEC in 12M12-9M14



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

Exhibit 6: P/B band of CMEC in 12M12-9M14



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

Exhibit 7: Valuation of domestic and international infrastructure contractors

Company	Ticker	Mkt cap (HK\$ mn)	CRY	As of 3/9/2014		P/E (x)		EPS (%YoY)		P/B (x)		ROAE (%)	
				Share Price	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	
<b>Domestic Transport Constructors</b>													
CRCC-H	1186 HK	15,404	HKD	7.44	6.40	5.68	11.04	12.62	0.83	0.73	13.51	13.67	
CRCC-A	601186 CH	66,517	RMB	5.12	5.52	4.90	11.04	12.62	0.71	0.63	13.51	13.67	
CRG-H	390 HK	17,880	HKD	4.27	7.30	6.80	6.25	7.33	0.77	0.70	10.98	10.73	
CRG-A	601390 CH	61,866	RMB	2.90	6.14	5.72	6.25	7.33	0.64	0.59	10.98	10.73	
CCCC-H	1800 HK	25,815	HKD	5.85	5.59	5.08	7.90	10.04	0.72	0.65	13.54	13.42	
CCCC-A	601800 CH	60,885	RMB	4.11	4.90	4.45	7.90	10.04	0.63	0.57	13.54	13.42	
Shanghai Tunnel	600820 CH	20,913	RMB	5.94	10.19	8.57	17.17	18.97	1.14	0.99	11.56	12.35	
Xiangyu Dredging	871 HK	1,822	HKD	2.11	7.96	5.26	2.38	51.16	0.86	0.75	10.77	15.15	
<b>Sector Weighted Average</b>					<b>6.07</b>	<b>5.46</b>	<b>9.04</b>	<b>10.99</b>	<b>0.72</b>	<b>0.65</b>	<b>12.61</b>	<b>12.64</b>	
<b>Domestic Infrastructure Constructors</b>													
CSCEC	601668 CH	121,445	RMB	3.21	4.07	3.55	15.88	14.85	0.70	0.61	18.55	18.40	
China Gezhouba Group	600068 CH	24,680	RMB	4.23	9.24	7.73	1.32	19.57	0.98	0.89	11.04	12.04	
CSCI	3311 HK	49,433	HKD	12.74	14.13	11.18	26.10	26.36	2.64	2.24	19.59	21.68	
CAMC	002051 CH	17,974	RMB	18.45	16.13	13.27	21.27	21.54	2.57	2.22	16.79	17.95	
CMEC	1829 HK	17,490	HKD	4.24	7.37	6.85	(2.72)	7.66	1.09	0.99	15.49	15.19	
<b>Sector Weighted Average</b>					<b>7.97</b>	<b>6.64</b>	<b>15.51</b>	<b>17.78</b>	<b>1.32</b>	<b>1.14</b>	<b>17.60</b>	<b>18.14</b>	
<b>International Infrastructure Constructors</b>													
ACS	ACS SM	103,583	EUR	31.96	14.09	12.98	1.73	8.60	2.75	2.49	20.85	20.14	
Jacobs Eng Group	JEC US	55,295	USD	53.62	17.02	13.96	(3.64)	21.87	1.52	1.40	9.12	10.44	
WorleyParsons Ltd	WOR AU	28,837	AUD	16.24	13.54	12.47	18.71	8.59	1.78	1.72	13.35	14.05	
Abengoa S.A.	ABG SM	38,299	EUR	4.69	28.93	16.62	(85.33)	74.07	4.99	4.22	1.83	27.51	
Daewoo Eng & Const	047040 KP	26,930	KRW	8,530	13.08	10.13	(136.02)	29.11	1.22	1.10	9.69	11.42	
<b>Sector Weighted Average</b>					<b>16.81</b>	<b>13.38</b>	<b>(25.36)</b>	<b>23.60</b>	<b>2.55</b>	<b>2.28</b>	<b>13.36</b>	<b>17.51</b>	

Source(s): Bloomberg, ABCI Securities estimates



**Exhibit 8: Major projects contracted by CMEC since 2013**

Date of Contract Signed	Segment	Countries	Detail of the Project	Construction Duration (month)	Contract Value (USD mn)
Apr-2013	Non-Core	South Sudan	Healthcare centers and supply, installation and commissioning of medical apparatus and instruments supply	24	215
May-2013	Non-Core	Sri Lanka	National Water Supply & Drainage Board of Sri Lanka	36	230
Jul-2013	Power	Nigeria	500MW single-cycle power station	31	420
Jul-2013	Power	Nigeria	120MW combined-cycle power station, heavy oil storage tanks and grid network update	33	201
Oct-2013	Non-Core	Jerusalem	Comprehensive shopping and leisure center.	30	266
Nov-2013	Non-Core	Iraq	Clinker production line with daily output of 6,000 tonnes.	24	236
Nov-2013	Telecom	Bangladesh	Broadband network construction	33	183
Nov-2013	Transport	Sri Lanka	Construction of roads and bridges	36	430
Nov-2013	Non-Core	Kenya	Upgrading the Moi Teaching and Referral Hospital project	36	291
Nov-2013	Power	Serbia	350MW supercritical power plant and expanding the capacities of open-pit mining	58	716
Other projects					1,554
<b>Total amount of newly-signed contract in 2013</b>					<b>4,741</b>
Mar-2014	Non-Core	Congo	Construction of drinking water treatment plant with a production capacity of 5,250 m <sup>3</sup> per hour	36	246
Aug-2014	Power	Mozambique	Construction of a 400kV power transmission line in the length of over 600 kilometers and the ancillary 220kV substations	36	606
Aug-2014	Power	Angola	Construction of a 750MW combined cycle power plant.	36	985
Other projects					363
<b>Total amount of newly-signed contract in 8M14</b>					<b>2,200</b>

Source(s): Company, ABCI Securities



## BRICS's New Development Bank (NDB) to boost infrastructure development

Leaders of the BRICS countries (Brazil, Russia, India, China and South Africa) have agreed to establish the New Development Bank (NDB) with a capital of US\$100 bn and a contingency reserve currency pool of another US\$ 100bn in July 2014. NDB is positioned as a financial institution which provides developing countries with alternative funding minus the punishing strings attached to the World Bank lending, which deprives the recipient countries of the power to make their own policies. It also promises to make lending processes for developing countries faster, simpler and cheaper.

Distribution of the paid-in capital of US\$ 100bn among the member-states is as follows: China – US\$ 41bn, Brazil, India and Russia – US\$ 18bn each, South Africa – US\$ 5bn.

**Exhibit 9: Ratings for BRICS governments by Moody's; long-term issuer ratings (foreign)**

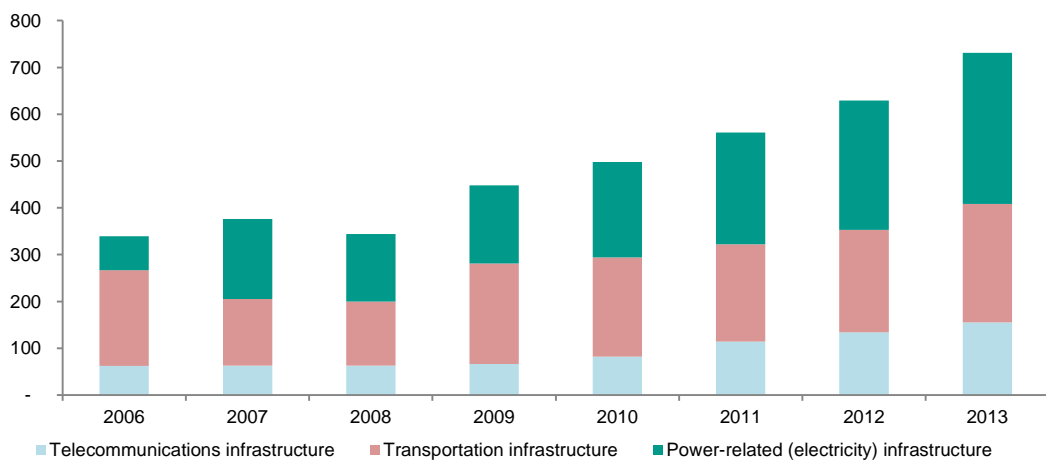
Country	Rating	Date	Definition
Brazil	Baa2	2011-June	Investment grade. Medium, moderate credit risk
Russian	Baa1	2013-March	Investment grade. Medium, moderate credit risk
India	Baa3	2011-December	Investment grade. Medium, moderate credit risk
<b>China</b>	<b>Aa3</b>	<b>2013-April</b>	<b>Investment grade. High quality and very low credit risk</b>
South Africa	Baa1	2013-July	Investment grade. Medium, moderate credit risk

Source(s): Moody

NDB will help fund infrastructure projects in the developing countries, lending support to infrastructure development in these regions. We believe it will benefit the long-term growth and expansion of CMEC in the developing areas.

**Exhibit 10: New contract value of infrastructure engineering projects by infrastructure types in developing countries, 2006-13**

(USD bn)



	Telecommunications infrastructure	Transportation infrastructure	Power-related (electricity) infrastructure
CAGR 2006-13 (%)	13.99	3.05	23.92
Average weighting (%)	18.82	40.52	40.65

Source(s): China International Contractors Association; ENR; Ipsos Report, ABCI Securities



## Financial statements of the Group

### Consolidated income statement (2012A-2016E)

FY Ended Dec 31 (RMB mn)	FY12A	FY13A	FY14E	FY15E	FY16E
<b>Revenue</b>	<b>21,296</b>	<b>21,426</b>	<b>22,781</b>	<b>24,404</b>	<b>27,466</b>
International engineering contracting	13,245	15,386	16,189	17,325	19,863
Trading	7,163	4,908	5,381	5,782	6,213
Other	888	1,132	1,212	1,297	1,390
<b>COGS</b>	<b>(17,564)</b>	<b>(17,684)</b>	<b>(18,926)</b>	<b>(20,626)</b>	<b>(23,212)</b>
<b>Gross profit</b>	<b>3,732</b>	<b>3,742</b>	<b>3,856</b>	<b>3,778</b>	<b>4,254</b>
SG&A	553	336	834	871	906
Other income and gains	(1,669)	(1,414)	(2,093)	(1,854)	(2,087)
<b>Pre-tax profit</b>	<b>2,616</b>	<b>2,664</b>	<b>2,596</b>	<b>2,795</b>	<b>3,073</b>
Income tax	(688)	(704)	(688)	(741)	(814)
<b>Net profit</b>	<b>1,928</b>	<b>1,960</b>	<b>1,908</b>	<b>2,054</b>	<b>2,259</b>
Profit attributable to:					
Minority interests	0	1	3	3	3
<b>Equity shareholders of the Company</b>	<b>1,928</b>	<b>1,959</b>	<b>1,906</b>	<b>2,052</b>	<b>2,256</b>
<b>EPS (RMB)</b>	<b>0.580</b>	<b>0.475</b>	<b>0.462</b>	<b>0.497</b>	<b>0.547</b>
<b>DPS (RMB)</b>	<b>0.203</b>	<b>0.190</b>	<b>0.185</b>	<b>0.199</b>	<b>0.219</b>
<b>EBIT</b>	<b>2,646</b>	<b>3,066</b>	<b>2,625</b>	<b>2,822</b>	<b>3,099</b>
<b>EBITDA</b>	<b>2,744</b>	<b>3,147</b>	<b>2,719</b>	<b>2,930</b>	<b>3,224</b>

Source(s): Company, ABCI Securities estimates

### Consolidated balance sheet (2012A-2016E)

As of Dec 31 (RMB mn)	FY12A	FY13A	FY14E	FY15E	FY16E
<b>Current assets</b>	<b>27,936</b>	<b>25,904</b>	<b>29,088</b>	<b>30,699</b>	<b>32,938</b>
Cash and equivalent	19,008	18,423	21,069	22,425	24,239
Trade and bill receivables	3,052	2,306	3,185	3,351	3,711
Construction contracts	3,191	2,373	1,784	1,427	1,142
Inventories	226	213	202	363	400
Other current assets	2,459	2,589	2,848	3,133	3,446
<b>Non-current assets</b>	<b>6,834</b>	<b>6,049</b>	<b>5,929</b>	<b>5,639</b>	<b>5,488</b>
Property, plant and equipment	444	485	632	844	1,074
Land lease prepayment	1,827	1,788	1,743	1,700	1,657
Intangible assets	9	8	8	9	9
Long term investments	39	53	73	77	85
Trade and other receivables	4,114	3,202	2,676	2,141	1,713
Other non-current assets	401	513	796	868	950
<b>Total assets</b>	<b>34,770</b>	<b>31,953</b>	<b>35,017</b>	<b>36,337</b>	<b>38,426</b>
<b>Current liabilities</b>	<b>24,271</b>	<b>19,790</b>	<b>21,748</b>	<b>21,741</b>	<b>22,354</b>
Trade and bill payables	9,596	10,773	14,116	14,140	14,478
Receipts in advance	12,710	7,022	5,461	5,237	5,298
Short term borrowings	134	234	234	234	234
Other current liabilities	1,831	1,761	1,937	2,131	2,344
<b>Non-current liabilities</b>	<b>582</b>	<b>407</b>	<b>390</b>	<b>426</b>	<b>465</b>
Long-term borrowings	155	80	30	30	30
Other non-current liabilities	427	327	360	396	435
<b>Total liabilities</b>	<b>24,853</b>	<b>20,197</b>	<b>22,138</b>	<b>22,167</b>	<b>22,819</b>
<b>Minority interests</b>	<b>(3)</b>	<b>16</b>	<b>18</b>	<b>19</b>	<b>21</b>
<b>Shareholders' equities</b>	<b>9,920</b>	<b>11,740</b>	<b>12,862</b>	<b>14,151</b>	<b>15,586</b>
<b>BVPS (RMB)</b>	<b>2.986</b>	<b>2.846</b>	<b>3.117</b>	<b>3.430</b>	<b>3.778</b>

Source(s): Company, ABCI Securities estimates



**Consolidated cash flow statement (2012A-2016E)**

<b>FY ended Dec 31 (RMB mn)</b>	<b>FY12A</b>	<b>FY13A</b>	<b>FY14E</b>	<b>FY15E</b>	<b>FY16E</b>
<b>Profit before tax</b>	<b>2,616</b>	<b>2,664</b>	<b>2,596</b>	<b>2,795</b>	<b>3,073</b>
Change in depreciation and amortization	98	81	94	109	125
Change in working capital	5,038	(1,764)	1,844	292	422
Net financial cost	30	402	29	26	26
Income tax paid	(604)	(903)	(676)	(727)	(800)
Others	66	(496)	(1,844)	(292)	(422)
<b>CF Operating</b>	<b>7,244</b>	<b>(16)</b>	<b>2,043</b>	<b>2,203</b>	<b>2,424</b>
Increase in PP&E	(112)	(80)	(100)	(150)	(150)
Increase in intangible assets	(237)	(3)	(3)	(3)	(3)
Others	(2,520)	2,829	(5,000)	7,000	(5,000)
<b>CF Investing</b>	<b>(2,869)</b>	<b>2,746</b>	<b>(5,103)</b>	<b>6,847</b>	<b>(5,153)</b>
Capital injection	3,012	519	-	-	-
Net debt financing	(97)	25	(50)	-	-
Dividend payout	(354)	(676)	(784)	(762)	(821)
Interest paid	(11)	(7)	(29)	(26)	(26)
Others	(1)	7	6,568	(6,906)	5,390
<b>CF Financing</b>	<b>2,549</b>	<b>(132)</b>	<b>5,705</b>	<b>(7,694)</b>	<b>4,543</b>
<b>Net change in cash</b>	<b>6,924</b>	<b>2,598</b>	<b>2,646</b>	<b>1,356</b>	<b>1,815</b>
Cash at the beginning	9,516	19,008	18,423	21,069	22,425
Adjustment (Time deposit & FX effect)	2,568	(3,183)	-	-	-
<b>Cash at the end</b>	<b>19,008</b>	<b>18,423</b>	<b>21,069</b>	<b>22,425</b>	<b>24,239</b>

\*: We rearrange the cash flow statement for better comparison reason, such that the operating cash flow is including the interest received, while the investing cash flow is excluding the interest received  
Source(s): Company, ABCI Securities estimates

**Key operating and financial ratios (2012A-2016E)**

<b>FY ended Dec 31</b>	<b>FY12A</b>	<b>FY13A</b>	<b>FY14E</b>	<b>FY15E</b>	<b>FY16E</b>
<b>Sales mixed (%)</b>					
International engineering contracting	62.19	71.81	71.06	70.99	72.32
Trading	33.64	22.91	23.62	23.69	22.62
Others	4.17	5.28	5.32	5.32	5.06
<b>Profit &amp; loss ratios (%)</b>					
Gross margin	17.52	17.46	16.92	15.48	15.49
Net profit margin	9.05	9.14	8.37	8.41	8.21
Effective tax rate	26.30	26.43	26.50	26.50	26.50
<b>Growth (%)</b>					
Revenue	3.79	0.61	6.33	7.12	12.55
Gross profit	1.99	0.27	3.03	(2.02)	12.61
EBIT	3.85	15.87	(14.38)	7.48	9.85
EBITDA	4.77	14.69	(13.59)	7.76	10.03
Net profit	30.71	1.61	(2.72)	7.66	9.94
<b>Balance sheet ratios</b>					
Current ratio (x)	1.15	1.31	1.34	1.41	1.47
Quick ratio (x)	1.14	1.30	1.33	1.40	1.46
Cash ratio (x)	0.78	0.93	0.97	1.03	1.08
Trade and bill receivables days	56	46	45	50	48
Trade and bill payables turnover days	186	210	240	250	225
Inventory turnover days	5	5	4	5	6
Total debt / equity ratio (%)	2.91	2.67	2.05	1.86	1.69
Net debt / equity ratio (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash
<b>Returns (%)</b>					
ROAE	25.20	18.09	15.49	15.19	15.17
ROAA	6.28	5.87	5.69	5.75	6.03
Payout ratio	35.01	40.02	40.00	40.00	40.00

Source(s): Company, ABCI Securities estimates



## Disclosures

### Analyst Certification

I, Steve Wong, 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. I and/or my associates have no financial interests in relation to the listed company (ies) covered in this report, and I and/or my associates do not serve as officer(s) of the listed company (ies) covered in this report.

### Disclosures of Interests

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.

### 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.

### 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. The compensation of the analyst who prepared this report is determined exclusively by research management and senior management (not including investment banking). Analyst compensation is not based on investment banking revenues, however, compensation may relate to the revenues of ABCI Securities Company Limited as a whole, of which investment banking, sales and trading are a part. 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 2014 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**