



August 1, 2014
Company Report
Rating: HOLD
TP: HK\$ 6.47

H-Share price (HK\$)	5.91
Est. share price return	9.48%
Est. dividend yield	4.42%
Est. total return	13.90%

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Key Data

52Wk H/L(HK\$)	6.71 / 4.88
Issued shares (mn)	16,175
H-Shares (mn)	4,428
A-Shares (mn)	11,747
Market cap	
H-shares (HK\$ mn)	26,169
A-Shares (RMB mn)	46,401
3-mth avg daily turnover (HK\$ mn)	84.8
Major shareholder(s) (%):	
CCCC	63.83

Source(s): Company, Bloomberg, ABCI Securities

2013 Revenue breakdown (%)

Construction operation	79.61
Survey, Design & Consultancy	5.85
Port Machinery Manufacturing	7.28
Dredging services	9.88
Others	1.12
Inter-segment sales	(3.74)

Source(s): Company, ABCI Securities

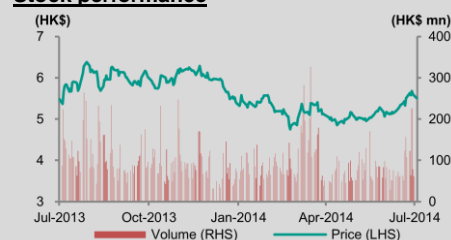
Share performance (%)

	Absolute	Relative*
1-mth	13.65	6.34
3-mth	20.17	7.93
6-mth	9.12	(2.99)

*Relative to HSI

Source(s): Bloomberg, ABCI Securities

Stock performance



Source(s): Bloomberg, ABCI Securities

CCCC (1800 HK)
Decelerating highway and port investments may affect earnings; downgrade to HOLD

- According to MOT, CAPEX growth in highway and waterway investments from MOT will slow to 7.4% YoY and 4.0% YoY in 2014 from 7.7% YoY and 5.0% YoY in 2013. We expect growth in CCCC's earnings for 2H14 would moderate
- We expect CAPEX investment in 2014-15 to stay low, mainly because of the deflating growth in usages of highway and the major ports under the lukewarm domestic economy
- Net gearing of CCCC reached 102.48% by end-1Q14. Looking forward, we expect CCCC to increase its exposure to investment projects (BOT/BT). Demand for working capital would therefore increase and its net gearing would stay high.
- We lower our CCCC's FY14E/15E net income projections. Our TP of HK\$ 6.47 is equivalent to 6.20x of FY14E EPS, representing the median of CCCC's historical P/E since 2011. Downgrade CCCC from BUY to **HOLD**

Slowdown in highway investment in 2014-15. According to MOT, the designated budget for highway construction investment is RMB 1,470bn in 2014, which is 7.4% higher than the actual investment in highway construction in 2013. According to MOT, the figure was up 10.9% YoY in 1H14. Based on the full-year CAPEX targeted, we therefore expect the investment to slow to 5.1% YoY in 2H14. Furthermore, according to the 12th 5-Year Plan on highway transport industry, the targeted delivery of expressway in 2014-15 would be 1,800 km p.a., lower than 8,200 km in 2013 and 11,300 km in 2012.

Decelerating throughput momentum. Throughput growth in China's major ports is slowing under the moderating growth in domestic consumption. According to MOT, growth in throughput measured in metric ton among China's major ports decelerated from 9.2% YoY in 2013 to 5.2% YoY in 1H14. Looking forward, we expect investment in port construction to continue to slow due to the decelerating throughput. It affects the income from the port construction project in the future.

Gearing is expected to stay high. To support earnings growth amid slowing highway and port investments, we expect the Group to shift its focus to develop more BT/BOT projects, which in general require a higher initial working capital. We expect CCCC's net gearing to trend up in the next 2 years based on the delivery pipeline.

Downgrade to HOLD with TP at HK\$6.47. We lower CCCC's FY14E/ FY15E net incomes on reducing growth in CAPEX for highway transport and port operation industries. Although we expect the earnings growth of CCCC to pick up in 2014-15 due to the low-base in FY13. Possible delays in project delivery, however, may create pressure on the Group's earnings. Our TP of HK\$ 6.47 is equivalent to 6.20x of FY14E EPS, representing the median of CCCC's historical P/E since 2011. The lack of upside catalysts for the counter prompts us to downgrade CCCC from Buy to **HOLD**.

Risk factors: 1) 2H14 net income growth may slow YoY; 2) Gearing may increase with higher exposure to BOT/BT projects; 3) The lack of exposure to policy-supported industries such as urban rail construction; 4) Slowdown of new order flow and project delivery.

Results and Valuation

FY ended Dec 31	2012A	2013A	2014E	2015E	2016E
Revenue (RMB mn)	295,321	331,798	360,480	378,912	398,214
Chg (% YoY)		12.35	8.64	5.11	5.09
Net Income (RMB mn)	12,277	12,568	13,561	14,922	16,840
Chg (% YoY)		2.37	7.90	10.04	12.85
EPS (RMB)	0.767	0.777	0.838	0.923	1.041
P/E (x)	-	6.11	5.66	5.15	4.56
BVPS (RMB)	5.358	5.865	6.516	7.229	8.039
P/B (x)	-	0.81	0.73	0.66	0.59
DPS(RMB)	0.185	0.188	0.210	0.231	0.260
Yield (%)	-	3.95	4.42	4.86	5.48
ROAE (%)	15.65	13.85	13.54	13.42	13.64
Net gearing (%)*	74.04	96.80	104.38	109.08	111.38

* Net gearing=Net debt/Total equity

Source(s): Bloomberg, ABCI Securities estimates



Valuation analysis

With the lukewarm economic environment, growths in throughput of major ports and highway turnover have been declining in 2013-14. We believe infrastructure investment in waterway and highway transport industries to slow in 2014-15. We estimate that port and highway construction (including the corresponding consultancy business, BT/BOT projects, and the port machinery manufacturing business) to have accounted for ~65% of revenue in 2013. This, earnings growth of CCCC would be pressured.

We lower CCCC's FY14E/ FY15E net income on the slow CAPEX growth expected for the highway transport and port operation industries. The counter is currently trading at 5.66x FY14E P/E, 8.71% lower than the median of its historical P/E since 2011 at 6.20x.

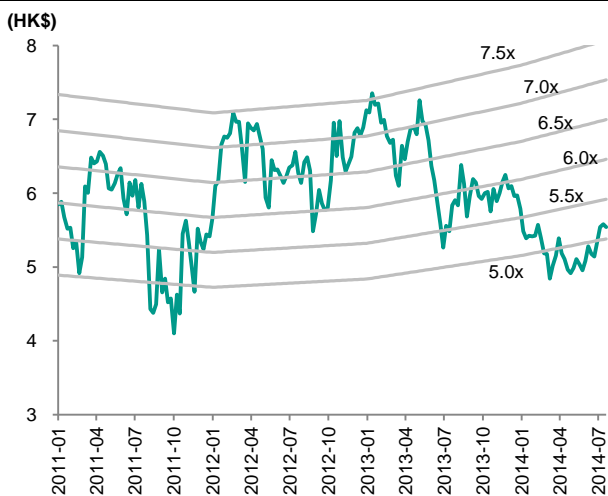
Our TP of HK\$ 6.47 (Previously: HK\$ 7.67) is equivalent to 6.20x of FY14E EPS, representing the median of CCCC's historical P/E since 2011. The lack of upside catalysts, however, prompts us to downgrade CCCC from Buy to **HOLD**.

Exhibit 1: FY14E-15E financial projections for CCCC

	FY14E			FY15E		
	Previous	New	Chg (%)	Previous	New	Chg (%)
Revenue (RMB mn)	355,870	360,480	1.30	373,261	378,912	1.51
Construction operation	285,393	306,701	7.47	306,043	330,282	7.92
Survey, Design & Consultancy	17,622	15,893	(9.81)	17,716	17,371	(1.95)
Port Machinery Manufacturing	21,477	16,434	(23.48)	20,160	13,794	(31.58)
Dredging services	33,275	25,461	(23.48)	30,801	21,074	(31.58)
Others	7,124	3,891	(45.38)	7,481	4,086	(45.38)
Inter-segment sales	(9,021)	(7,901)	(12.42)	(8,940)	(7,694)	(13.94)
Gross profit (RMB mn)	40,257	37,108	(7.82)	43,524	39,948	(8.22)
GPM (%)	11.31	10.29	(1.02ppt)	11.66	10.54	(1.12ppt)
Net income (RMB mn)	14,030	13,561	(3.34)	15,175	14,922	(1.67)
Net margin (%)	3.94	3.76	(0.18ppt)	4.07	3.94	(0.13ppt)
EPS (RMB)	0.867	0.838	(3.30)	0.938	0.923	(1.65)
BVPS (RMB)	6.644	6.516	(1.93)	7.365	7.229	(1.85)
DPS (RMB)	0.217	0.210	(3.41)	0.235	0.231	(1.85)

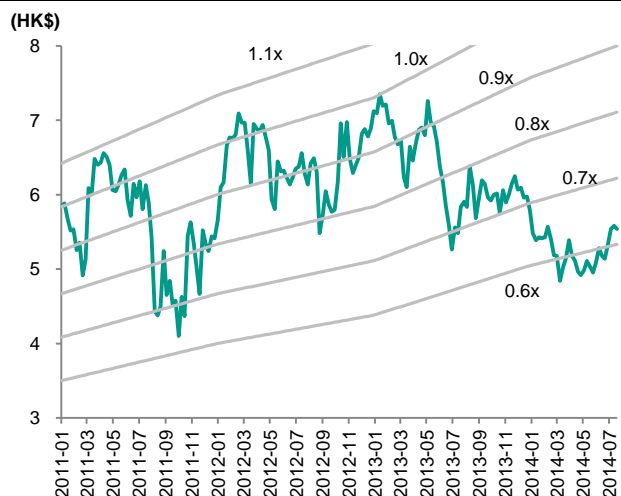
Source(s): ABCI Securities estimates

Exhibit 2: P/E band of CCCC-H in 1M11-7M14



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

Exhibit 3: P/B band of CCCC-H in 1M11-7M14



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

Exhibit 4: Valuation of domestic and international infrastructure contractors

Company	Ticker	Mkt cap (HK\$ mn)	As of 31/7/2014 CRY	Share Price	P/E (x)		EPS (%YoY)		P/B (x)		ROAE (%)	
					FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E
Domestic Transport Constructors												
CRCC-H	1186 HK	15,549	HKD	7.49	6.46	5.74	11.04	12.62	0.83	0.74	13.51	13.67
CRCC-A	601186 CH	65,452	RMB	5.08	5.46	4.84	11.04	12.62	0.70	0.63	13.51	13.67
CRG-H	390 HK	17,669	HKD	4.20	7.21	6.72	6.25	7.33	0.76	0.69	10.98	10.73
CRG-A	601390 CH	62,238	RMB	2.90	6.20	5.78	6.25	7.33	0.65	0.59	10.98	10.73
CCCC-H	1800 HK	26,169	HKD	5.91	5.66	5.15	7.90	10.04	0.73	0.66	13.54	13.42
CCCC-A	601800 CH	58,257	RMB	3.95	4.71	4.28	7.90	10.04	0.61	0.55	13.54	13.42
Shanghai Tunnel Eng Co	600820 CH	17,281	RMB	5.05	6.53	5.49	56.16	19.02	0.97	0.84	15.34	16.47
Xiangyu Dredging	871 HK	2,019	HKD	2.36	6.65	4.92	35.71	35.09	0.88	0.74	13.72	16.31
Sector Weighted Average					5.74	5.19	11.73	10.79	0.70	0.63	12.88	12.91
Domestic Infrastructure Constructors												
CSCEC	601668 CH	118,275	RMB	3.14	4.14	3.58	11.62	15.55	0.69	0.60	17.91	17.99
China Gezhouba Group	600068 CH	23,531	RMB	4.07	9.69	8.48	(7.49)	14.29	0.96	0.88	10.33	10.87
CSCI	3311 HK	53,482	HKD	13.74	15.17	12.01	27.09	26.27	2.87	2.42	20.24	21.86
CAMC	002051 CH	16,486	RMB	16.97	14.86	12.24	21.27	21.37	2.37	2.04	16.96	17.93
CMEC	1829 HK	19,556	HKD	4.74	6.86	5.67	18.09	20.90	1.18	1.05	18.31	19.57
Sector Weighted Average					8.25	6.82	14.49	18.76	1.38	1.19	17.65	18.29
International Transport Constructors												
Vinci S.A.	DG FP	328,413	EUR	51.81	13.96	12.98	3.95	7.55	1.92	1.78	14.70	14.23
Bouygues Construction	EN FP	102,022	EUR	29.28	14.62	14.12	(184.45)	3.49	1.19	1.18	8.39	8.39
Hochtief A.G.	HOT GR	45,211	EUR	62.85	18.41	15.10	44.05	21.88	1.76	1.64	9.83	11.23
Skanska A.B.	SKAB SS	68,366	SEK	144.70	16.53	14.52	(4.21)	13.82	2.68	2.51	17.40	17.85
Strabag S.E.	STR AV	23,072	EUR	19.50	14.64	12.43	20.00	17.79	0.67	0.64	4.98	5.27
FCC S.A.	FCC SM	20,572	EUR	15.57	91.05	20.33	(101.44)	347.95	33.77	10.38	N/A	78.12
Ferrovial S.A.	FER SM	121,408	EUR	15.82	33.10	30.48	(51.77)	8.58	2.06	2.12	5.86	6.84
BAM Groep	BAMNB NA	5,727	EUR	2.04	21.43	6.10	(50.00)	251.58	0.59	0.56	2.76	9.44
SNC-Lavalin	SNC CN	63,157	CAD	58.47	63.01	25.39	286.67	148.17	3.86	3.13	6.41	13.61
Obrascon Huarte	OHL SM	28,840	EUR	27.86	8.80	7.70	15.97	14.25	1.10	0.99	13.34	13.52
Sacyr S.A.	SYV SM	21,892	EUR	4.20	15.79	13.29	(124.86)	18.80	1.88	1.67	12.65	13.31
Sector Weighted Average					22.89	16.82	(9.87)	30.17	2.77	2.05	11.13	11.83
International Infrastructure Constructors												
ACS	ACS SM	108,654	EUR	32.87	14.30	13.36	3.07	7.05	2.86	2.58	20.38	20.28
Jacobs Engineering Group	JEC US	53,046	USD	51.75	16.29	13.17	(2.87)	23.68	1.48	1.34	9.28	10.68
WorleyParsons Ltd	WOR AU	31,991	AUD	18.00	16.62	14.15	(17.20)	17.45	1.99	1.92	12.00	13.83
Abengoa S.A.	ABG SM	34,983	EUR	4.31	24.91	15.28	(84.30)	63.01	4.58	3.88	14.04	27.51
Daewoo Eng & Const	047040 KP	31,103	KRW	9,960	15.28	11.83	(136.02)	29.11	1.43	1.30	9.64	11.50
Sector Weighted Average					16.54	13.49	(29.06)	21.90	2.53	2.27	14.94	17.45
Overall Weighted Average					16.85	12.87	(5.85)	23.91	2.18	1.72	13.00	13.88

Source(s): Bloomberg, ABCI Securities estimates



Exhibit 5: CCCC's financial summary by quarter (1Q12-1Q14)

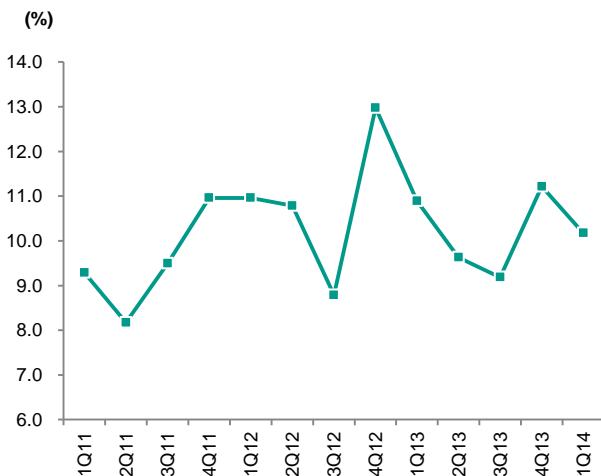
	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14	(% YoY)
New contracts (RMB mn)	65,980	170,017	121,415	157,508	84,861	168,056	147,995	142,349	118,113	39.18
Backlog (RMB mn)	618,886	693,940	741,921	700,525	731,993	760,865	824,543	738,055	795,723	8.71
Revenue (RMB mn)	49,006	75,823	70,485	100,007	53,393	87,644	81,045	109,716	60,445	13.21
Less: Operating cost (RMB mn)	43,635	67,645	64,201	87,242	47,577	79,204	73,162	97,917	54,297	14.12
Gross Profit (RMB mn)	5,371	8,178	6,284	12,765	5,816	8,440	7,883	11,799	6,148	5.71
GPM (%)	10.96	10.79	8.92	12.76	10.89	9.63	9.73	10.75	10.17	(0.72ppt)
Selling cost (RMB mn)	139	134	153	185	173	31	128	148	109	(36.99)
Administrative cost (RMB mn)	2,640	3,041	2,881	5,471	2,914	3,138	3,091	6,667	2,992	2.68
SG&A (RMB mn)	2,779	3,175	3,034	5,656	3,087	3,169	3,219	6,815	3,101	0.45
SG&A-to-revenue (%)	5.67	4.19	4.30	5.66	5.78	3.62	3.97	6.21	5.13	(0.65ppt)
Net profit (RMB mn)	1,525	3,493	1,893	5,366	1,788	3,940	2,329	4,511	1,821	1.85
Net profit margin (%)	3.11	4.61	2.69	5.37	3.35	4.50	2.87	4.11	3.01	(0.34ppt)
Total debt (RMB mn)	107,229	132,134	137,285	144,245	139,436	167,526	164,174	186,975	197,221	41.44
Total cash and equivalents (RMB mn)	45,821	57,391	64,021	73,084	60,357	63,160	67,203	85,487	87,909	45.65
Net debt (RMB mn)	61,408	74,743	73,264	71,161	79,079	104,366	96,971	101,488	109,312	N/A
Total equity (RMB mn)	88,687	87,635	90,156	96,113	98,896	97,700	101,512	104,841	106,668	7.86
Net gearing (%)	69.24	85.29	81.26	74.04	79.96	106.82	95.53	96.80	102.48	22.52ppt

Source(s): Company, ABCI Securities

Thanks to its relatively higher exposure to investment projects (BT/BOT) and overseas projects than CRCC and CRG, CCCC's GPM is higher than its two peers. We estimate that GPMs of investment and overseas projects are higher than those of the domestic railway/roadway projects by 5-10%. The average GPM of CCCC during 1Q12-1Q14 was 10.51%, which was higher than those of CRCC/CRG at 7.70/7.60%.

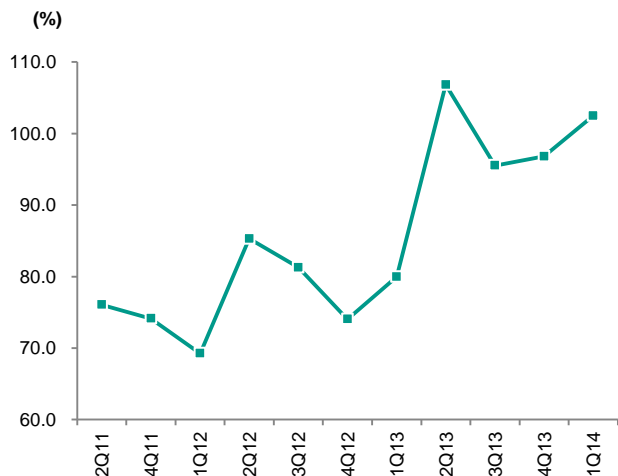
Due to the higher working capital required for investment projects, we expect CCCC's net gearing to hike in the next 2 years based on the latest delivery pipeline for the projects under construction.

Exhibit 6: CCCC's gross profit margin in 1Q11-1Q14



* Gross profit margin excludes business taxes and surcharges
Source(s): Company, ABCI Securities

Exhibit 7: CCCC's net gearing in 1Q11-1Q14

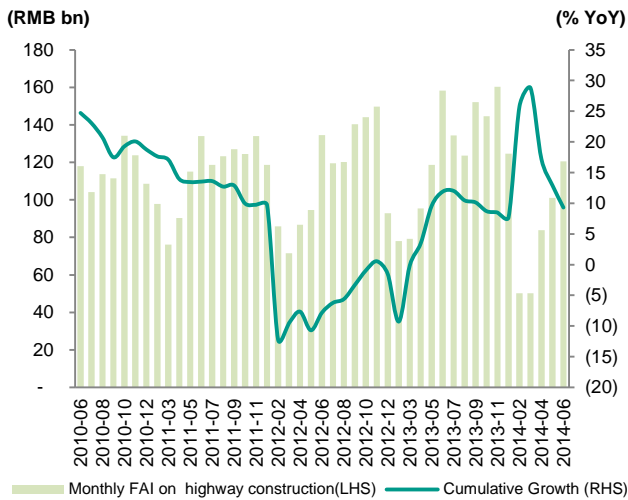


*: Net gearing = (Total debt – Total cash) / Total equity; CCCC has been listed in A-share market since 2012, and the quarterly net gearing data during 2011 is not available
Source(s): Company, ABCI Securities

Investment in highway to slow

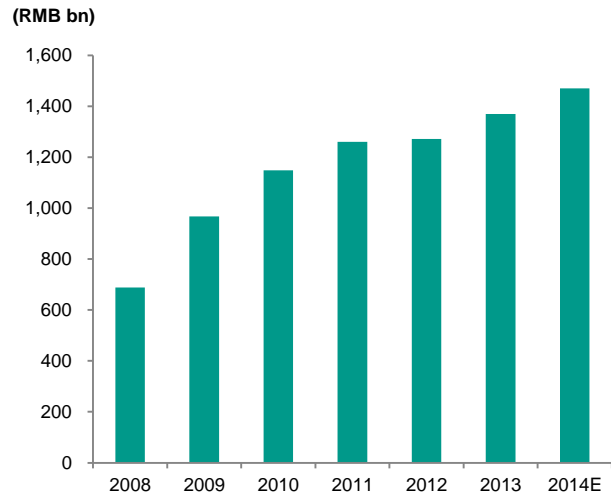
According to Ministry of Transportation (MOT), investment on highway investment was up 10.88% in 1H14. Growth in highway investment has declined rapidly since 2009 - the year when the infrastructure sector benefited from China's RMB 4,000bn economic stimulus package. Looking forward, based on the designated budget of RMB 1,470bn for highway construction in 2014, we estimate that construction investment to grow by 7.4% YoY in 2014. Based on the targeted CAPEX on highway development from MOT, we expect that the investment in 2H14 will be slowed to 5.14% YoY.

Exhibit 8: Monthly construction investment on highway in 6M10-6M14



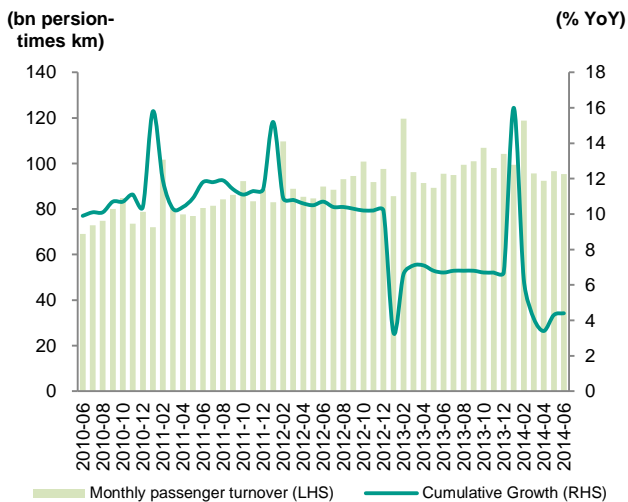
Source(s): MOT, ABCI Securities

Exhibit 9: Highway investment in China, 2008-2014E



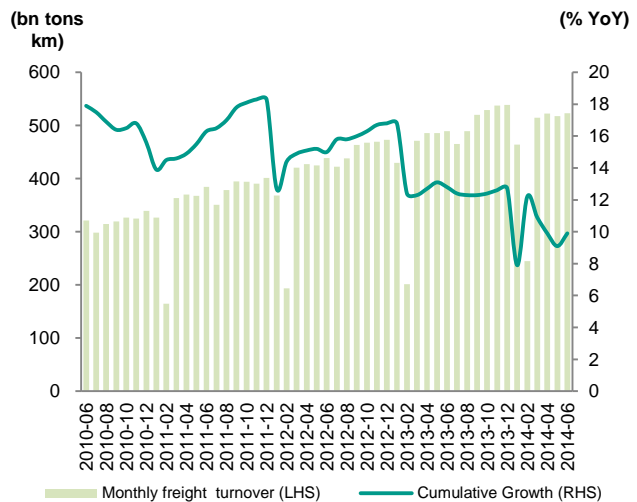
Source(s): MOT, ABCI Securities

Exhibit 10: Passenger turnover and YTD growth of highway in China, 6M10-6M14



Source(s): MOT, ABCI Securities

Exhibit 11: Freight turnover and YTD growth of highway in China, 6M10-6M14



Source(s): MOT, ABCI Securities

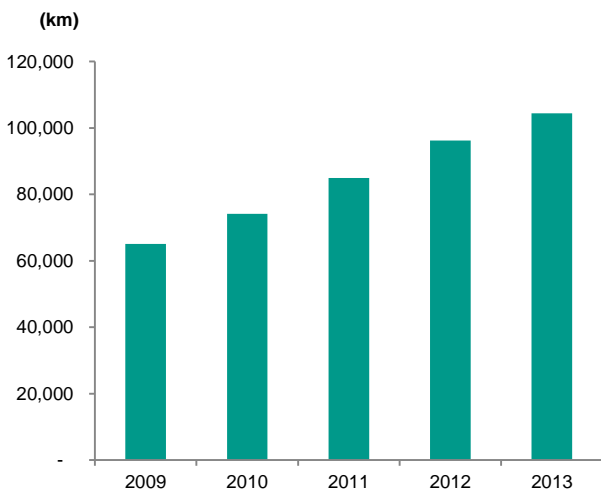


Delivery of expressway to ease down

According to MOT, the total length of expressway increased from 65,100 km in 2009 to 104,400 km in 2013. Delivery of expressway grew from 4,800 km in 2009 to its peak at 11,300 km in 2012 because of the economic stimulus package in 2008. In 2013, delivery fell to 8,200 km.

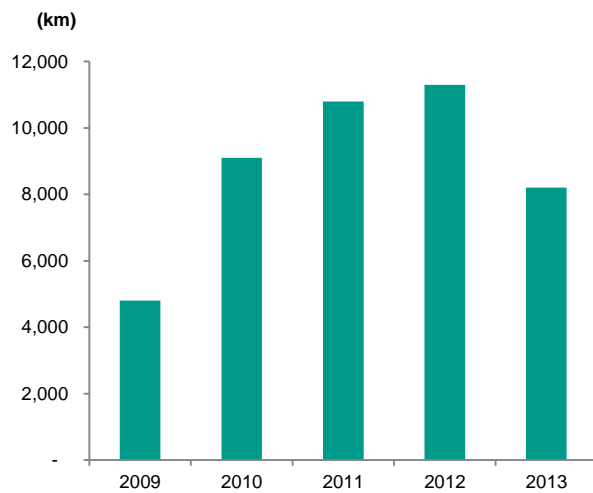
According to the 12th 5-Year Plan on transport industry, the total length of expressway is expected to reach 108,000 km by 2015. It implies that the total targeted delivery in 2014-15 will be 3,600 km, or 1,800 km p.a. Thus, we expect the delivery of expressway construction projects to slow in the coming 2 years.

Exhibit 12: Total length of expressway in 2009-13



Source(s): MOT, ABCI Securities

Exhibit 13: Delivery of expressway in 2009-2013



Source(s): MOT, ABCI Securities

Tepid growth in throughput among major ports

Throughput growth of major ports in China is slowing under the moderating growth in domestic consumption. According to MOT, growth in throughput, which is measured in metric ton, among major ports in China decelerated from 9.2% YoY in 2014 to 5.2% YoY in 1H14, and throughput measured in 20-foot equivalent unit (TEU) fell from 7.2% YoY in 2014 to 5.7% YoY in 1H14.

Looking forward, we expect investment in port construction to continue to lessen due to the slowing throughput, thus affecting the Group's income from the port construction projects in the future.

Exhibit 14: Throughput growth of major ports in China and new contract growth of CCCC in 2009-1H14

Growth (% YoY)	2009	2010	2011	2012	2013	1H14
Throughput by metric ton	9.00	16.70	12.40	7.30	9.20	5.20
Throughput by TEU	(4.60)	19.40	12.00	8.40	7.20	5.70
CCCC's new contract of port construction projects	8.76	21.31	17.64	4.52	(31.58)	

Source(s): MOT, Company, ABCI Securities



Financial statements of the Group

Consolidated income statement (2012A-2016E)

FY Ended Dec 31 (RMB mn)	FY12A	FY13A	FY14E	FY15E	FY16E
Revenue	295,321	331,798	360,480	378,912	398,214
Construction operation	229,401	264,146	306,701	330,282	352,292
Survey, Design & Consultancy	16,468	19,394	15,893	17,371	17,941
Port Machinery Manufacturing	19,317	24,171	16,434	13,794	12,415
Dredging services	32,027	32,789	25,461	21,074	18,967
Others	6,462	3,706	3,891	4,086	4,290
Inter-segment sales	(8,354)	(12,408)	(7,901)	(7,694)	(7,690)
COGS	(262,723)	(297,860)	(323,373)	(338,964)	(356,711)
Gross profit	32,598	33,938	37,108	39,948	41,504
SG&A	(14,644)	(16,290)	(16,960)	(17,810)	(16,725)
Other income (loss)	(2,403)	(1,796)	(2,867)	(3,151)	(3,379)
Pre-tax profit	15,551	15,852	17,281	18,987	21,399
Income tax	(3,790)	(3,580)	(3,456)	(3,797)	(4,280)
Net profit	11,761	12,272	13,824	15,190	17,120
Profit attributable to:					
Minority interests	(516)	(296)	263	268	279
Equity shareholders of the Company	12,277	12,568	13,561	14,922	16,840
EPS (RMB)	0.767	0.777	0.838	0.923	1.041
DPS (RMB)	0.185	0.188	0.210	0.231	0.260
EBIT	22,435	24,450	27,484	30,159	33,482
EBITDA	29,422	32,492	34,704	37,715	33,482

Source(s): Company, ABCI Securities estimates

Consolidated balance sheet (2012A-2016E)

As of Dec 31 (RMB mn)	FY12A	FY13A	FY14E	FY15E	FY16E
Current assets	271,608	318,853	344,039	370,694	401,872
Cash and equivalent	73,084	85,487	82,441	85,369	87,351
Trade and bill receivables	44,247	50,210	56,868	64,618	68,689
Construction contracts	57,983	66,131	74,111	73,302	81,620
Inventories	27,113	32,850	38,026	45,554	52,175
Other current assets	69,181	84,175	92,593	101,852	112,037
Non-current assets	162,669	198,592	221,317	243,334	266,304
Property, plant and equipment	56,812	55,619	56,060	57,083	58,689
Land lease prepayment	7,961	8,273	9,100	10,010	11,011
Intangible assets	36,519	54,592	69,789	83,384	97,460
Long term investments	20,315	22,464	24,710	27,181	29,900
Trade and other receivables	6,949	8,141	9,221	10,477	11,137
Other non-current assets	34,113	49,503	52,437	55,198	58,107
Total assets	434,277	517,445	565,356	614,028	668,176
Current liabilities	254,186	304,735	329,353	348,778	373,648
Trade and bill payables	106,226	126,415	139,371	148,517	160,307
Receipts in advance	38,015	43,127	45,759	47,672	50,518
Short term borrowings	69,187	87,818	92,209	96,819	101,660
Other current liabilities	40,758	47,375	52,015	55,770	61,163
Non-current liabilities	83,978	107,869	120,438	137,953	153,911
Long-term borrowings	75,058	99,157	110,855	127,412	142,315
Other non-current liabilities	8,920	8,712	9,583	10,542	11,596
Total liabilities	338,164	412,604	449,791	486,731	527,559
Minority interests	9,454	9,980	10,177	10,378	10,587
Shareholders' equities	86,659	94,861	105,387	116,919	130,029
BVPS (RMB)	5.358	5.865	6.516	7.229	8.039

Source(s): Company, ABCI Securities estimates



Consolidated cash flow statement (2012A-2016E)

FY ended Dec 31 (RMB mn)	FY12A	FY13A	FY14E	FY15E	FY16E
Profit before tax	15,551	15,852	17,281	18,987	21,399
Changes in depreciation and amortization	6,987	8,042	7,221	7,556	8,036
Changes in working capital	(9,705)	(16,275)	(14,365)	(15,444)	(14,218)
Financial cost	4,871	5,740	7,873	8,615	9,312
Income tax paid	(3,219)	(3,677)	(3,103)	(3,409)	(3,853)
Others	(452)	(1,878)	(310)	(341)	(375)
CF Operating	14,033	7,804	14,595	15,964	20,302
Increase in PP&E	(8,210)	(6,380)	(7,018)	(7,720)	(8,492)
Increase in intangible assets	(12,866)	(18,854)	(16,668)	(15,364)	(16,228)
Others	846	(3,684)	-	-	-
CF Investing	(20,230)	(28,918)	(23,686)	(23,084)	(24,720)
Capital injection	5,026	414	-	-	-
Net debt financing	38,200	42,730	16,089	21,167	19,745
Dividend payout	(3,037)	(3,079)	(3,101)	(3,457)	(3,800)
Interest paid	(6,432)	(8,275)	(7,873)	(8,615)	(9,312)
Others	(4,795)	2,772	929	953	(233)
CF Financing	28,962	34,562	6,045	10,048	6,399
Net change in cash	22,765	13,448	(3,046)	2,928	1,982
Cash at the beginning	46,043	73,084	85,487	82,441	85,369
Adjustment (Time deposit & FX effect)	4,276	(1,045)	-	-	-
Cash at the end	73,084	85,487	82,441	85,369	87,351

*: 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)

FY ended Dec 31	FY12A	FY13A	FY14E	FY15E	FY16E
Sales mixed (%)					
Construction operation	77.68	79.61	85.08	87.17	88.47
Survey, Design & Consultancy	5.58	5.85	4.41	4.58	4.51
Port Machinery Manufacturing	6.54	7.28	4.56	3.64	3.12
Dredging services	10.84	9.88	7.06	5.56	4.76
Others	2.19	1.12	1.08	1.08	1.08
Inter-segment sales	(2.83)	(3.74)	(2.19)	(2.03)	(1.93)
Profit & loss ratios (%)					
Gross margin	11.04	10.23	10.29	10.54	10.42
Net profit margin	4.16	3.79	3.76	3.94	4.23
Effective tax rate	24.37	22.58	20.00	20.00	20.00
Growth (%)					
Revenue	0.35	12.35	8.64	5.11	5.09
Gross profit	16.81	4.11	9.34	7.65	3.89
EBIT	14.95	8.98	12.41	9.73	11.02
EBITDA	13.12	10.43	6.81	8.68	(11.22)
Net profit	4.39	2.37	7.90	10.04	12.85
Balance sheet ratios					
Current ratio (x)	1.07	1.05	1.04	1.06	1.08
Quick ratio (x)	0.96	0.94	0.93	0.93	0.94
Cash ratio (x)	0.29	0.28	0.25	0.24	0.23
Trade and bill receivables days	63	60	63	68	71
Trade and bill payables turnover days	140	143	150	155	158
Inventory turnover days	35	37	40	45	50
Total debt / equity ratio (%)	150.08	178.34	175.71	176.15	173.50
Net debt / equity ratio (%)	74.04	96.80	104.38	109.08	111.38
Returns (%)					
ROAE	15.65	13.85	13.54	13.42	13.64
ROAA	3.10	2.64	2.50	2.53	2.63
Payout ratio	24.34	24.15	25.00	25.00	25.00

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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