



December 9, 2013  
Equity Focus  
Rating: BUY  
TP: HK\$ 6.99

H-Share price (HK\$) 5.77  
Est. share price return 21.14%  
Est. dividend yield 4.06%  
Est. total return 25.20%

Previous Rating & TP BUY; HK\$ 5.87  
Previous Report Date August 29, 2013

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**Key Data**

52Wk H/L(HK\$)	7.61 / 3.42
Issued shares (mn)	4,125
H-Shares (mn)	908
Domestic Share (mn)	3,217
Market cap	
H-shares (HK\$ mn)	5,239
Domestic Share (HK\$ mn)	18,562
3-mth avg daily turnover (HK\$ mn)	19.9
Major shareholder(s) (%):	
SINOMACH	77.99

Source(s): Company, Bloomberg, ABCI Securities

**1H13 Revenue breakdown (%)**

International engineering contracting	76.76
Trading	19.04
Others	4.20

Source(s): Company, ABCI Securities

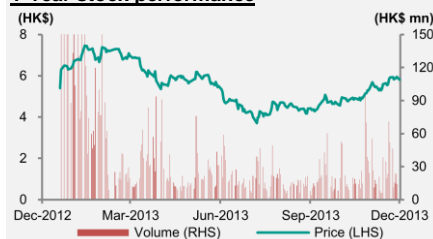
**Share performance (%)**

	Absolute	Relative*
1-mth	9.50	6.47
3-mth	35.48	26.51
6-mth	12.64	4.99

\*Relative to HSI

Source(s): Bloomberg, ABCI Securities

**1-Year stock performance**



Source(s): Bloomberg

CMEC (1829 HK)

Diplomatic ties to promote long-term growth

- To help Chinese enterprises expand overseas, the Chinese government has been fastening ties with different countries to promote the country's capability in industry including infrastructure construction. Against this backdrop, we expect new overseas contract flow for infrastructure to grow stronger in 2014
- The total amount of newly signed contract was US\$ 4,076mn as of Dec 6, 2013, exceeding the Company's target by 35.87% and helps secure revenue in 2014E-15E
- We roll our valuation forward to FY14E and revise up our TP to HK\$ 6.99, representing 1.8x FY14E BVPS. Reiterate **BUY**

**Diplomatic policy to foster overseas business.** The Chinese government has been strengthening relationships with different countries since the new leaders were on board in Mar 2013. During the latest trip to Eastern Europe in Nov 2013, Premier Li zealously promote China's capability in infrastructure construction such as high-speed railway and power plants. Rapid growth in infrastructure development and strengthening international ties would help the Chinese infrastructure builders expand their business overseas. A stronger new contract flow is expected in 2014.

**Strong new contract flow in 2013 exceeded target.** As of Dec 6, 2013, the total newly signed contract amounted to US\$ 4,076mn, exceeding the Group's target for 2013 of US\$ 3,000mn. For 2013, we estimate that project delivery would reach US\$ 2,437mn and the value of new effective contracts would be US\$ 3,021mn. We estimate the total backlog by end-2013 will be US\$ 7,643bn. The backlog-to-segment revenue ratio is 3.14x, thus we believe FY14E/15E revenue would be secured.

**Maintain BUY on promising FY14E/15E revenue.** We like CMEC for its strong backlog and new contract flow that set ground for a robust FY14E-15E revenue growth. We expect more projects will be taken up by the Group in the next few years. We cut our net income estimates for FY13E on non-cash forex loss driven by RMB appreciation. We estimate the total new contract value would grow by 10% YoY in 2014E, and core income (net income excluding FX gain & loss) to increase by 30.53% in FY14E. We roll our valuation forward to FY14E and revise up our TP to HK\$ 6.99 (HK\$ 5.87 previously), representing 1.8x FY14E BVPS. Maintain BUY.

**Risk factors:** 1) Slowdown in new effective contracts; 2) Delay in project delivery; 3) Foreign exchange loss.

**Results and Valuation**

FY ended Dec 31	2011A	2012A	2013E	2014E	2015E
Revenue (RMB mn)	20,518	21,296	20,438	23,152	27,550
Chg (% YoY)	7.55	3.79	(4.03)	13.28	19.00
Net Income (RMB mn)	1,475	1,928	1,617	2,219	2,689
Chg (% YoY)	29.78	30.69	(16.10)	37.23	21.16
EPS (RMB)	0.447	0.467	0.392	0.538	0.652
P/E (x)	-	9.92	11.82	8.62	7.11
BVPS (RMB)	1.632	2.405	2.718	3.118	3.581
P/B (x)	-	1.93	1.71	1.49	1.29
DPS (RMB)	0.043	0.164	0.137	0.188	0.228
Yield (%)	-	3.53	2.96	4.06	4.92
ROAE (%)	31.58	25.18	15.30	18.43	19.46
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

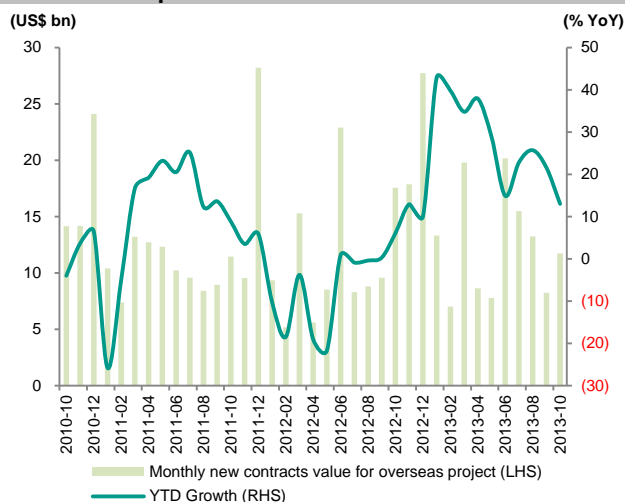
\*Net gearing=Net debt/Total equity

Source(s): Bloomberg, ABCI Securities estimates

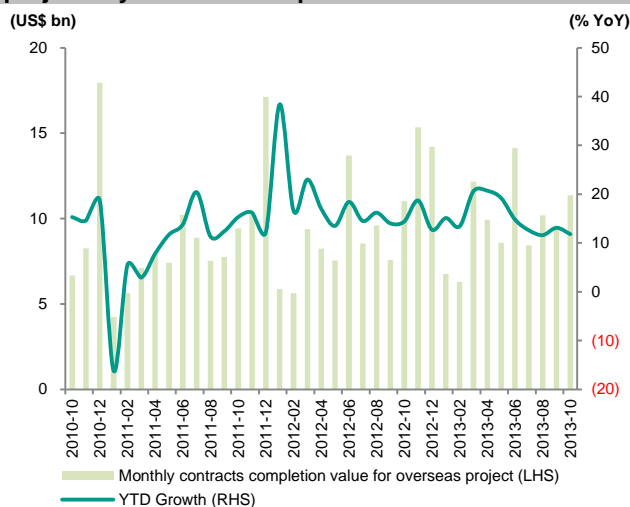
**Exhibit 1: List of new project intake as of December 6, 2013**

Date of Contract Signed	Segment	Countries	Detail of the Project	Construction Duration (month)	Contract Value (US\$ mn)
April 2013	Power	Mongolia	A heat only boiler plant and the supporting system (including three 116MW circulated fluidized bed boilers), a wagon tipper and coal transport system on the premises, an external thermal line network of approximately 910 meters, expansion of a 110KV transformer substation and 110/10KV double circuit electricity lines.	18	76
April 2013	Non-Core	South Sudan	Design and construction of the health care centers and supply, installation and commissioning of medical apparatus and instruments supply, etc.	24	215
May 2013	Non-Core	Sri Lanka	Entered into a master construction contract for the Gampaha, Attanagalla and Minuwangoda Integrated Water Supply Scheme with the National Water Supply & Drainage Board of Sri Lanka.	36	230
July 2013	Power	Nigeria	Construction of a 500MW single-cycle power station. CMEC, as the EPC contractor, will provide design, supply, construction, installation, commissioning, training and warranty services in a turnkey form.	31	420
July 2013	Power	Nigeria	Construction of a 120MW combined-cycle power station, heavy oil storage tanks and grid network update inside Bauchi Town. CMEC, as the EPC contractor, will provide design, supply, construction, installation, commissioning, training and warranty services in a turnkey form.	33	201
August 2013	Non-Core	Equatorial Guinea	Provide design, supply, construction, installation, renovation and warranty services in a turnkey form to construct a modern university town in Malabo, Equatorial Guinea.	30	317
October 2013	Transportation	Papua New Guinea	Reconstructing and upgrading of Kisenepoi to Kaugel River Section of the highlands highway in Papua New Guinea.	36	170
October 2013	Transportation	Equatorial Guinea	Entered into a contract with the government of Equatorial Guinea in respect of the highway power supply project in the continental region of Equatorial Guinea	24	199
October 2013	Non-Core	Jerusalem	Entered into a contract with the Latin Patriarchate of Jerusalem in respect of the construction of the American University of Madaba Phase project in Jordan.	30	266
November 2013	Non-Core	Iraq	Entered into a contract with Kar Company For General Contracting, Engineering, Consultancy and Electrical and Mechanical Contracting Ltd in respect of the KAR Group 6,000 tonnes per day cement plant project in Qarachog, Iraq.	24	236
November 2013	Telecommunication	Bangladesh	Entered into a contract with Bangladesh Telecommunications Company Limited in respect of its installation of NGN based telecommunication network for digital Bangladesh in Bangladesh.	33	183
October 2013	Power	Equatorial Guinea	Entered into a contract with the government of Equatorial Guinea in respect of the power grid construction and expansion projects in six cities in the continental region of Equatorial Guinea.	21	127
November 2013	Transportation	Sri Lanka	A consortium formed by CMEC and Hunan Construction Engineering Group Corporation entered into a contract with the Road Development Authority of Sri Lanka in respect of the construction of extension of southern expressway from Matara to Hambantota (Section 2 from Beliatta to Wetiya) in Sri Lanka.	36	430
November 2013	Non-Core	Kenya	Entered into a contract with Moi Teaching and Referral Hospital in respect of upgrading the Moi Teaching and Referral Hospital project in Kenya.	36	291
December 2013	Power	Serbia	Entered into a contract with Javno preduzece in respect of phase II of the Kostolac B – power plant project in The Republic of Serbia.	58	716
				<b>Total</b>	<b>4,076</b>

Source(s): Company, ABCI Securities

**Exhibit 2: Total new contract for overseas projects by Chinese enterprises**


Source(s): MOC, ABCI securities

**Exhibit 3: Total contract value of completion for overseas projects by Chinese enterprises**


Source(s): MOC, ABCI securities

**Exhibit 4: Major changes in our forecasts**

	Previous	FY13E New	Diff (%)	Previous	FY14E New	Chg (%)	Previous	FY15E New	Chg (%)
<b>Revenue (RMB mn)</b>	<b>20,438</b>	<b>20,438</b>	-	<b>23,152</b>	<b>23,152</b>	-	<b>27,550</b>	<b>27,550</b>	-
International engineering contracting	15,112	15,112	-	17,328	17,328	-	21,214	21,214	-
Trading	4,367	4,367	-	4,787	4,787	-	5,249	5,249	-
Others	959	959	-	1,036	1,036	-	1,088	1,088	-
<b>Gross profit (RMB mn)</b>	<b>3,680</b>	<b>3,477</b>	<b>(5.51)</b>	<b>4,333</b>	<b>4,333</b>	-	<b>5,143</b>	<b>5,143</b>	-
<b>GPM (%)</b>	<b>18.00</b>	<b>17.01</b>	<b>(0.99ppt)</b>	<b>18.71</b>	<b>18.71</b>	-	<b>18.67</b>	<b>18.67</b>	-
<b>Net income (RMB mn)</b>	<b>1,847</b>	<b>1,617</b>	<b>(12.45)</b>	<b>2,494</b>	<b>2,219</b>	<b>(11.01)</b>	<b>2,900</b>	<b>2,689</b>	<b>(7.28)</b>
<b>Net margin (%)</b>	<b>9.04</b>	<b>7.91</b>	<b>(1.12ppt)</b>	<b>10.77</b>	<b>9.59</b>	<b>(1.19ppt)</b>	<b>10.53</b>	<b>9.76</b>	<b>(0.77ppt)</b>
EPS (RMB)	0.448	0.392	(12.45)	0.604	0.538	(11.01)	0.703	0.652	(7.28)
BVPS (RMB)	2.773	2.718	(2.01)	3.221	3.118	(3.19)	3.712	3.581	(3.52)
DPS (RMB)	0.157	0.137	(12.44)	0.212	0.188	(11.01)	0.246	0.228	(7.28)

Source(s): ABCI Securities estimates

**Exhibit 5: Peer valuation of construction contractors**

Company	Ticker	Mkt cap (HK\$ mn)	As of 6/12/2013 CRY Share Price	P/E (x)		EPS (%YoY)		P/B (x)		ROAE (%)		
				FY13E	FY14E	FY13E	FY14E	FY13E	FY14E	FY13E	FY14E	
<b>Domestic Transportation Project Contractor</b>												
CRCC-H	1186 HK	18,061	HKD	8.70	8.63	7.34	17.78	17.56	1.07	0.95	13.11	13.74
CRCC-A	601186 CH	70,389	RMB	5.38	6.65	5.65	17.78	17.56	0.83	0.73	13.11	13.74
CRG-H	390 HK	18,553	HKD	4.41	8.61	7.50	19.17	14.72	0.88	0.80	10.74	11.19
CRG-A	601390 CH	64,944	RMB	2.98	7.24	6.31	19.17	14.72	0.74	0.67	10.74	11.19
CCCC-H	1800 HK	28,074	HKD	6.34	6.30	5.87	6.74	7.31	0.85	0.77	14.26	13.74
CCCC-A	601800 CH	64,700	RMB	4.32	5.34	4.98	6.74	7.31	0.72	0.65	14.26	13.74
CREGC	600528 CH	10,307	RMB	5.54	12.59	10.65	10.50	18.18	1.30	1.20	11.25	11.68
Shanghai Tunnel Eng Co	600820 CH	15,697	RMB	9.48	9.67	8.24	10.57	17.35	0.95	0.88	11.48	11.10
Xiangyu Dredging	871 HK	1,880	HKD	2.35	6.99	5.81	8.00	20.37	0.89	0.78	14.80	14.27
<b>Sector Weighted Average</b>					<b>7.08</b>	<b>6.21</b>	<b>13.97</b>	<b>13.53</b>	<b>0.83</b>	<b>0.75</b>	<b>12.66</b>	<b>12.80</b>
<b>Domestic Infrastructure Construction Contractor</b>												
CSCEC	601668 CH	131,579	RMB	3.44	5.60	4.86	18.08	15.31	0.87	0.76	18.19	16.69
Sinohydro Group	601669 CH	40,759	RMB	3.33	6.75	5.81	15.59	16.23	0.93	0.84	14.99	15.21
China Gezhouba Group	600068 CH	18,764	RMB	4.22	8.79	7.96	7.14	10.42	1.02	0.93	13.52	12.23
CSCI	3311 HK	52,498	HKD	13.50	19.37	15.02	21.60	28.98	3.32	2.86	18.65	20.49
CAMC	002051 CH	17,085	RMB	21.03	16.30	12.54	16.22	30.00	2.58	2.20	19.27	18.95
<b>CMEC</b>	<b>1829 HK</b>	<b>23,801</b>	<b>HKD</b>	<b>5.77</b>	<b>11.82</b>	<b>8.62</b>	<b>(16.10)</b>	<b>37.23</b>	<b>1.71</b>	<b>1.49</b>	<b>15.30</b>	<b>18.43</b>
<b>Sector Weighted Average</b>					<b>9.68</b>	<b>7.85</b>	<b>14.68</b>	<b>20.36</b>	<b>1.52</b>	<b>1.32</b>	<b>17.33</b>	<b>17.17</b>
<b>International Transportation Construction Contractors</b>												
Vinci S.A.	DG FP	285,011	EUR	44.74	13.15	12.36	(4.71)	6.41	1.78	1.67	13.46	13.36
Bouygues Construction	EN FP	87,484	EUR	25.88	10.87	10.50	18.73	3.53	0.93	0.91	8.73	8.72
Hochtief A.G.	HOT GR	48,194	EUR	59.10	19.08	16.72	44.09	14.07	1.41	1.35	8.45	9.46
Skanska A.B.	SKAB SS	61,320	SEK	122.40	14.59	13.50	21.20	8.13	2.44	2.29	18.45	20.77
Strabag S.E.	STR AV	24,551	EUR	20.34	18.76	15.46	86.90	21.31	0.71	0.69	3.82	4.53
FCC S.A.	FCC SM	19,320	EUR	14.33	(32.57)	32.13	(95.05)	(201.36)	2.26	2.03	(17.45)	6.65
Ferrovial S.A.	FER SM	104,404	EUR	13.44	25.31	29.73	(45.14)	(14.88)	1.76	1.80	6.36	5.84
BAM Groep	BAMNB NA	9,541	EUR	3.34	17.88	10.48	(123.67)	70.59	1.03	0.99	7.18	19.90
SNC-Lavalin	SNC CN	51,266	CAD	46.46	(55.11)	25.78	(141.12)	(313.76)	3.51	3.38	1.42	13.35
Obrascon Huarte	OHL SM	28,985	EUR	27.44	9.58	8.58	(71.59)	11.66	1.12	1.02	13.38	12.44
Sacyr S.A.	SYV SM	17,817	EUR	3.61	14.68	13.37	(111.08)	9.76	1.10	1.03	7.04	7.96
<b>Sector Weighted Average</b>					<b>9.31</b>	<b>16.38</b>	<b>(17.84)</b>	<b>(22.37)</b>	<b>1.75</b>	<b>1.67</b>	<b>9.78</b>	<b>11.55</b>
<b>International Infrastructure Construction Contractors</b>												
ACS	ACS SM	75,429	EUR	22.64	9.93	9.31	(134.48)	6.71	2.25	2.04	25.20	23.71
Jacobs Engineering Group	JEC US	58,770	USD	57.54	15.53	13.55	13.33	14.60	1.61	1.44	10.82	11.14
Hyundai Eng & Const	000720 KP	50,742	KRW	62,200	11.41	9.43	74.93	21.03	1.39	1.24	12.54	13.92
WorleyParsons Ltd	WOR AU	27,925	AUD	16.11	14.18	12.17	(13.15)	16.55	1.78	1.70	16.43	12.56
Abengoa S.A.	ABG SM	16,101	EUR	2.25	13.89	10.92	(29.57)	27.16	0.89	0.94	7.47	5.63
Daewoo Eng & Const	047040 KP	24,541	KRW	8,060	14.24	10.87	45.88	30.95	0.93	0.86	6.73	8.56
Impregilo SpA	IPG IM	19,656	EUR	4.56	21.01	12.53	(85.44)	67.74	1.34	1.39	6.63	10.89
<b>Sector Weighted Average</b>					<b>13.26</b>	<b>11.00</b>	<b>(25.46)</b>	<b>19.85</b>	<b>1.64</b>	<b>1.51</b>	<b>14.82</b>	<b>14.70</b>
<b>Overall Weighted Average</b>					<b>9.65</b>	<b>12.05</b>	<b>(7.46)</b>	<b>(0.84)</b>	<b>1.52</b>	<b>1.41</b>	<b>12.53</b>	<b>13.33</b>

Source(s): Bloomberg, ABCI Securities estimates

**Consolidated income statement (2011A-2015E)**

<b>FY Ended Dec 31 (RMB mn)</b>	<b>2011A</b>	<b>2012A</b>	<b>2013E</b>	<b>2014E</b>	<b>2015E</b>
<b>Revenue</b>	<b>20,518</b>	<b>21,296</b>	<b>20,438</b>	<b>23,152</b>	<b>27,550</b>
International engineering contracting	12,055	13,245	15,112	17,328	21,214
Trading	7,689	7,163	4,367	4,787	5,249
Other	774	888	959	1,036	1,088
<b>COGS</b>	<b>(16,859)</b>	<b>(17,564)</b>	<b>(16,961)</b>	<b>(18,819)</b>	<b>(22,408)</b>
<b>Gross profit</b>	<b>3,659</b>	<b>3,732</b>	<b>3,477</b>	<b>4,333</b>	<b>5,143</b>
SG&A	(1,385)	(1,565)	(1,556)	(1,789)	(2,144)
Other income and gains	(287)	449	265	457	636
<b>Pre-tax profit</b>	<b>1,987</b>	<b>2,616</b>	<b>2,186</b>	<b>3,000</b>	<b>3,635</b>
Income tax	(515)	(688)	(568)	(780)	(945)
<b>Net profit</b>	<b>1,472</b>	<b>1,928</b>	<b>1,618</b>	<b>2,220</b>	<b>2,690</b>
Profit attributable to:					
Minority interests	(3)	0	1	1	1
<b>Equity shareholders of the Company</b>	<b>1,475</b>	<b>1,928</b>	<b>1,617</b>	<b>2,219</b>	<b>2,689</b>
<b>Basic EPS (RMB)</b>	<b>0.447</b>	<b>0.467</b>	<b>0.392</b>	<b>0.538</b>	<b>0.652</b>
<b>DPS (RMB)</b>	<b>0.043</b>	<b>0.164</b>	<b>0.137</b>	<b>0.188</b>	<b>0.228</b>
<b>EBIT</b>	<b>2,547</b>	<b>2,646</b>	<b>2,591</b>	<b>3,373</b>	<b>3,914</b>
<b>EBITDA</b>	<b>2,619</b>	<b>2,745</b>	<b>2,703</b>	<b>3,509</b>	<b>4,066</b>

Source(s): Company, ABCI Securities estimates

**Consolidated balance sheet (2011A-2015E)**

<b>As of Dec 31 (RMB mn)</b>	<b>2011A</b>	<b>2012A</b>	<b>2013E</b>	<b>2014E</b>	<b>2015E</b>
<b>Current assets</b>	<b>19,331</b>	<b>27,936</b>	<b>31,125</b>	<b>33,408</b>	<b>36,899</b>
Cash and equivalent	9,516	19,008	22,951	25,409	28,907
Trade and bill receivables	3,381	3,052	2,390	2,445	1,870
Construction contracts	3,176	3,191	2,641	2,295	2,272
Inventories	212	226	438	284	576
Other current assets	3,046	2,459	2,705	2,975	3,273
<b>Non-current assets</b>	<b>7,277</b>	<b>6,834</b>	<b>7,110</b>	<b>7,855</b>	<b>9,229</b>
Property, plant and equipment	392	444	856	1,248	1,627
Lease prepayment	1,630	1,827	1,792	1,757	1,723
Intangible assets	5	8	6	5	5
Trade and other receivables	107	39	118	121	92
Construction contracts	4,774	4,114	3,227	3,442	4,220
Other non-current assets	369	402	1,110	1,281	1,562
<b>Total assets</b>	<b>26,608</b>	<b>34,770</b>	<b>38,235</b>	<b>41,263</b>	<b>46,127</b>
<b>Current liabilities</b>	<b>20,497</b>	<b>24,271</b>	<b>26,129</b>	<b>27,350</b>	<b>30,056</b>
Trade and bill payables	8,320	9,596	9,941	10,043	10,830
Receipts in advance	10,316	12,710	14,216	15,404	17,351
Short term borrowings	160	134	90	90	90
Other current liabilities	1,701	1,831	1,882	1,812	1,785
<b>Non-current liabilities</b>	<b>737</b>	<b>582</b>	<b>899</b>	<b>1,053</b>	<b>1,299</b>
Long-term payables	131	61	334	491	737
Long-term borrowings	226	155	105	55	5
Other non-current liabilities	381	366	461	507	558
<b>Total liabilities</b>	<b>21,234</b>	<b>24,853</b>	<b>27,028</b>	<b>28,403</b>	<b>31,355</b>
<b>Minority interests</b>	<b>(6)</b>	<b>(3)</b>	<b>(3)</b>	<b>(2)</b>	<b>(1)</b>
<b>Shareholders' equities</b>	<b>5,380</b>	<b>9,920</b>	<b>11,209</b>	<b>12,862</b>	<b>14,774</b>
<b>BVPS</b>	<b>1.632</b>	<b>2.405</b>	<b>2.718</b>	<b>3.118</b>	<b>3.581</b>

Source(s): Company, ABCI Securities estimates

**Consolidated cash flow statement (2011A-2015E)**

<b>FY ended Dec 31 (RMB mn)</b>	<b>2011A</b>	<b>2012A</b>	<b>2013E</b>	<b>2014E</b>	<b>2015E</b>
<b>Profit before tax</b>	<b>1,987</b>	<b>2,616</b>	<b>2,186</b>	<b>3,000</b>	<b>3,635</b>
Change in depreciation and amortization	72	99	113	136	153
Change in working capital	1,434	5,038	4,459	2,037	2,978
Net financial cost (income)	(174)	(296)	(453)	(616)	(831)
Income tax paid	(683)	(604)	(816)	(1,120)	(1,356)
Others	387	391	(371)	498	519
<b>CF Operating</b>	<b>3,023</b>	<b>7,244</b>	<b>5,118</b>	<b>3,936</b>	<b>5,097</b>
Increase in PP&E	(51)	(84)	(486)	(490)	(494)
Increase in intangible assets	(1,001)	(237)	-	-	-
Others	324	(2,548)	30	-	-
<b>CF Investing</b>	<b>(728)</b>	<b>(2,869)</b>	<b>(456)</b>	<b>(490)</b>	<b>(494)</b>
Capital injection	20	3,012	455	-	-
Net debt financing	(1,450)	(97)	(94)	(50)	(50)
Dividend payout	(698)	(354)	(675)	(566)	(777)
Interest paid	(20)	(11)	(405)	(373)	(279)
Others	18	(1)	0	1	1
<b>CF Financing</b>	<b>(2,130)</b>	<b>2,549</b>	<b>(719)</b>	<b>(988)</b>	<b>(1,105)</b>
<b>Net change in cash</b>	<b>165</b>	<b>6,924</b>	<b>3,943</b>	<b>2,458</b>	<b>3,498</b>
Cash at the beginning	9,623	9,516	19,008	22,951	25,409
Adjustment (Time deposit & FX effect)	(272)	2,568	-	-	-
<b>Cash at the end</b>	<b>9,516</b>	<b>19,008</b>	<b>22,951</b>	<b>25,409</b>	<b>28,907</b>

Source(s): Company, ABCI Securities estimates

**Key operating and financial ratios (2011A-2015E)**

<b>FY ended Dec 31</b>	<b>2011A</b>	<b>2012A</b>	<b>2013E</b>	<b>2014E</b>	<b>2015E</b>
<b>Sales mixed (%)</b>					
International engineering contracting	58.75	62.19	73.94	74.85	77.00
Trading	37.47	33.64	21.37	20.68	19.05
Other	3.77	4.17	4.69	4.47	3.95
<b>Profit &amp; loss ratios (%)</b>					
Gross margin	17.83	17.52	17.01	18.71	18.67
Net profit margin	7.19	9.05	7.91	9.59	9.76
Effective tax rate	25.91	26.30	26.00	26.00	26.00
<b>Growth (%)</b>					
Revenue	7.55	3.79	(4.03)	13.28	19.00
Gross profit	24.36	1.99	(6.83)	24.60	18.69
EBIT	30.81	3.88	(2.09)	30.19	16.03
EBITDA	31.75	4.81	(1.51)	29.81	15.88
Net profit	29.78	30.69	(16.10)	37.23	21.16
<b>Balance sheet ratios</b>					
Current ratio (x)	0.94	1.15	1.19	1.22	1.23
Quick ratio (x)	0.93	1.14	1.17	1.21	1.21
Cash ratio (x)	0.46	0.78	0.88	0.93	0.96
Trade and bill receivables days	51.00	56.38	50.00	40.00	30.00
Trade and bill payables turnover days	175.08	186.15	210.22	193.80	170.00
Inventory turnover days	4.19	4.55	7.15	7.00	7.00
Total debt / equity ratio (%)	7.18	2.91	1.74	1.13	0.64
Net debt / equity ratio (%)	Net cash	Net cash	Net cash	Net cash	Net cash
<b>Returns (%)</b>					
ROAE	31.58	25.18	15.30	18.43	19.46
ROAA	5.70	6.30	4.40	5.60	6.20
Payout ratio	9.59	35.01	35.00	35.00	35.00

Source(s): Company, 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	$2.6 \leq 180$ 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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