# Investment Summary: China State Construction Engineering Corp Ltd (601668.SS)

**Date**: September 5, 2025  
**Stock Price**: ¥5.78 (close Sept 4, 2025)  
**Market Cap**: ¥241.34 Billion  
**Industry**: Engineering & Construction, Real Estate Development  
**Recommended Action**: **Hold**

## Business Overview

China State Construction Engineering Corp Ltd (CSCEC) dominates China’s construction sector, operating through five divisions: Building Construction Engineering (majority revenue), Infrastructure Construction & Investment, Real Estate Development & Investment, Prospecting & Design, and New Business (building science/green tech). FY2024 sales were **¥2.18 trillion**, with net income of **¥46.19 billion** and an operating margin near 5%.[marketscreener+2](https://www.marketscreener.com/quote/stock/CHINA-STATE-CONSTRUCTION--6500392/calendar/)

* **Building Construction Engineering**: ~55% of sales, key projects include public buildings, airports, hotels; clients are governments, real estate developers.[morningstar+1](https://www.morningstar.com/stocks/xshg/601668/quote)
* **Infrastructure Construction/Investment**: ~15% of sales, includes rail, highways, ports for government and transport authorities.[tradingview](https://www.tradingview.com/symbols/SSE-601668/)
* **Real Estate Development**: ~25% of sales, project investment and management for domestic/international buyers.[morningstar+1](https://www.morningstar.com/stocks/xshg/601668/quote)  
  Products provide turnkey construction and infrastructure, crucial for China’s urbanization and international development drives.[dcfmodeling](https://dcfmodeling.com/blogs/health/601668ss-financial-health)  
  Strengths: **Scale, government ties, cost leadership, green tech focus**  
  Challenges: **Property downturn, margin pressure, high working capital needs**

## Business Performance

* **Sales Growth (5 Years)**: CAGR ~7%, steady despite sector challenges.[marketscreener+1](https://www.marketscreener.com/quote/stock/CHINA-STATE-CONSTRUCTION--6500392/calendar/)
* **Profit Growth (5 Years)**: Net income CAGR ~4%.[marketscreener](https://www.marketscreener.com/quote/stock/CHINA-STATE-CONSTRUCTION--6500392/calendar/)
* **Operating Cash Flow**: Stable, rising ~5%/yr.[marketscreener](https://www.marketscreener.com/quote/stock/CHINA-STATE-CONSTRUCTION--6500392/calendar/)
* **Market Share**: #1 in China (over 10% market share), top 3 globally.[morningstar+1](https://www.morningstar.com/stocks/xshg/601668/quote)

## Industry Context

* **Product Cycle**: Construction is mature, but green building is high growth (CAGR ~15%).[dcfmodeling](https://dcfmodeling.com/blogs/health/601668ss-financial-health" \t "_blank)
* **Market Size (China only)**: >¥12 trillion, ~8% sector CAGR.[dcfmodeling](https://dcfmodeling.com/blogs/health/601668ss-financial-health)
* **Market Ranking**: #1 China, globally top 3.[morningstar+1](https://www.morningstar.com/stocks/xshg/601668/quote)
* **Sales/EPS Growth vs. Industry**: CSCEC ~7% sales growth vs. industry ~4%; EPS matches or slightly trails peers.[marketscreener+1](https://www.marketscreener.com/quote/stock/CHINA-STATE-CONSTRUCTION--6500392/calendar/)
* **Debt/Total Assets**: CSCEC ~29%, industry average 25-30%.[morningstar](https://www.morningstar.com/stocks/xshg/601668/quote)
* **Industry Cycle**: Sector slowing amid property challenges but infrastructure segment expanding.[hkexnews+1](https://www1.hkexnews.hk/listedco/listconews/sehk/2024/1022/11411095/2024102200178.pdf)
* **Construction Metrics**:
  + **Backlog**: Robust and expanding (industry average stable).[tradingview](https://www.tradingview.com/symbols/SSE-601668/" \t "_blank)
  + **Green Certification**: 2024 CSCEC >25% new projects green certified, industry ~12%.[dcfmodeling](https://dcfmodeling.com/blogs/health/601668ss-financial-health)
  + **Gross Contract Margin**: ~5% at company, industry average ~4.5%.[morningstar](https://www.morningstar.com/stocks/xshg/601668/quote)

## Financial Stability and Debt Levels

CSCEC maintains adequate **operating cash flow** and a **current ratio of 1.29** (~¥720B current assets/¥556B current liabilities), near the lower healthy threshold for liquidity. Debt/Equity ratio is moderate (~0.60), with strong **interest coverage** (5.27x). While capex remains elevated (¥90B+), dividend coverage is robust and cash flows offset high working capital. Prudent debt management is confirmed, though working capital risks persist; Altman Z-Score is stable, close to investment grade.[fitchratings+2](https://www.fitchratings.com/research/corporate-finance/fitch-affirms-china-state-construction-engineering-at-a-outlook-stable-19-09-2023)

## Key Financials and Valuation

* **Sales** (FY2024): ¥2.18T (+2.5% YoY); Net Income: ¥46.19B (-12% YoY).[tradingview+1](https://www.tradingview.com/symbols/SSE-601668/)
* **Profit Margin**: ~2.1% net, ~5% operating.[tradingview+1](https://www.tradingview.com/symbols/SSE-601668/)
* **Guidance** (2025): Sales to grow ~3%, EPS to inch up 2-3%.[marketscreener](https://www.marketscreener.com/quote/stock/CHINA-STATE-CONSTRUCTION--6500392/calendar/)
* **Valuation**: P/E (TTM) **5.22** (vs. industry 14.3), Price/Book **0.55**, Dividend Yield **4.70%**.[morningstar](https://www.morningstar.com/stocks/xshg/601668/quote)
* **52-Week Range**: ¥4.54–5.96.[morningstar](https://www.morningstar.com/stocks/xshg/601668/quote)
* **Industry Metrics**:
  + **Backlog**: Above peer average
  + **Green Tech Adoption**: Leading
  + **Profitability per project**: Competitive.[tradingview+1](https://www.tradingview.com/symbols/SSE-601668/)

## Big Trends and Big Events

* **Green Building Surge**: Rising government mandates and client demand.[dcfmodeling](https://dcfmodeling.com/blogs/health/601668ss-financial-health)
* **Property Sector Weakness**: Weighs on real-estate division.[hkexnews](https://www1.hkexnews.hk/listedco/listconews/sehk/2024/1022/11411095/2024102200178.pdf)
* **Global Expansion**: Large overseas wins (Asia, Africa), mitigating domestic risks.[dcfmodeling](https://dcfmodeling.com/blogs/health/601668ss-financial-health)
* **Regulatory Reform**: State-backed infrastructure stimulus favors CSCEC.[hkexnews](https://www1.hkexnews.hk/listedco/listconews/sehk/2024/1022/11411095/2024102200178.pdf)

## Customer Segments and Demand Trends

* **Top Segments**:
  + Government and Public (45% sales).[tradingview](https://www.tradingview.com/symbols/SSE-601668/" \t "_blank)
  + Developers/Investors (35%).[tradingview](https://www.tradingview.com/symbols/SSE-601668/" \t "_blank)
  + Overseas/International (20%).[dcfmodeling](https://dcfmodeling.com/blogs/health/601668ss-financial-health" \t "_blank)
* **Growth Drivers**: Urban renewal, green construction, Belt & Road expansion.[dcfmodeling](https://dcfmodeling.com/blogs/health/601668ss-financial-health)
* **Criticisms**: Complaints center on project delays, cost overruns.[dcfmodeling](https://dcfmodeling.com/blogs/health/601668ss-financial-health)
* **Substitutes**: Smaller private contractors (switching speed slow).[dcfmodeling](https://dcfmodeling.com/blogs/health/601668ss-financial-health" \t "_blank)

## Competitive Landscape

* **Industry Dynamics**: CR4 ~55%. Capacity utilization >80%. Margins tight.[tradingview+1](https://www.tradingview.com/symbols/SSE-601668/)
* **Key Competitors**:
  + China Railway Construction Corp (~6% market share), Larsen & Toubro (global).[morningstar](https://www.morningstar.com/stocks/xshg/601668/quote" \t "_blank)
  + Vinci SA, AECOM, Quanta Services.[morningstar](https://www.morningstar.com/stocks/xshg/601668/quote)
* **Moats**: **Scale**, government contracts, technology, supply chain, cost leadership.[tradingview+1](https://www.tradingview.com/symbols/SSE-601668/)
* **Battle Front**: Cost scale; CSCEC excels due to unmatched government ties and integrated supply chain.[morningstar+1](https://www.morningstar.com/stocks/xshg/601668/quote)

## Risks and Anomalies

* Property downturn impacts profit.[hkexnews](https://www1.hkexnews.hk/listedco/listconews/sehk/2024/1022/11411095/2024102200178.pdf)
* High working capital; current ratio hovers near liquidity threshold.[morningstar](https://www.morningstar.com/stocks/xshg/601668/quote)
* Overseas expansion exposes FX/risk, mitigated by diversification.[dcfmodeling](https://dcfmodeling.com/blogs/health/601668ss-financial-health)
* Litigation and regulatory scrutiny have risen in recent quarters.[hkexnews](https://www1.hkexnews.hk/listedco/listconews/sehk/2024/1022/11411095/2024102200178.pdf)

## Forecast & Outlook

* Sales 2025E: **+3-4% YoY**; EPS: **+2-3% YoY**.[finance.yahoo+1](https://sg.finance.yahoo.com/quote/601668.SS/analysis/)
* Infrastructure, overseas divisions drive growth; property remains a drag.[hkexnews+1](https://www1.hkexnews.hk/listedco/listconews/sehk/2024/1022/11411095/2024102200178.pdf)
* No major recent earnings surprises.[marketscreener](https://www.marketscreener.com/quote/stock/CHINA-STATE-CONSTRUCTION--6500392/calendar/)

## Leading Investment Firms and Views

* **Fitch Ratings**: ‘A’, Stable Outlook.[fitchratings](https://www.fitchratings.com/research/corporate-finance/fitch-affirms-china-state-construction-engineering-at-a-outlook-stable-19-09-2023)
* **Morningstar**: Value, Neutral, FV ¥6.23.[morningstar](https://www.morningstar.com/stocks/xshg/601668/quote)
* **Consensus**: Hold; Target Price: ¥6.00 (range ¥5.75-6.35; ~4% upside).[finance.yahoo+2](https://sg.finance.yahoo.com/quote/601668.SS/analysis/)
* **No major upgrades/downgrades** post Q2 results.

## Recommended Action: **Hold**

**Pros**:

* Strong government ties, top market position, healthy dividend.[tradingview+1](https://www.tradingview.com/symbols/SSE-601668/)
* Sound financial stability; attractive valuation.[morningstar](https://www.morningstar.com/stocks/xshg/601668/quote)
* Leading in green building and global expansion.[dcfmodeling](https://dcfmodeling.com/blogs/health/601668ss-financial-health)  
  **Cons**:
* Property sector softness impacts margins.[hkexnews](https://www1.hkexnews.hk/listedco/listconews/sehk/2024/1022/11411095/2024102200178.pdf)
* Working capital and liquidity ratios only adequate.[morningstar](https://www.morningstar.com/stocks/xshg/601668/quote)
* Margin pressures, litigation/fx risks with global push.[hkexnews](https://www1.hkexnews.hk/listedco/listconews/sehk/2024/1022/11411095/2024102200178.pdf)

## Industry Ratio & Metric Analysis

**Selected Metrics**:

* **Backlog**: High, above industry average (CSCEC >¥3T).[tradingview](https://www.tradingview.com/symbols/SSE-601668/" \t "_blank)
* **Current Ratio**: 1.29 (just meets threshold; industry ~1.3).[morningstar](https://www.morningstar.com/stocks/xshg/601668/quote" \t "_blank)
* **Green Project Ratio**: 25%+ (industry: 12%).[dcfmodeling](https://dcfmodeling.com/blogs/health/601668ss-financial-health" \t "_blank)  
  Trends reflect sector transformation—green, digital, cross-border growth; CSCEC ahead on tech/adoption.[tradingview+1](https://www.tradingview.com/symbols/SSE-601668/)

## Key Takeaways

* CSCEC is China's largest, most integrated construction firm, leveraging scale, government support, and green technology for resilient growth.[tradingview+2](https://www.tradingview.com/symbols/SSE-601668/)
* Major risks stem from China’s property downturn and still-borderline liquidity ratios, but diversified revenue streams and strong cashflow offset threats.[hkexnews+1](https://www1.hkexnews.hk/listedco/listconews/sehk/2024/1022/11411095/2024102200178.pdf)
* The Hold recommendation reflects stable, modest growth prospects—attractive valuation but offset by cyclical and operational risks.[hkexnews+2](https://www1.hkexnews.hk/listedco/listconews/sehk/2024/1022/11411095/2024102200178.pdf)
* Monitoring innovation, further green tech deployment, improvement in working capital, and regulatory changes remain key for future upgrades.[hkexnews+1](https://www1.hkexnews.hk/listedco/listconews/sehk/2024/1022/11411095/2024102200178.pdf)
* No critical points appear omitted; ongoing investor vigilance recommended for evolving risk events and China macro trends.[fitchratings+1](https://www.fitchratings.com/research/corporate-finance/fitch-affirms-china-state-construction-engineering-at-a-outlook-stable-19-09-2023)

## **Citations & Source Links**

* [Annual Report (2023, SSE)](http://english.sse.com.cn/markets/equities/announcements/detail.shtml?seq%2F1405451%2Fdate%2F20240419)
* [Latest Investor Presentation (Company Site)](https://www.csci.com.hk/en/ir_presentations.php)
* [Morningstar Stock Data](https://www.morningstar.com/stocks/xshg/601668/quote)
* [MarketScreener Financials](https://www.marketscreener.com/quote/stock/CHINA-STATE-CONSTRUCTION--6500392/calendar/)
* [Fitch Ratings](https://www.fitchratings.com/research/corporate-finance/fitch-affirms-china-state-construction-engineering-at-a-outlook-stable-19-09-2023)
* [Yahoo Finance](https://finance.yahoo.com/quote/601668.SS/)
* [TradingView Company Info](https://www.tradingview.com/symbols/SSE-601668/)
* [DCF Modeling Trends](https://dcfmodeling.com/blogs/health/601668ss-financial-health)

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