



**Key Data**

H-Share price (HK\$)	6.70
52Wk H/L(HK\$)	7.14 /3.07
Issued shares (mn)	12,338
H-shares	2,076
A-shares	10,261
Market cap	
H-shares (HK\$m)	13,909
A-shares (Rmbmn)	48,432
30-day avg vol (HK\$m)	96
Major shareholder (%):	
CRCCG	61.3

Source: Company, Bloomberg, ABCI Securities

**Revenue composition in FY11 (%)**

Construction operations	87.9
Survey, design and consultancy operations	1.6
Manufacturing operations	1.6
Others	8.8

Source: Company

**Share performance (%)**

	Absolute	Relative*
1-mth	8.3	6.2
3-mth	14.1	22.4
6-mth	34.2	37.7

Source: Bloomberg

\*Relative to Hang Seng Index

**1 year price performance**



Source: Bloomberg

**Analyst**

Name: Francis Chu  
Tel: (852) 2147 8313  
Email: [francischu@abci.com.hk](mailto:francischu@abci.com.hk)

**China Rail Cons (1186 HK) – Buy**  
Construction & Engineering Industry

**Inertia to outperform**

The railway infrastructure investment will increase to Rmb324bn in 2H2012 from Rmb146bn in 1H2012, up 122%HoH. Our Book-To-Bill analysis on CRCC (1186 HK) reconfirms our positive view, showing a turnaround since 3Q2011. In the short-run, market is shocked by the rumour it will invest in sport business. We see this negative shock provide buying opportunity.

**CRCC Acquiring Inter Milan?** According to the unverified news from different sources, CRCC (1186 HK) or CRCCG, the parent of CRCC agreed to buy a 15% stake (costing EUR\$75m) in Inter Milan, an Italian soccer club. Those news also mentioned that CRCC will put their engineering skills and investment into a new stadium in Milan (completed by 2017). Firstly, we understand some investors may consider the sporting business as unrelated business diversification and dislike this move.

**New contracts were up 30.4%YoY.** CRCC's new contracts rose 30.4% YoY to Rmb104.8bn in 1Q12, of which new contracts for domestic and overseas were Rmb87.4bn, up 10.9%YoY and Rmb17.4bn, up 976.5%YoY respectively. It implied 19% of its annual target had been accomplished. The value of newly signed contracts of CRCC totaled Rmb681.2bn, down 8.84% YoY in FY11. As shown in the Book-To-Bill ratio diagram, the outlook of CRCC has been turnaround since 3Q11 where 0.86x is the lowest ratio since 1Q10.

**Railway infrastructure investment will surge in 2H2012.** The need to maintain economic growth in 2012 in the PRC has triggered market expectations that the central government will accelerate investment on infrastructure. The investment is expected to surge by 122% HoH to Rmb324bn in 2H2012.

**Risk factors:** Slower-than-expected progress of FAI in railway, un-related diversification.

**Forecast and Valuation**

FY ended Dec 31	FY10A	FY11A	FY12E	FY13E	FY14E
<b>Revenue (Rmb mn)</b>	<b>456,187</b>	<b>443,319</b>	<b>470,213</b>	<b>504,562</b>	<b>530,985</b>
Chg (% YoY)	32.2	(2.8)	6.1	7.3	5.2
<b>Gross Profit (Rmb mn)</b>	<b>27,540</b>	<b>33,992</b>	<b>44,515</b>	<b>47,933</b>	<b>56,460</b>
Chg (% YoY)	22.1	23.4	31.0	7.7	17.8
<b>Net Income (Rmb mn)</b>	<b>4,246</b>	<b>7,854</b>	<b>7,532</b>	<b>8,367</b>	<b>9,060</b>
Chg (% YoY)	(35.7)	85.0	(4.1)	11.1	8.3
<b>EPS (Rmb)</b>	<b>0.340</b>	<b>0.640</b>	<b>0.612</b>	<b>0.679</b>	<b>0.73</b>
Chg (% YoY)	(36.4)	88.2	(4.4)	10.9	6.9
<b>PE (x)</b>	<b>16.0</b>	<b>8.5</b>	<b>8.9</b>	<b>8.0</b>	<b>7.5</b>
<b>PB (x)</b>	<b>1.2</b>	<b>1.0</b>	<b>0.9</b>	<b>0.9</b>	<b>0.8</b>
<b>Yield (%)</b>	<b>1.8</b>	<b>1.8</b>	<b>2.2</b>	<b>2.4</b>	<b>2.6</b>
<b>ROAA (%)</b>	<b>1.3</b>	<b>2.0</b>	<b>2.0</b>	<b>2.1</b>	<b>2.2</b>
<b>ROAE (%)</b>	<b>7.7</b>	<b>12.9</b>	<b>11.0</b>	<b>11.0</b>	<b>11.2</b>
<b>Net debt/total equity (%)</b>	Net Cash	30.7	15.2	9.7	8.2

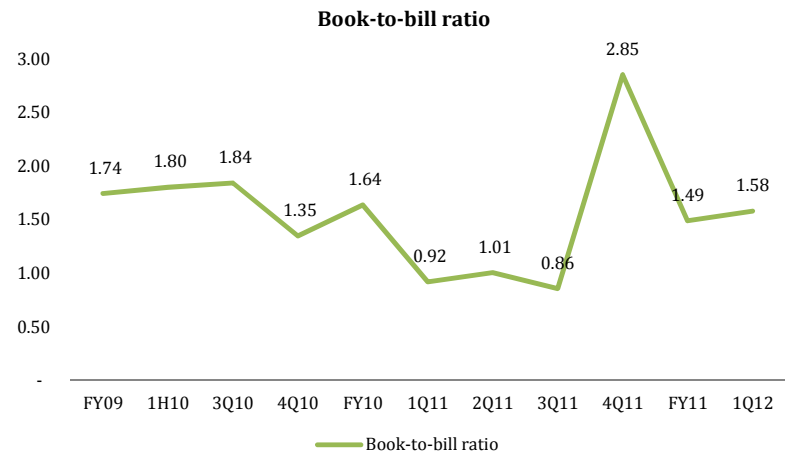
Source: Company, Bloomberg, ABCI Securities estimates



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**Book-To-Bill Ratio of CRCC**

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Source: Company, ABCI Securities estimates



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**Office address: ABCI Securities Company Limited, 13/F Fairmont House,  
8 Cotton Tree Drive, Central, Hong Kong.  
Tel: (852) 2868 2183**