



Key Data

H-Share price (HK\$)	5.96
52Wk H/L(HK\$)	8.00 /4.20
Issued shares (mn)	16,175
H-shares	4,428
A-shares	11,747
Market cap	
H-shares (HK\$mn)	26,875
A-shares (Rmbmn)	50,161
30-day avg vol (HK\$mn)	107
Major shareholder (%):	
CCCC	63.7

Source: Company, Bloomberg, ABCI Securities

Revenue composition in FY11 (%)

Infrastructure Construction	74.9
Infrastructure Design	4.5
Dredging	10.5
Heavy Machinery	7.9
Others	2.2

Source: Company

Share performance (%)

	Absolute	Relative*
1-mth	(13.1)	(11.6)
3-mth	(15.8)	(19.8)
6-mth	(23.7)	(15.5)

Source: Bloomberg

*Relative to Hang Seng Index

1 year price performance



Source: Bloomberg

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China Comm Cons (1800 HK) – Unrated Construction & Engineering Industry

Switching Target

In the recent bull cycle of infrastructure play, CCCC has been underperforming with an increase of just 17.6% since Sep 23, 2011. Based on its current historical PER of 6.1x and its better outlook, we anticipate that it would be the outperformer after the adjustment of 10.6% since releasing its interim result on Aug 28 and would start an uptrend after consolidation.

Enjoy higher margin in BT & BOT projects. We regard BT & BOT projects as privileged business for CCCC to take advantage of tight financing environment by investing in projects it can finance from banks but not by others. In 1H12, the new contracts for investment business (mainly BT & BOT projects) amounted to RMB54,277m, up 19.5% YoY, accounting for 28% of the infrastructure construction business.

Smart to focus on overseas market. CCCC adjusted timely to press ahead overseas markets exploration. The value of new contracts from overseas amounted to USD\$8,614m, up 63% YoY, accounting for approximately 23.6% (vs 15.6% in 1H11) of total new contracts acquired in 1H12.

Successfully maintain trade receivables and inventories at similar levels under challenging environment. Levels of trade receivables and inventories remained at similar levels, namely Rmb54.6bn and Rmb53.3bn for trade receivables at the end of 1H12 and FY11 respectively while Rmb23.5bn and Rmb22.6bn for inventories at the end of 1H12 and FY11 respectively.

Risk factors: Overseas projects risk; deteriorating working capital turns.

Results and Valuation

FY ended Dec 31	FY07A	FY08A	FY09A	FY10A	FY11A
Revenue (Rmb mn)	150,601	176,054	226,920	272,734	294,281
Chg (% YoY)	31.1	16.9	28.9	20.2	7.9
Gross Profit (Rmb mn)	15,568	17,694	21,705	23,247	27,907
Chg (% YoY)	31.8	13.7	22.7	7.1	20.0
Net Income (Rmb mn)	6,032	5,875	7,200	9,599	11,767
Chg (% YoY)	88.6	(2.6)	22.5	33.3	22.6
EPS (Rmb)	0.41	0.40	0.49	0.65	0.79
Chg (% YoY)	41.4	(2.4)	22.5	32.7	21.5
PE (x)	-	-	-	-	6.1
PB (x)	-	-	-	-	1.0
Yield (%)	-	-	-	-	3.7
ROAA (%)	4.1	3.0	3.0	3.3	3.5
ROAE (%)	15.7	13.0	14.4	16.3	17.7
Net debt/total equity (%)	21.9	47.4	55.6	57.4	75.2

Source: Company, Bloomberg, ABCI Securities estimates

Disclosures

Analyst Certification

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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	$2.6 \leq 180 \text{ day volatility} / 180 \text{ day benchmark index volatility}$
High	$1.5 \leq 180 \text{ day volatility} / 180 \text{ day benchmark index volatility} < 2.6$
Medium	$1.0 \leq 180 \text{ day volatility} / 180 \text{ day benchmark index volatility} < 1.5$
Low	$180 \text{ day volatility} / 180 \text{ day benchmark index volatility} < 1.0$

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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