

China State Const'n

Further step to mainland China

BUY (unchanged)

Financial summary

Year to Dec	07A	08A	09F	10F	11F
Turnover (HK\$m)	10,168.3	11,021.4	13,153.9	15,049.9	18,422.8
Net Profit (HK\$m)	404.9	489.3	544.4	638.5	759.9
EPS (HK\$)	0.172	0.192	0.222	0.261	0.310
EPS Δ%	62.1	11.6	15.9	17.3	19.0
P/E (x)	16.7	15.3	13.8	11.7	9.9
P/B (x)	3.45	2.97	2.92	2.92	2.78
EV/EBITDA (x)	12.9	11.0	8.9	9.9	9.8
Yield (%)	1.5	2.7	2.2	2.6	3.0
ROE (%)	25.9	20.9	21.4	24.9	28.9
ROCE (%)	28.2	20.4	17.3	18.6	19.0
N. Gear. (%)	Cash	Cash	Cash	11.7	57.7

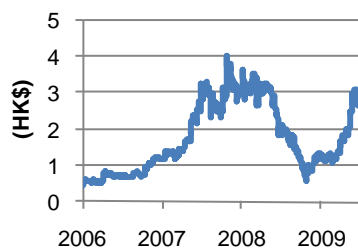
Source: SBI E2-Capital

Price Performance

	1 mth	3 mth	12 mth
Relative to HSI (%)	+12.1	+50.6	+78.5
Actual price changes (%)	+6.3	+80.0	+45.7

	09F	10F	11F
Consensus EPS (RMB)	0.233	0.274	0.348
Previous forecasts (RMBm)	-	-	-
Previous EPS (RMB)	-	-	-

Price Chart



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Ticker: 3311.HK
 Price: HK\$3.06
 Target: HK\$3.46 (+13%)

12 mth range: HK\$0.60-3.22
 Market cap: US\$961.0m
 Daily t/o, 3 mth: US\$3.6m
 Free float %: 36.7%

Key points:

- * CSCI is taking further step to mainland China by form a Wuhan JV for BT project of Reconstruction of Wuxian Highway and Construction of Shahu passageway.
- * Stock rallied 9.3% following up the news announcement. The counter is currently trading at 13.8x FY12/09F and 11.7x FY12/10F.
- * We maintain BUY call on CSCI with target price HK\$3.46.

Taking further step to mainland China. CSCI just announced that it will form a Wuhan JV with China State Construction Engineering Corporation (CSCECL) and China Construction Third Engineering Bureau Corporation (CCTEB). The JV will operate a BT project for reconstruction of Wuxian Highway and construction of Shahu passageway in Wuhan, Hubei Province. CSCI will hold 30% of the JV and contribute RMB90m for registered capital (total registered capital: RMB300m). Other capital requirements of project will be financed by bank borrowing, which will be guaranteed by Wuhan government. The Wuxian Highway is about 7.5Km long and Shahu Passangeway is about 2.6Km. The total contract value for Wuxian Highway is about RMB2.4b. The project would be a BT model as well with a construction period of 2 years starting soon and government buyback period of 3 years.

Valuation. We think the new project again shows CSCI's ability in tapping into infrastructure construction market in mainland China. Its stock price rallied 9.3% following up the new announcement by close of morning session today. The counter is currently trading at 13.8x FY12/09F P/E and 11.7x FY12/10F P/E. We maintain our BUY call on the counter with target price HK\$3.46, representing 15.6x FY12/09F P/E and 13.3x FY12/10F P/E.

Table 1: P & L

Year to Dec (HK\$M)	07A	08A	09F	10F	11F
Turnover	10,168.3	11,021.4	13,153.9	15,049.9	18,422.8
Cost of sales	(9,402.2)	(10,112.0)	(12,106.7)	(13,850.4)	(16,996.4)
Gross profit	766.1	909.4	1,047.2	1,199.5	1,426.4
Other income	129.9	71.3	74.7	73.4	69.4
Selling and distribution costs	(10.7)	(17.8)	(20.6)	(21.5)	(24.9)
Administrative expenses	(332.0)	(394.0)	(420.9)	(451.5)	(515.8)
Other Expenses	(29.9)	12.5	(3.9)	(4.5)	(5.5)
Operating profit	523.3	581.3	676.5	795.3	949.5
Financial costs	(1.8)	(20.1)	(23.4)	(31.0)	(43.0)
Share of loss of a jointly controlled entity					
Share of loss of an associate	8.8	9.4	9.8	9.8	9.8
Pre-tax profit	530.3	570.7	662.9	774.1	916.3
Tax	(82.4)	(66.3)	(99.4)	(116.1)	(137.4)
Minority interests	(43.1)	(15.1)	(19.0)	(19.5)	(18.9)
Net profit	404.9	489.3	544.4	638.5	759.9

Source: Company data and SBI E2-Capital

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