

Company Report: CMEC (01829 HK)

公司报告: 中国机械工程 (01829 HK)

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Already on the Road to Recovery, Maintain "Accumulate"

复苏已在路上, 维持“收集”

- Three major new overseas contracts announced in 2020 have an aggregate value of approximately US\$1.5 billion. The solar power project in Emirate of Abu Dhabi (US\$1 bn in contract value), the cement project in Iraq (US\$210 mn in contract value) and the hydro power project in Senegal River Basin (US\$275 mn in contract value) announced by the Company in 2020 have an aggregate contract value of approximately US\$1.5 billion. We expect that more of these kinds of sizable overseas contracts will be signed in 2021 and 2022.
- We expect newly signed contracts to be US\$3.5 bn/ US\$4.8 bn/ US\$5.5 bn from 2020 to 2022, respectively. Newly signed contracts in 1H2020 reached US\$1,030 mn, down significantly by 59.7% YoY. Order backlog at the end of June 2020 amounted to US\$8,752 mn, down 3.6% from the end of December 2019. Due to the three major newly signed contracts announced in 2020, we revise up the newly signed contracts of the Company to US\$3.5 bn/ US\$4.8bn/ US\$5.5 bn from 2020 to 2022, respectively. As such, order backlog from 2020 to 2022 is projected to be US\$10,643 mn/ US\$12,308 mn/ US\$14,004 mn, respectively. The strong backlog will ensure the Company's recovery and growth in next few years.
- Maintain the investment rating of "Accumulate" and raise the TP to HK\$2.50. We expect net earnings to plunge in 2020 before experiencing a sharp rebound in 2021 and 2022, and our revised EPS estimates from 2020 to 2022 are RMB0.293/ RMB0.533/ RMB0.582, respectively. We revise up our TP to HK\$2.50. The new TP corresponds to 7.2x/ 4.0x/ 3.6x 2020-2022 PER or 0.5x/ 0.4x/ 0.4x 2020-2022 PBR, respectively.
- 2020 年宣布的三个重大海外新签合同价值合计约为 15 亿美元。公司于 2020 年宣布阿联酋阿布扎比太阳能电站项目（合同价值 10 亿美元），伊拉克的水泥厂项目（合同价值 2.1 亿美元）以及塞内加尔河流域的水电站项目（合同价值 2.75 亿美元）的合计合同价值约为 15 亿美元。我们预计更多诸如此类的大型海外合同将于 2021 年和 2022 年被签订。
- 我们预计 2020 至 2022 年的新签合同将分别为 35 亿美元、48 亿美元和 55 亿美元。2020 上半年的新签合同达 10.3 亿美元, 同比大跌 59.7%。截至 2020 年 6 月底的在手订单为 87.52 亿美元, 较 2019 年末时下跌 3.6%。鉴于 2020 年新签了三个重大海外合同, 我们分别上调公司于 2020 至 2022 年的新签合同至 35 亿美元、48 亿美元以及 55 亿美元。因此, 公司于 2020 至 2022 年的在手合同预计将分别为 106.43 亿美元、123.08 亿美元和 140.04 亿美元。庞大的在手订单将确保公司未来几年的复苏和增长。
- 维持“收集”的投资评级并上调目标价至 2.50 港元。我们预计公司于 2020 年的盈利将大幅下滑并于 2021 和 2022 年实现强反弹。我们经调整的 2020 至 2022 年每股盈利预测分别为人民币 0.293 元、0.533 元以及 0.582 元。我们上调目标价至 2.50 港元。该新目标价相当于 7.2 倍/ 4.0 倍/ 3.6 倍 2020/ 2021/ 2022 年市盈率或 0.5 倍/ 0.4 倍/ 0.4 倍 2020/ 2021/ 2022 年市净率。

Rating:

Accumulate

Maintained

评级:

收集 (维持)

6-18m TP 目标价:

HK\$2.50

Revised from 原目标价:

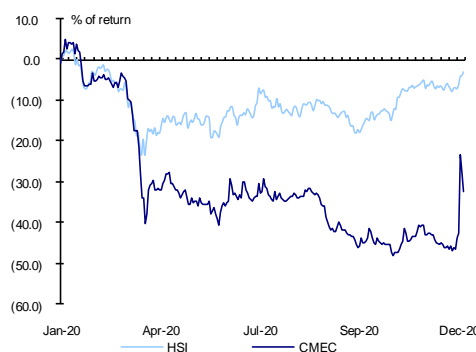
HK\$1.80

Share price 股价:

HK\$2.170

Stock performance

股价表现



Change in Share Price	1 M	3 M	1 Y
股价变动	1 个月	3 个月	1 年
Abs. % 绝对变动 %	34.0	39.1	(29.8)
Rel. % to HS index 相对恒指变动 %	30.8	23.6	(27.9)
Avg. Share price(HK\$) 平均股价 (港元)	1.67	1.61	1.96

Source: Bloomberg, Guotai Junan International.

Year End	Turnover	Net Profit	EPS	EPS	PER	BPS	PBR	DPS	Yield	ROE
年结	收入	股东净利	每股净利	每股净利变动	市盈率	每股净资产	市净率	每股股息	股息率	净资产收益率
12/31	(RMB m)	(RMB m)	(RMB)	(Δ%)	(x)	(RMB)	(x)	(RMB)	(%)	(%)
2018A	28,863	2,132	0.517	20.2	3.8	3.982	0.5	0.207	10.7	12.6
2019A	28,296	2,181	0.529	2.3	3.5	4.337	0.4	0.159	8.7	12.7
2020F	20,075	1,209	0.293	(44.6)	6.3	4.422	0.4	0.088	4.8	6.7
2021F	28,677	2,199	0.533	81.9	3.4	4.812	0.4	0.160	8.7	11.5
2022F	33,354	2,403	0.582	9.2	3.2	5.162	0.4	0.175	9.5	11.7
Shares in issue (m) 总股数 (m)				4,125.7	Major shareholder 大股东				SINOMACH 78.0%	
Market cap. (HK\$ m) 市值 (HK\$ m)				8,952.8	Free float (%) 自由流通比率 (%)				22.0%	
3 month average vol. 3 个月平均成交股数 ('000)				3,229.0	FY21 Net gearing (%) FY21 净负债/股东资金 (%)				Net cash	
52 Weeks high/low (HK\$) 52 周高/低 (HK\$)				3.250 / 1.460	FY21 Est. NAV (HK\$) FY21 每股估值 (港元)				2.8	

Source: the Company, Guotai Junan International.

Major overseas contracts announced in 2020 have an aggregate value of approximately US\$1.5 billion. The Company (CMEC, the "Company") announced that it had entered into a contract with EDF Renewables and Jinko Power Consortium regarding the Al Dhafra PV2 Solar Power Plant in the Emirate of Abu Dhabi on October 23rd 2020. The Company is the general contractor according to the statement. The scope of this project will include the construction of Al Dhafra PV2 Solar Power Plant in the Emirate of Abu Dhabi and supporting facilities, and the Company will be responsible for the design, supply, construction, warranty, operation and maintenance and other related works. The contract value of this project amounts to approximately US\$1 billion, and the project will commence construction upon satisfaction of certain precedent conditions. The total construction period is expected to last for approximately 22 months upon commencement of the construction. Additionally, the Company entered into a contract with its Iraqi counterpart regarding the Harir Cement Plant Project on September 24th 2020. The contract value of the Harir Cement Plant Project amounts to approximately US\$210 million. The total construction period of the project is expected to be approximately 30 months upon commencement of the construction. Furthermore, the Company also announced that it had entered into a contract with the Senegal River Basin Organization regarding the Goubassi Hydro-electric Project on June 26th 2020. The scope of the project includes the construction of the main dam, auxiliary dams, hydro-power stations, access roads and power transmission lines of the Goubassi Hydroelectric in the Senegal River Basin. The contract value amounts to approximately US\$275 million and has a construction period of approximately 45 months upon commencement of construction. The three major overseas projects announced in 2020 have a total value of approximately US\$1.5 billion and are set to boost the Company's new orders in 2020. We expect more of this kind of sizable overseas contracts will be signed in 2021 and 2022.

We expect newly signed contracts to be US\$3.5 bn/ US\$4.8bn/ US\$5.5 bn from 2020 to 2022, respectively. Newly signed contracts in 1H2020 reached US\$1,030 mn, down significantly by 59.7% YoY. Order backlog at the end of June 2020 amounted to US\$8,752 mn, down 3.6% from the end of December 2019. Power project contracts made up 39.0% of newly signed contracts in 1H2020 and 60.0% of the order backlog, while non-core sectors made up 61.0% of newly signed contracts and 36.2% of order backlog. Transportation and telecommunications contributed 3.8% of order backlog, but there were no new orders signed during 1H2020. Due to the three major newly signed contracts announced in 2020, we revise up the newly signed contracts of the Company to US\$3.5 bn/ US\$4.8bn/ US\$5.5 bn from 2020 to 2022, respectively. As such, order backlog from 2020 to 2022 is projected to be US\$10,643 mn/ US\$12,308 mn/ US\$14,004 mn, respectively. The strong backlog will ensure the Company's recovery and growth in next few years. With substantial order backlog, CMEC is expected to experience a strong rebound in 2021 and 2022.

Earnings estimates revised up as the operations are expected to return to normal in 2021. The operations of the Company are poised to suffer its worst decline over the last decade in 2020 due to the outbreak of COVID-19 globally. Consistent with our prior expectation (in our previous report, we had predicted that a COVID-19 vaccine would become readily available in late 2020 or early 2021), the COVID-19 vaccine was officially introduced to the market in late 2020. This global pandemic is expected to end in late 2021 or early 2022 with the ongoing large scale vaccination currently taking place globally. As such, we expect performance of the Company to experience a sharp rebound and strong recovery in operations in 2021, to be followed with a high single-digit earnings growth in 2022. We estimate sales of CMEC from 2020 to 2022 to grow YoY by -29.1%/ 42.9%/ 16.3% to RMB20,075 mn/ RMB28,677 mn/ RMB33,354 mn, respectively. Consolidated gross margin of the Company from 2020 to 2022 is expected to be on a gradual uptrend and projected to be 17.9%/ 18.3%/ 18.5%, respectively, during the 3-year forecast period. Net earnings from 2020 to 2022 are to grow YoY by -44.6%/ 82.0%/ 9.3% to RMB1,209 mn/ RMB2,199 mn/ RMB2,403 mn, respectively. Our revised EPS estimates for the 3-year forecast period thus are RMB0.289/ RMB0.521/ RMB0.568, respectively. Following the plunge in both sales and earnings in 2020, the operations of CMEC is expected to return to normal in 2021 and 2022.

Maintain the "Accumulate" investment rating and raise the TP to HK\$2.50. We think the pandemic is only temporary and engineering projects delayed due to the pandemic will be resumed in large scale in the post-pandemic era. A sharp rebound on the sales and earnings for CMEC is expected in both 2021 and 2022. Being one the key beneficiaries of the Belt & Road national strategy and the expected increase in government spending in overseas markets (as a stimulus measure to boost growth and ensure employment), we expect that overseas market sales will continue to drive CMEC's recovery and growth going forward. The post-pandemic recovery for CMEC could be stronger than we expect, and we believe CMEC's current valuation is quite attractive given that it is already on the road to recovery. We therefore reiterate the "Accumulate" investment rating and raise our TP to HK\$2.50. Our new TP corresponds to 7.2x/ 4.0x/ 3.6x 2020-2022 PER or 0.5x/ 0.4x/ 0.4x 2020-2022 PBR, respectively.

Figure- 1: CMEC's Revenue Breakdown

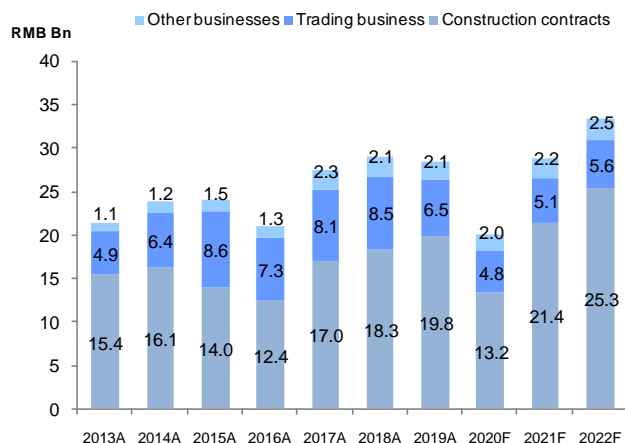
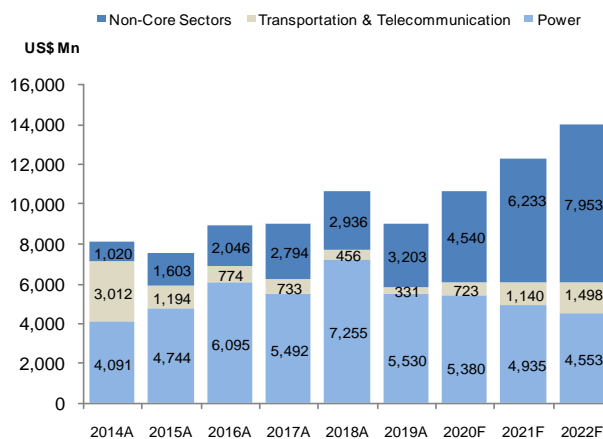


Figure- 2: Orders Backlog of CMEC



Source: the Company, Guotai Junan International.

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Table-1: CMEC's 1H2020 Operating Results Recap

(RMB mn)	1H2020	1H2019 (Restated)	YoY Δ	Comments
Revenue	9,072	13,953	-35.0%	All business segments experienced decline in sales
COGS	(7,471)	(11,833)	-36.9%	
Gross profit	1,601	2,120	-24.5%	
Other revenue	20	12	+68.5%	
Other income/(expenses), net	(350)	21	n.a.	Due to the litigation expense and loss on financial instruments
Selling and distribution expenses	(343)	(471)	-27.3%	
Administrative expenses	(504)	(551)	-8.6%	
Other operating income/(expenses)	(54)	(119)	-54.4%	
Operating profit	370	1,011	-63.4%	
Net finance income / (expense)	349	124	+180.8%	Forex gains surged 468% YoY to RMB155 mn
Share of profit from JVs and Associates	103	112	-8.8%	
Profit before tax	821	1,248	-34.2%	
Income tax	(191)	(260)	-26.3%	
Minority interest	(3)	(2)	+120.1%	
Net profit	627	986	-36.5%	
EPS (RMB)	0.15	0.24	-36.5%	

Margins & Ratios (YoY comparison)

YoY ppt Δ

Gross profit margin	17.6%	15.2%	+2.4ppt	IEC segment gross margin jumped 4.2 ppt YoY to 20.7%
Operating margin	4.1%	7.2%	-3.1ppt	
PBT margin	9.1%	8.9%	+0.2ppt	
Net margin	6.9%	7.1%	-0.2ppt	

Source: the Company, Guotai Junan International.

Figure-3: Forward PER of CMEC

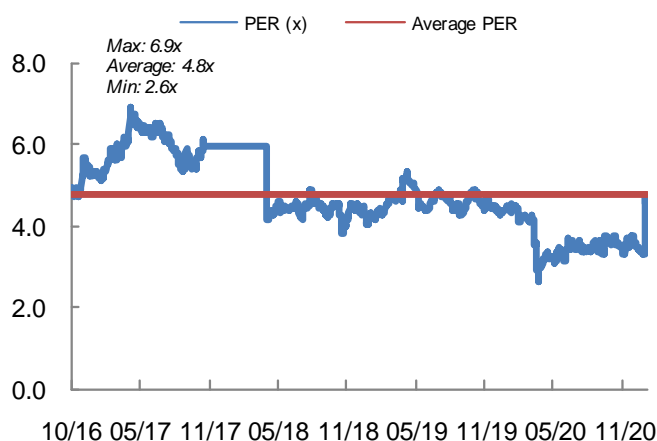
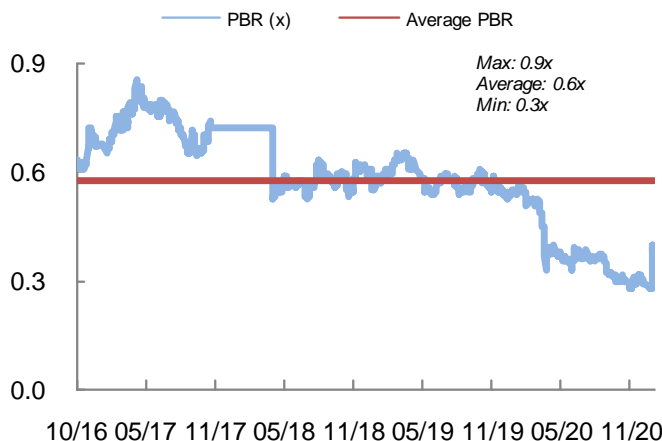


Figure-4: Forward PBR of CMEC



Source: Bloomberg, Guotai Junan International.

Source: Bloomberg, Guotai Junan International.

Table-2: Peers Comparison

Company	Stock Code	Currency	Last price	PE (fiscal year)				PB (fiscal year)				ROE(%)	GP Margin(%)	Net Margin(%)	Market Cap
				19A	20F	21F	22F	19A	20F	21F	22F	20F	20F	20F	HKD mil
HK - Listed Peers															
Beijing Urban Construction-H	1599 HK	HKD	1.95	3.5	3.0	2.5	2.0	0.5	0.4	0.4	n.a.	14.4	20.6	8.0	2,630
China Communications Const-H	1800 HK	HKD	3.67	2.8	2.8	2.5	2.3	0.3	0.2	0.2	0.2	7.5	12.2	3.1	120,757
China Energy Engineering C-H	3996 HK	HKD	0.77	4.0	4.6	3.8	3.2	0.4	0.3	0.3	0.3	7.4	12.8	1.6	23,148
China Machinery Engineerin-H	1829 HK	HKD	2.17	3.6	4.8	3.7	3.3	0.4	0.4	0.4	0.3	8.6	17.5	7.3	8,953
China Railway Construction-H	1186 HK	HKD	4.68	2.9	2.6	2.3	2.1	0.3	0.2	0.2	0.2	9.7	9.1	2.3	123,001
China Railway Group Ltd-H	390 HK	HKD	3.71	3.4	3.2	3.0	2.7	0.4	0.3	0.3	0.3	10.8	9.2	2.6	149,873
China State Construction Int	3311 HK	HKD	4.73	4.4	4.0	3.5	3.1	0.6	0.5	0.4	0.4	13.6	15.5	8.9	23,883
Inner Mongolia Energy Engi-H	1649 HK	HKD	1.19	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	3,388
Metallurgical Corp Of Chin-H	1618 HK	HKD	1.49	4.9	n.a.	n.a.	n.a.	0.4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	65,169
Sinopec Engineering Group-H	2386 HK	HKD	3.48	6.3	5.6	5.2	4.7	0.5	0.5	0.4	0.4	8.3	10.1	4.1	15,409
Simple Average				3.5	3.6	3.0	2.7	0.4	0.3	0.3	0.3	10.3	13.8	4.8	
Weighted Average				3.2	3.1	2.8	2.5	0.3	0.3	0.3	0.2	9.6	10.7	3.1	
China Listed Peers															
Anhui Water Resources Deve-A	600502 CH	CNY	3.82	10.9	7.8	6.6	5.6	0.9	0.8	0.7	0.7	10.4	11.6	1.6	7,896
China Camc Engineering Co -A	002051 CH	CNY	6.96	8.2	11.5	5.5	6.6	0.8	0.8	0.7	0.7	3.0	20.8	4.2	10,343
China Communications Const-A	601800 CH	CNY	7.41	6.4	6.6	5.8	5.3	0.6	0.5	0.4	0.4	7.4	12.4	3.0	120,753
China Railway Construction-A	601186 CH	CNY	8.20	5.9	5.1	4.6	4.2	0.5	0.5	0.5	0.4	9.9	9.3	2.4	122,997
China Railway Group Ltd-A	601390 CH	CNY	5.49	5.7	5.4	5.0	3.6	0.7	0.6	0.5	0.5	10.5	9.8	2.5	149,869
China State Construction -A	601668 CH	CNY	4.95	5.1	4.6	4.1	3.8	0.8	0.7	0.6	0.5	14.3	10.9	2.9	249,468
Metallurgical Corp Of Chin-A	601618 CH	CNY	2.84	10.5	8.5	7.4	7.0	0.8	0.6	0.5	0.5	7.3	11.4	1.9	65,167
Power Construction Corp Of-A	601669 CH	CNY	3.99	8.4	7.9	7.0	7.0	0.7	0.6	0.5	0.5	6.5	13.8	2.0	73,309
Shanghai Tunnel Engineerin-A	600820 CH	CNY	5.49	8.1	8.2	7.0	6.2	0.8	0.6	0.6	n.a.	8.8	11.8	4.3	20,730
Simple Average				7.7	7.3	5.9	5.5	0.7	0.6	0.6	0.5	8.7	12.4	2.7	
Weighted Average				6.4	5.9	5.2	4.7	0.7	0.6	0.5	0.5	10.4	11.1	2.6	
Asia Listed Peers															
Ctci Corp	9933 TT	TWD	37.65	24.4	30.0	15.4	12.0	1.8	1.7	1.6	1.2	4.9	6.6	1.5	7,964
Daelim Industrial Co Ltd	000210 KS	KRW	83,000.00	4.8	3.7	4.2	4.1	0.5	0.5	0.4	0.4	13.4	17.9	8.0	20,616
Daewoo Engineering & Constr	047040 KS	KRW	5,970.00	11.8	10.3	6.8	5.5	1.0	0.9	0.8	0.7	9.3	10.6	3.0	17,710
Gamuda Bhd	GAM MK	MYR	3.59	12.7	24.0	16.2	14.0	1.1	1.1	1.0	1.0	4.5	17.7	10.1	17,459
Gs Engineering & Construct	006360 KS	KRW	39,650.00	7.1	7.4	6.1	5.3	0.8	0.7	0.7	0.6	10.4	13.1	4.3	22,745
Hyundai Engineering & Const	000720 KS	KRW	39,850.00	10.9	14.1	10.5	9.3	0.7	0.6	0.6	0.6	4.8	9.0	1.9	31,673
Ijm Corp Bhd	IJM MK	MYR	1.64	14.2	23.7	23.4	17.6	0.6	0.6	0.6	0.6	2.6	18.5	3.8	11,491
Simple Average				12.3	16.2	11.8	9.7	0.9	0.9	0.8	0.7	7.1	13.3	4.7	
Weighted Average				10.7	13.9	10.4	8.8	0.8	0.8	0.7	0.7	7.5	13.2	4.7	

 Source: Bloomberg, Guotai Junan International. *Prices are updated as of 6th January 2021.

6 January 2021

CMEC 中国机械工程 (01829 HK)

Company Report

Financial Statements and Ratios

Income Statement					
Year end 31 Dec (RMB m)	2018A	2019A	2020F	2021F	2022F
Total revenue	28,863	28,296	20,075	28,677	33,354
Cost of sales	(24,167)	(23,501)	(16,482)	(23,427)	(27,197)
Gross profit	4,696	4,795	3,593	5,250	6,157
Other revenue	107	36	72	54	63
Other income/(expenses), net	(85)	23	(307)	(28)	(34)
Selling and distribution expenses	(1,254)	(1,113)	(803)	(1,147)	(1,334)
Administrative expenses	(1,284)	(1,402)	(1,204)	(1,319)	(1,501)
Other operating income/(expenses)	(629)	(408)	(160)	(132)	(385)
Operating Profit	1,552	1,932	1,190	2,678	2,967
Finance income	1,315	787	372	202	134
Finance expenses	(208)	(129)	(225)	(295)	(313)
Share of profits and losses of:					
Associates	133	199	234	276	326
Joint ventures	34	28	37	49	65
Profit Before Tax	2,826	2,817	1,608	2,912	3,180
Income Tax	(690)	(635)	(393)	(701)	(765)
Profit After Tax	2,136	2,181	1,215	2,211	2,415
Non-controlling Interest	(4)	(0)	(6)	(11)	(12)
Shareholders' Profit / Loss	2,132	2,181	1,209	2,199	2,403
Basic EPS	0.517	0.529	0.293	0.533	0.582
DPS	0.207	0.159	0.088	0.160	0.175

Cash Flow Statement					
Year end 31 Dec (RMB m)	2018A	2019A	2020F	2021F	2022F
CFO					
Net Income	2,132	2,181	1,209	2,199	2,403
Depreciation & amortization	200	233	261	293	328
Changes in working capital	3,118	(4,774)	326	1,684	2,075
Deferred tax liabilities	4	14	9	16	18
Deferred tax assets	(213)	(94)	34	95	(48)
Minority interest expense	4	0	6	11	12
Other operating activities	(4,639)	(1,067)	681	531	609
Cash from Operating Activities	605	(3,506)	2,526	4,830	5,398
CFI					
Purchase of fixed assets (capex)	(431)	(285)	(361)	(505)	(587)
Addition of prepaid lease payments	(12)	0	(21)	(12)	(13)
Purchase of intangibles	(24)	(2)	(3)	(4)	(5)
Proceeds from sale of fixed assets (disposal of PPE)	26	35	37	40	44
Investment in JV and associates	(208)	(246)	(102)	(105)	(112)
Acquisition of a subsidiary	(1,980)	75	0	0	0
Other investing activities	2,296	(667)	(719)	(712)	(732)
Cash from Investing Activities	(333)	(1,091)	(1,169)	(1,298)	(1,405)
CFF					
Dividends paid to non-controlling shareholders	0	(4)	(3)	(2)	(3)
Other financing activities	(116)	(83)	(57)	(86)	(75)
Common stock dividends paid	(684)	(853)	(654)	(363)	(660)
Increases / (decreases) in debt	68	(429)	460	331	86
Cash from Financing Activities	(732)	(1,370)	(254)	(120)	(652)
Net Changes in Cash	(460)	(5,967)	1,103	3,412	3,341
Cash at Beg of Year	21,479	21,384	15,563	16,666	20,079
Foreign exchange rate changes	364	146	0	0	0
Cash at End of Year	21,384	15,563	16,666	20,079	23,420

Source: the Company, Guotai Junan International.

Balance Sheet					
Year end 31 Dec (RMB m)	2018A	2019A	2020F	2021F	2022F
Property, plant and equipment	2,294	2,495	2,649	2,912	3,219
Prepaid land lease payments	1,756	1,807	1,774	1,730	1,683
Trade and other receivables	3,906	6,538	6,625	6,883	7,004
Investment in JV and associates	1,483	1,774	1,876	1,981	2,093
Investment properties	640	633	651	657	670
Other non-current assets	2,350	1,646	1,606	1,509	1,561
Total Non-current Assets	12,428	14,893	15,181	15,672	16,230
Cash & Cash Equivalents	21,384	15,563	16,666	20,079	23,420
Inventories	579	467	423	601	682
Trade and other receivables	11,520	10,638	11,041	10,553	10,340
Contract assets and financial assets	3,978	5,382	7,389	7,825	7,829
Restricted deposits	1,212	1,231	1,099	1,049	1,020
Time deposits	5,014	5,826	4,993	5,014	5,014
Total Current Assets	43,686	39,107	41,612	45,121	48,304
Total Assets	56,115	54,000	56,792	60,792	64,535
Borrowings	878	444	830	1,106	1,137
Receipts in advance	14,941	13,620	14,454	15,773	16,677
Trade and other payables	21,812	19,650	20,602	21,084	22,029
Income tax payable	527	466	404	380	444
Other current liabilities	33	71	77	84	91
Total Current Liabilities	38,191	34,253	36,367	38,426	40,379
Borrowings	106	111	181	231	281
Trade and other payables	747	871	956	1,007	1,020
Defined benefit obligations	462	586	744	943	1,197
Other non-current liabilities	94	145	156	174	194
Total Non-current Liabilities	1,410	1,714	2,037	2,356	2,692
Total Liabilities	39,601	35,966	38,404	40,782	43,070
Total Shareholders' Equity	16,427	17,895	18,243	19,854	21,296
Minority Interest	86	139	145	156	168
Total Equity	16,513	18,034	18,388	20,010	21,464

Financial Ratios					
	2018A	2019A	2020F	2021F	2022F
Growth (%):					
Revenue	5.4%	-2.0%	-29.1%	42.9%	16.3%
Gross profit	-11.2%	2.1%	-25.1%	46.1%	17.3%
Operating profit	-48.7%	24.5%	-38.4%	125.1%	10.8%
Net profit	20.1%	2.3%	-44.6%	82.0%	9.3%
Profitability (%):					
Gross margin of:					
IEC business	19.1%	18.0%	20.5%	19.8%	19.9%
-Power	20.1%	19.4%	23.2%	22.2%	22.5%
-Transportation & telecommunication	25.7%	29.6%	21.6%	25.6%	25.5%
-Non-core sector	14.2%	14.6%	17.1%	15.0%	15.0%
Trading	5.8%	9.4%	9.8%	9.2%	9.0%
Other Business	34.2%	30.4%	20.2%	25.1%	25.2%
Consolidated GM	16.3%	16.9%	17.9%	18.3%	18.5%
Operating margin	7.5%	8.1%	7.9%	9.7%	10.0%
Net margin	7.4%	7.7%	6.0%	7.7%	7.2%
ROA	3.8%	4.0%	2.2%	3.7%	3.8%
ROE	12.6%	12.7%	6.7%	11.5%	11.7%
Liquidity & Solvency					
Net gearing ratio	Net cash	Net cash	Net cash	Net cash	Net cash
Current ratio	1.1	1.1	1.1	1.2	1.2
Interest coverage (x)	7.4	14.9	5.3	9.1	9.5
Inventory turnover (day)	8.7	7.2	9.4	9.4	9.2
AR turnover (day)	145.7	137.2	200.8	134.3	113.2
AP turnover (day)	329.4	211.5	456.3	328.5	295.7

Company Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Buy	买入	Relative Performance > 15%; or the fundamental outlook of the company or sector is favorable.
Accumulate	收集	Relative Performance is 5% to 15%; or the fundamental outlook of the company or sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the company or sector is neutral.
Reduce	减持	Relative Performance is -5% to -15%; or the fundamental outlook of the company or sector is unfavorable.
Sell	卖出	Relative Performance < -15%; or the fundamental outlook of the company or sector is unfavorable.

Sector Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Outperform	跑赢大市	Relative Performance > 5%; or the fundamental outlook of the sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the sector is neutral.
Underperform	跑输大市	Relative Performance < -5%; Or the fundamental outlook of the sector is unfavorable.

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