



Key Data

H-Share price (HK\$)	1.59
Price target (HK\$)	1.86
Upside potential (%)	17
52Wk H/L(HK\$)	2.25/1.25
Issued shares (mn)	19,110
H-shares	2,871
A-shares	16,239
H-share Market cap (HK\$m)	4,565
30-day avg vol (HK\$m)	3.5
Major shareholder (%):	
China Metallurgical Group Corp	64.2

Source: Company, Bloomberg, ABCI Securities

Revenue composition in FY11 (%)

Engineering & construction	77
Equipment manufacturing	6
Resources development	5
Property development	9
Others	3

Source: Company

Share performance (%)

	Absolute	Relative*
1-mth	(1.9)	(4.1)
3-mth	(1.2)	(7.7)
6-mth	(23.6)	(18.3)

Source: Bloomberg

*Relative to Hang Seng Index

1 year price performance



Source: Bloomberg

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MCC (1618 HK) – Hold
Construction & Engineering Industry

Another delay in the SINO Iron Project

MCC was blamed by CITIC Pacific (267 HK) in the SINO Iron Ore Project delay in Australia. We were disappointed and would adjust our forecast when more details disclosed in the coming results announcement on Aug 30.

Citic Pacific blamed MCC in the SINO Iron Ore Project. Citic Pacific (267 HK) was not able to meet its target of integrated commissioning and beginning trial production of the first production line of the Sino Iron project in Australia by the end of August. Citic Pacific blamed MCC held responsible for the primary cause of the delay in its interim results announcement. We found all are losers in this issue. The possible loss estimation in 1Q12 would increase accordingly.

Cautious outlook. MCC's new contracts declined 24.2% YoY to Rmb140.2bn in 7M12 while the new contracts decreased 25.4% YoY to RMB123.6bn in 1H12. It implies a slightly improvement in July. We think the new contracts level would perform better in the remaining period of the year.

Poor 1H12 results are expected. We expect the loss in its poly-silicon business would result a poor 1H12 results announced on Aug 30. We do not see any turnaround signals in solar industry.

Risk factors: Further loss due to the Western Australia SINO Iron Ore Project; slow-down of the metallurgical fixed asset investments; significant price correction in the commodity property market in China; political risk of its overseas mines.

Results and Valuation

FY ended Dec 31	FY09A	FY10A	FY11A	FY12E	FY13E
Revenue (Rmb mn)	165,495	206,397	229,721	248,099	270,428
Chg (% YoY)	10.3	24.7	11.3	8.0	9.0
Gross Profit (Rmb mn)	15,809	20,762	21,154	24,428	27,500
Chg (% YoY)	19.0	31.3	1.9	15.5	12.6
Net Income (Rmb mn)	4,425	5,321	4,243	4,922	6,054
Chg (% YoY)	44.2	20.2	(20.3)	16.0	23.0
EPS (Rmb)	0.30	0.28	0.22	0.26	0.32
Chg (% YoY)	-	(7.2)	(21.4)	17.1	23.0
PE (x)	-	-	5.9	5.0	4.1
PB (x)	-	-	0.51	0.47	0.42
Yield (%)	-	-	-	2.2	2.6
ROAE (%)	20.9	12.7	9.1	9.7	10.8
ROAA (%)	2.2	2.0	1.4	1.4	1.7
Net debt/total equity (%)	63.2	142.5	162.3	164.2	161.7

Source: Company, Bloomberg, ABCI Securities estimates

Major items of consolidated balance of MCC

FY2011	Total assets (Rmbmn)	Total liabilities (Rmbmn)	Net assets (Rmbmn)
E&C	205,823	186,076	19,747
Equip mfg	23,172	15,487	7,685
Resources development	35,369	30,090	5,279
Property developmnet	99,390	80,797	18,593
Others	21,504	18,162	3,342
Unallocated items	4,473	524	3,949
Elimination	-57,700	-57,280	-420
Total	332,031	273,856	58,175
Less: MI			9,972
Net assets attributable to shareholders of the co. as of 31/12/2011			48,203
Possible loss or written down from cost overrun of projects:			
Accumulated costs overrun of the projects (upto 31/3/2012)			-1,480
Remaining costs to be incurred to complete these contracts at 31/3/2012			-4,770
Outstanding amounts for completed work less the advances rec'd fm the owner of the projects			-3,020
Sub-total			38,933
Further written down on non-profitable segment assets:			
Equip mfg (10% of segment assets as of 31/12/2011)			-2,317
Resources (25% of segment assets as of 31/12/2011)			-8,842
Adjusted net assets			27,774
Issued shares (mn)			19,110
Adjusted NAV per share (Rmb/share)			1.453
Forex (Rmb/HK\$)			0.823
Adjusted NAV per share (HK\$/share)			1.767

Source: Company, ABCI Securities estimates



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