



China railway sector

Cautious 2016 outlook, but likely priced in

	Ticker	Rec	Mkt cap		Price	PT	Up/ dn (%)	PER		PBR		Yield	
			(US\$m)	Ccy				2015E	2016E	2015E	2016E	2015E	2016E
CRCC	1186 HK	OP	20,732	HKD	6.77	10.0	+47.7	6.3	5.8	0.7	0.6	2.5	2.8
CCCC	1800 HK	N/A	24,380	HKD	5.85	N/A	N/A	5.4	4.8	0.6	0.5	4.1	4.6
CRRC	1766 HK	N/A	40,222	HKD	6.90	N/A	N/A	12.7	11.1	1.5	1.4	2.1	2.3

Source: Bloomberg, CSCI estimates

- We met with the management of CRG, CRCC, CCCC and CRRC during China Railway Corp's annual Work Conference to get an update on the business development progress of these companies and CRC's railway capex & reform plans.
- Railway infrastructure E&C: railway FAI target of RMB3.8tn during the 13th FYP period implies 6.1% upside to that of the 12th FYP, but funding remains the major constraint. Based on our calculation of CRC's current debt burden, the Company is expected to repay at least c.RMB230bn in debts annually (c.RMB130bn-RMB160bn in railway bonds and mid-term notes; and c.RMB100bn-RMB130bn in bank loans annually).
- Railway equipment: CRRC's management guided that Caixn's estimate of RMB90bn of equipment investment in 2016 appears to be rather conservative despite positive YoY growth in 2016 may not be realistic.

Funding and gearing issues not a big concern for railway infrastructure

Many investors doubted that CRC would be able to accomplish its initial capex target of RMB3.8tn during the 13th FYP period, in light of the current funding source issue and debt constraint. However, we are confident that CRC has the capability to overcome these matters and believe the market has overreacted to such concerns. Based on its current debt scale (including railway bonds, mid-term notes and bank borrowings), we project its annual repayment to be at least c.RMB230bn during the 13th FYP, without seeing increasing significantly, but to remain flattish relative to the levels during the 12th FYP.

Tendering and delivering critical for equipment plays

Despite the possibility of total railway equipment investment reaching RMB900bn in 2016 is low CRRC is cautious in the estimation of the number of tenders that it would win in 2016. Meanwhile, CRRC expects the growth in demand for MU and locomotives to remain stable this year, on the back of the solid passenger traffic growth. In addition, demand from stable locomotives (c.800 units annually) will be equally coming from conventional lines and replacement demand. CRRC estimates that new orders for RTV will be 6,000-7,000 units in 2016 vs. 6,100 in 2015.

Maintain Outperform rating on CRCC but cut PT to HKD10.0

We trim FY15E/16E/17E earnings forecasts for CRCC by 3.0%/5.1%/5.9%, respectively, to reflect its higher finance cost assumption. Meanwhile, we also think net gearing will trend up in FY15/16, due to larger BOT projects exposure. We maintain our Outperform rating on CRCC, but lowered the PT from HK\$13.2 to HK\$10.0, pegging on 8.6x FY16 PER, representing 30% discount to its historical average.

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Railway E&C focus: funding and gearing

Will CRC be able to repay the outstanding debts during 13th FYP, given its stretched balance sheet?

Market concerned that CRC would be able to accomplish its capex target of at least RMB3.8tn during the period of 13th FYP, in light of the current funding source issue and debt constraint. However, we are confident over it and believe the market concerns have overreacted. We project its annual repayment of at least c.RMB230bn, without seeing increasing significantly, but nearly as flat as that in 12th FYP (totally c.RMB1.3tn), in terms of current debt scale (including railway bond, short&mid-term notes and bank loans) of CRC.

Figure 1: railway bond, short&mid-term note annual repayment by CRC in 13th FYP **Figure 2: railway bond, short&mid-term note annual repayment by CRC in 14th FYP**

13th FYP	Repayment (億元)	14th FYP	Repayment (億元)
2016	1,096.74	2021	832.15
2017	1,364.83	2022	1,106.63
2018	1,564.30	2023	1,369.47
2019	1,936.51	2024	1,592.54
2020	1,596.39	2025	1,491.03
Total:	7,558.77	Total:	6,391.81

Source: CSCI research estimates

Source: CSCI research estimates

Railway E&C names: New orders recovery is on track in 4Q15, but also along with the expected worsening net gearing in FY16

Both CRG and CRCC have seen strong recovery in 4Q15 new orders, mainly contributed by the railway construction segment. For CRG, YoY growth of total new contract value in 11M15 has narrowed to c.-1.9%, from -8.9% YoY in 9M15. On the contrary, its railway business sector achieved c.16% YoY growth in 11M15, driven by accelerated domestic tendering in October and November, which reached a historical peak of c.Rmb130bn in December 2015, indicating over 50% growth in the market size of annual railway construction biddings (Rmb510bn in 2015 vs. Rmb330bn in 2014, with representing 45%+ market share by CRG).

Despite the low proportion of new contract value from PPP projects, CRG has witnessed rollout in the promotion of PPP railway models in 4Q15. CRG will likely proactively involve itself in PPP projects that could create incremental construction business opportunities. CRG's capital investment in PPP projects during FY16 should be higher than that of 2015 due to a more complete mechanism and a larger number of PPP project reserves. Meanwhile, based on management guidance, new investments in BT and BOT projects have shrunk significantly so far due to less government funding for new BT projects and the company's deleveraging choice.

On the contrary, CRCC is another scene. Based on the tendering progress released by CRCC recently, we estimate its BOT annual project scale to be c.RMB10bn per annum in FY15/16, which would likely stretch its balance sheet and trend up its net gearing accordingly, despite its equity placement and the spin-off of CRCCE (1786.HK, NR) in FY15. Therefore, the expected rising interest expenses will erode its earnings growth in FY15/16E, correspondingly.

Railway rolling stock focus: tendering and delivering

Capex of RMB900bn in 2016? Might not be that sluggish, but not as robust as previous market expectation of RMB130bn-RMB140bn.

CRRC are cautious on its overall tendering growth in FY16. Management agrees on flat growth in new demand on MU and locomotives this year, supported by solid passenger traffic growth. New demand from stable locomotives (c.800 units annually) will be equally coming from new conventional lines and replacement demand. CRRC estimates that new orders for RTV will be 6,000-7,000 units in 2016 vs. 6,100 units in 2015.

We largely agree with the overall guidance from the management, **but are only concerned about its freight wagons demand in FY16, given the current lacklustre cargo volume growth.** CRRC noted that the newly-added wagons demand in FY16 will be coming from the equipment upgrading by CRC, rather than new purchases.

Figure 3: CRCC tender in FY15 and guidance in FY16

(units)	Tender in FY15	Demand in FY16
MU	450	slightly lower than FY15
Locomotives	840	800+
Passenger carriages	1,143	2,000
Freight wagons	5,500	20000?
RTV	6,100	6000-7000

Source: Company, CSCI research

Overseas market

The value of new overseas contracts was c.USD4-5bn in FY15, which was lower than that of USD6.6bn in FY14 and the initial target of USD7.5bn. According to CRRC's management, this was due mainly to longer-than-expected negotiations over part of a large order, which might be settled before early February 2016. For this year, the target value of new contracts is likely to beat the 2015 original target (USD7.5bn). By the end of 12th FYP period, CRCC expects to achieve an overseas revenue of RMB15bn, accounting for 20% of total revenue.

CSR/CNR merger synergistic effect

The current merge has been completed among non-operational sub-companies, which has alleviated the company's finance cost, while the large-scale rollout among operational sub-companies is foreseeable in FY16. Thus, the cost-saving effect has not virtualised, yet capex contraction has quantified in FY15.

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Negatives priced in

- Substantial BOT investments (c.RMB10bn per year, guided by CRCC) raised our concerns on potential higher net gearing in FY15E/16E.
- Trim earnings forecasts in light of expected ascending interest expenses and cut PT. New PT of HK\$10.0 represents 8.6x/7.8x PER in FY16E/17E and 0.9x/0.8x PBR in FY16E/17E, respectively.

Recent large-scale BOT contracts raised concerns over stretched balance sheet. Based on recent released tendering from CRCC, we estimates its BOT annual scale should be c.RMB10bn per year in FY15/16, which is seen to stretch its balance sheet consistently and to trend up its net gearing accordingly, despite its equity placement and spin-off of CRCCE (1786.HK,NR) in FY15. Therefore, the expected rising interest expenses will further erode its earnings growth in FY15/16, correspondingly.

Cautions on overseas exposure. We are turning more cautious on its overseas business development and USD debt exposure. By the end of 9M15, CRCC has won c.RMB62bn worth of new contracts and it is likely to exceed RMB100bn in FY15. Also, among the top three railway contractors (CRCC, CRG and CCCC), CRCC has the highest US dollar-denominated debt exposure, at 30.5% of total debt (CRG:7.7%; CCCC:16.0%).

Trim earnings forecasts based on expected rising interest expenses and cut PT, but maintain Outperform. We trim our earnings forecast in FY15E/16E/17E by 3.0%/5.1%/5.9%, respectively, to reflect its higher finance cost assumption. Meanwhile, we also think net gearing will trend up, due to larger BOT projects exposure. We maintain Outperform rating, but cut PT to HK\$10.0, representing 8.6x/7.8x PER in FY16E/17E and 0.9x/0.8x PBR in FY16E/17E, respectively.

CRCC (1186.HK)

Outperform

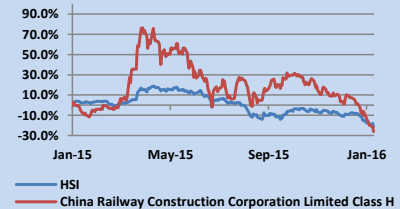
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Price Target (upside)	HK\$10.0 (47.7%)
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Close price	HK\$6.77
Market cap.	HK\$162.2bn
Free float	32.8%
52-week range	HKD6.72–HKD17.70
3-mth ave. T/O	123.9

Price as of 21 January 2016

Stock rel HSI performance (%)



Analyst

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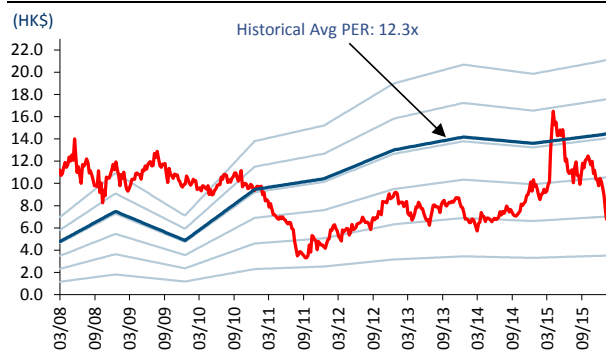
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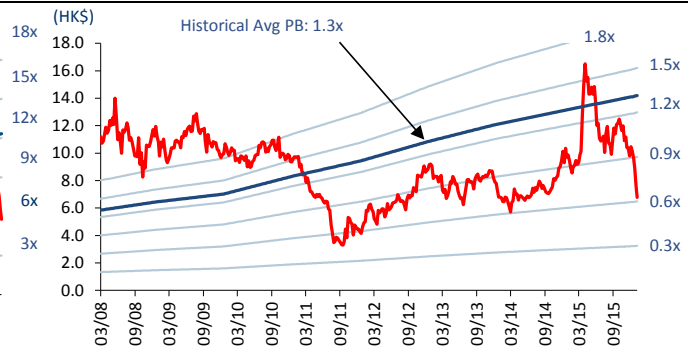
Figure 4: CRCC's key assumptions revision

(In mn Rmb except otherwise indicated)	Old			New			Change		
	2015E	2016E	2017E	2015E	2016E	2017E	2015E	2016E	2017E
Revenue	623,926	682,739	748,177	623,926	682,739	748,177	0.0%	0.0%	0.0%
Gross profit	68,849	75,477	82,766	68,849	75,477	82,766	0.0%	0.0%	0.0%
EBIT	20,348	22,173	24,298	20,348	22,173	24,298	0.0%	0.0%	0.0%
Net income, post-exceptionals	12,656	14,027	15,606	12,281	13,317	14,686	-3.0%	-5.1%	-5.9%
Net income, pre-exceptionals	12,656	14,027	15,606	12,281	13,317	14,686	-3.0%	-5.1%	-5.9%
Net debt/equity (%)	59.2	57.2	55.2	62.7	67.4	57.3	3.5ppts	10.2ppts	2.1ppts

Source: Company, CSCI research

Figure 5: CRCC-PE Band


Source: Company, CSCI

Figure 6: CRCC-PB Band


Source: Company, CSCI

Figure 7: Valuation Sensitivity Analysis

FX	PE (x)						
	2.6	4.6	6.6	8.6	10.6	12.6	14.6
0.86	2.9	5.2	7.5	9.8	12.0	14.3	16.6
0.85	2.9	5.3	7.6	9.9	12.2	14.5	16.8
0.84	3.0	5.3	7.7	10.0	12.3	14.7	17.0
0.83	3.0	5.4	7.7	10.1	12.5	14.8	17.2
0.82	3.1	5.5	7.8	10.2	12.6	15.0	17.4

Source: Company, CSCI Research Estimates

Figure 8: CRCC-Financial Summary

Income Statement						Balance Sheet					
(RMB mn except otherwise indicated)						(RMB mn except otherwise indicated)					
	2013	2014	2015E	2016E	2017E		2013	2014	2015E	2016E	2017E
Revenue (net of business tax)	569,962	573,989	623,926	682,739	748,177	Assets					
YoY growth	21.3%	0.7%	8.7%	9.4%	9.6%	Cash and cash equivalents	79,783	84,448	64,571	61,730	66,926
COGS	(527,248)	(527,730)	(575,050)	(629,118)	(689,362)	Pledged deposits	13,650	13,639	14,836	16,234	17,790
Gross profit	42,714	46,259	48,876	53,622	58,815	Bill and trade receivables	91,264	118,312	121,394	132,457	145,052
YoY growth	15.5%	8.3%	5.7%	9.7%	9.7%	Inventories	40,799	39,191	41,264	45,024	49,306
Gross profit margin	7.5%	8.1%	7.8%	7.9%	7.9%	Other receivables	63,729	62,487	69,905	76,495	83,826
SG&A expenses	(26,433)	(27,577)	(28,527)	(31,449)	(34,517)	Other current assets	181,835	200,000	213,501	244,246	259,367
R&D expenses	-	-	-	-	-	Total current assets	471,061	518,078	525,471	576,186	622,267
Other operating income/loss	-	-	-	-	-	Net PP&E (including AUC)	43,164	44,368	45,500	43,985	42,256
EBITDA	26,188	29,289	31,884	34,642	37,679	Net intangibles	10,731	19,558	29,652	42,747	55,842
YoY growth	9.8%	11.8%	8.9%	8.7%	8.8%	Equity investments	5,674	6,927	6,927	6,927	6,927
EBITDA margin	4.6%	5.1%	5.1%	5.1%	5.0%	Investments in securities or other	223	361	361	361	361
Depreciation	(9,725)	(10,438)	(11,367)	(12,301)	(13,213)	Total investments	5,898	7,288	7,288	7,288	7,288
Amortization	(181)	(168)	(168)	(168)	(168)	LT deferred tax assets	1,961	2,202	2,202	2,202	2,202
EBIT	16,282	18,682	20,348	22,173	24,298	LT trade and bills receivables	19,899	25,219	26,631	29,141	31,934
YoY growth	15.0%	14.7%	8.9%	9.0%	9.6%	Other long term assets	305	292	292	292	292
EBIT margin	2.9%	3.3%	3.3%	3.2%	3.2%	Total assets	553,019	617,004	637,036	701,840	762,080
Interest income	2,809	2,861	2,235	1,768	1,673	Liabilities					
Interest expense	(6,599)	(7,242)	(7,586)	(7,619)	(7,904)	Accounts payable	209,305	232,486	242,760	264,551	289,120
Profit/loss from associates	(249)	(12)	-	-	-	Short-term debt	60,123	74,141	55,500	55,500	55,500
Profit/loss from acquisition/disposal	-	-	-	-	-	Other current liabilities	121,477	121,534	125,438	137,232	150,374
Other non-operating income/loss	797	663	663	663	663	Total current liabilities	390,906	428,161	423,699	457,284	494,994
Pretax income	13,040	14,952	15,661	16,985	18,730	Long-term debt	71,685	78,791	73,164	83,164	83,164
YoY growth	19.7%	14.7%	4.7%	8.5%	10.3%	LT trade and bills payable	6,332	6,895	7,513	8,220	9,007
PBT margin	2.3%	2.6%	2.5%	2.5%	2.5%	Deferred tax liabilities	83	76	76	76	76
Income tax	(2,600)	(3,381)	(3,132)	(3,397)	(3,746)	Other LT liabilities	187	189	189	189	189
Effective tax rate	19.9%	22.6%	20.0%	20.0%	20.0%	Total non-current liabilities	78,288	85,952	80,942	91,649	92,436
Minority interest (I/S item)	(95)	(228)	(248)	(272)	(298)	Total liabilities	469,194	514,113	504,641	548,932	587,430
Net income, post-exceptionals	10,345	11,343	12,281	13,317	14,686	Common shareholders' equity					
YoY growth	22.0%	9.7%	8.3%	8.4%	10.3%	Issued capital	12,338	12,338	13,580	13,580	13,580
Net margin	1.8%	2.0%	2.0%	2.0%	2.0%	Reserves	68,649	78,598	97,722	109,074	121,630
Post-exceptional items - gain/(loss)	-	-	-	-	-	Common shareholders' equity	80,987	90,936	111,302	122,653	135,209
Net income, pre-exceptionals	10,345	11,343	12,281	13,317	14,686	Minority interests	2,838	11,956	21,093	30,254	39,442
YoY growth	22.0%	9.7%	8.3%	8.4%	10.3%	Total liabilities and equity	553,019	617,004	637,036	701,840	762,080
Net margin	1.8%	2.0%	2.0%	2.0%	2.0%						
Cash Flow Statement						Ratio Analysis					
(RMB mn except otherwise indicated)											
	2013	2014	2015E	2016E	2017E		2013	2014	2015E	2016E	2017E
Operating activities						Valuation					
Profit before taxes	13,040	14,952	15,661	16,985	18,730	P/E (x)	6.8	6.2	6.3	5.8	5.3
Depreciation and amortization	9,906	10,607	11,536	12,469	13,381	P/B (X)	0.9	0.8	0.7	0.6	0.6
Net profit/loss on asset sales	(39)	(19)	-	-	-	EV/EBITDA (X)	4.8	5.1	5.1	5.3	5.0
Increase/decrease in working capital	(5,209)	2,614	(10,408)	(12,753)	4,576	Dividend yield(%)	2.3	2.6	2.5	2.8	3.0
Other operating cash flow items	(27,300)	(21,606)	440	(4,554)	(5,027)	FCF yield (%)	0.0	0.6	-0.4	-0.5	0.9
Net CF flow from operating activities	(9,602)	6,548	17,229	12,148	31,660	Profitability					
Investing activities						Gross margin (%)	7.5	8.1	7.8	7.9	7.9
Capital expenditure	(17,645)	(21,287)	(22,763)	(24,048)	(24,747)	EBIT margin (%)	2.9	3.3	3.3	3.2	3.2
Acquisition/divestiture	-	-	-	-	-	Net margin (%)	1.8	2.0	2.0	2.0	2.0
Proceeds from disposal of assets	1,606	1,371	-	-	-	SG&A/revenue (%)	4.6	4.8	4.6	4.6	4.6
Other investment cash flow items	(3,957)	3,411	(122)	(987)	(1,393)	ROE (%)	13.5	13.2	12.1	11.4	11.4
Net CF flow from investing activities	(19,997)	(16,505)	(22,885)	(25,035)	(26,140)	ROA (%)	2.0	1.9	2.0	2.0	2.0
Financing						Liquidity & Leverage					
Dividends paid	(1,604)	(1,604)	(1,851)	(1,965)	(2,131)	Current Ratio (X)	1.2	1.2	1.2	1.3	1.3
Share repurchase/issue	-	-	9,936	-	-	Quick Ratio (X)	1.1	1.1	1.1	1.2	1.2
Increase/decrease in debt¬es payable	35,906	16,900	(23,858)	10,469	523	Net debt/equity (%)	75.0	81.6	62.7	67.4	57.3
Change in Minority interests	1,506	9,114	9,138	9,161	9,187	Total debt/equity (%)	162.8	168.2	115.6	113.1	102.6
Other financing cash flow items	(6,207)	(9,789)	(7,586)	(7,619)	(7,904)	Total liabilities/total assets (%)	84.8	83.3	79.2	78.2	77.1
Net CF flow from financing activities	29,600	14,622	(14,221)	10,047	(324)	EBIT interest coverage ration (x)	2.5	2.6	2.7	2.9	3.1
Total cash flow	1	4,665	(19,877)	(2,841)	5,195	Efficiency					
						Inventory days	25.6	27.7	25.5	25.0	25.0
						A/R days	52.9	66.6	70.1	67.9	67.7
						A/P days	142.7	152.8	150.8	147.2	146.6

Source: Company, CSCI Research Estimates

Figure 9: Peers Valuation Comparison

Company name	Code	Ccy	Close (Local\$)	Mkt cap (US\$m)	Rept'g Ccy	Fiscal Y/E	PER (x)		PBR (x)		EPS Growth (%)		ROE (%)		Gross Margin		EBITDA margin		Net Gearing (%)		EV/EBITDA (x)		Yield (%)	
							15E	16E	15E	16E	15E	16E	15E	16E	15E	16E	15E	16E	15E	16E	15E	16E	15E	16E
Construction Companies Valuation																								
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CHINA RAILWAY CONS	1186-hk	HKD	6.77	20,732	CNY	12/2014	6.0	5.7	0.7	0.6	(2.1)	5.1	11.4	11.1	10.7	10.7	5.3	5.4	43.8	46.7	5.70	5.54	2.7	2.8
CHINA RAILWAY GROU	390-hk	HKD	4.23	26,608	CNY	12/2014	6.8	6.3	0.7	0.6	2.1	8.0	10.0	10.1	8.8	8.6	4.7	4.8	93.9	88.5	9.81	9.24	2.2	2.4
CHINA COMM CONSTR	1800-hk	HKD	5.85	24,380	CNY	12/2014	5.4	4.8	0.6	0.5	0.9	12.3	10.8	11.1	11.6	11.3	8.5	8.6	112.5	117.4	9.55	9.26	4.1	4.6
METALLURGICAL CORP	1618-hk	HKD	1.72	11,590	CNY	12/2014	5.8	4.9	0.5	0.5	11.8	18.1	9.0	9.7	13.2	n.a	6.6	6.5	81.1	53.0	8.11	6.78	2.1	2.5
CHINA STATE CONSTR	3311-hk	HKD	11.62	6,026	HKD	12/2014	11.0	8.9	2.0	1.7	18.8	23.6	18.4	19.4	14.6	15.2	12.7	13.0	32.3	32.5	10.42	8.79	2.8	3.2
SINOPEC ENGINEERIN	2386-hk	HKD	6.00	3,397	CNY	12/2014	6.7	6.5	0.9	0.8	(9.8)	3.3	13.3	12.7	12.6	11.0	9.5	9.3	(47.2)	(45.6)	2.41	2.23	5.9	6.1
CHINA MACHINERY EN	1829-hk	HKD	4.72	2,490	CNY	12/2014	8.1	6.8	1.1	1.0	(9.6)	19.3	13.8	14.9	n.a	n.a	8.6	8.2	(136.4)	(136.3)	(1.72)	(2.43)	4.8	5.4
Average							7.1	6.3	0.9	0.8	1.7	12.8	12.4	12.7	11.9	11.4	8.0	8.0	25.7	22.3	6.3	5.6	3.5	3.8
Median							6.7	6.3	0.7	0.6	0.9	12.3	11.4	11.1	12.1	11.0	8.5	8.2	43.8	46.7	8.1	6.8	2.8	3.2
A Shares																								
CHINA RAILWAY CONS	601186-cn	CNY	10.83	20,732	CNY	12/2014	11.4	10.8	1.3	1.2	3.2	5.2	11.4	11.1	10.7	10.6	5.3	5.4	43.8	46.7	5.72	5.58	1.4	1.4
CHINA RAILWAY GROU	601390-cn	CNY	8.59	26,608	CNY	12/2014	16.4	15.2	1.6	1.5	7.8	8.2	10.0	10.1	8.8	8.5	4.8	4.8	93.9	88.5	9.77	9.23	0.9	1.0
CHINA COMM CONSTR	601800-cn	CNY	11.80	24,380	CNY	12/2014	12.8	11.4	1.4	1.3	7.0	12.9	10.8	11.1	11.6	11.3	8.5	8.6	112.5	117.4	9.53	9.31	1.7	2.0
METALLURGICAL CORP	601618-cn	CNY	4.44	11,590	CNY	12/2014	18.1	15.2	1.6	1.5	17.0	18.6	9.1	9.8	13.2	n.a	6.6	6.5	82.2	54.6	8.21	6.88	0.7	0.8
CHINA CONSTR ENG C	601668-cn	CNY	5.35	24,395	CNY	12/2014	6.3	5.5	1.0	0.9	13.8	13.5	15.6	15.5	10.7	8.5	7.5	7.8	10.9	2.8	2.73	2.17	3.8	4.4
S/TUNNEL ENGINEERG	600820-cn	CNY	8.03	3,837	CNY	12/2014	17.8	14.7	1.5	1.4	(11.8)	21.7	8.5	9.7	14.5	n.a	13.4	13.6	n.a	n.a	n.a	n.a	1.9	2.3
Average							13.8	12.1	1.4	1.3	6.2	13.3	10.9	11.2	11.6	9.8	7.7	7.8	68.7	62.0	7.2	6.6	1.7	2.0
Median							14.6	13.0	1.5	1.3	7.4	13.2	10.4	10.6	11.1	9.6	7.1	7.1	82.2	54.6	8.2	6.9	1.6	1.7
Asian																								
DAEWOO ENGINEERING	047040-kr	KRW	5,190.00	1,777	KRW	12/2014	11.7	8.3	0.8	0.7	73.5	41.9	6.6	8.5	8.0	8.8	4.5	5.3	70.1	57.5	9.14	7.10	0.0	0.0
GS ENGINEERING & C	006360-kr	KRW	21,750.00	1,272	KRW	12/2014	20.9	9.7	0.5	0.4	(256.4)	115.0	2.2	4.5	5.2	6.6	1.7	3.1	40.6	36.9	17.26	9.01	0.1	0.3
HYUNDAI ENG & CONS	000720-kr	KRW	29,700.00	2,725	KRW	12/2014	7.4	6.2	0.6	0.5	6.1	19.5	7.6	8.6	8.5	8.8	6.2	6.3	(2.5)	(5.3)	2.68	2.31	1.7	1.8
DAELIM INDUSTRIAL	000210-kr	KRW	67,300.00	1,930	KRW	12/2014	9.6	7.8	0.6	0.5	(159.4)	23.8	6.0	6.9	8.2	8.8	3.7	4.4	5.0	2.8	7.52	5.81	0.3	0.4
SAMSUNG ENGINEER	028050-kr	KRW	12,650.00	1,824	KRW	12/2014	(0.6)	21.9	(2.7)	2.6	(2,321.2)	(102.8)	452.6	12.0	(17.6)	7.4	(21.9)	3.3	(522.5)	116.3	(3.00)	15.39	0.3	0.5
SINGAPORE TECH ENG	s63-sg	SGD	2.90	6,301	SGD	12/2014	17.4	16.8	4.1	3.9	(2.5)	4.0	23.5	23.5	20.8	20.7	11.5	11.8	(22.6)	(20.8)	11.70	11.18	4.9	5.1
SHIMIZU CORP	1803-jp	JPY	817.00	5,492	JPY	03/2015	11.9	10.7	1.2	1.1	61.8	10.6	10.3	10.4	9.7	10.1	5.8	6.2	25.3	15.6	8.12	7.10	1.4	1.6
NISHIMATSU CONSTCN	1820-jp	JPY	402.00	953	JPY	03/2015	8.0	8.7	0.7	0.7	51.2	(8.2)	8.8	7.7	9.9	10.1	n.a	n.a	10.8	11.5	n.a	n.a	3.7	3.9
TODA CORP	1860-jp	JPY	514.00	1,414	JPY	03/2015	7.8	9.0	0.8	0.7	44.5	(13.0)	10.2	8.2	9.3	9.8	4.5	4.6	4.0	(1.3)	7.72	7.36	1.8	1.8
GAMUDA BERHAD	5398-my	MYR	4.44	2,437	MYR	07/2015	16.9	14.3	1.6	1.5	(9.3)	18.5	9.5	10.5	39.7	20.5	22.8	20.2	39.2	34.3	20.53	17.39	2.5	2.7
KAJIMA CORP	1812-jp	JPY	588.00	5,300	JPY	03/2015	14.5	12.3	1.3	1.2	178.6	17.4	9.1	9.8	8.7	9.4	4.7	5.3	25.3	17.9	9.18	7.55	1.1	1.3
IJM CORP BERHAD	3336-my	MYR	3.33	2,718	MYR	03/2015	16.4	15.7	1.4	1.3	24.2	4.8	8.5	8.5	22.2	23.1	23.0	22.9	46.1	41.2	10.76	9.81	2.5	2.6
Average							12.6	11.8	1.2	1.1	58.5	5.0	9.4	9.2	16.6	13.8	12.2	11.8	25.1	19.9	11.3	9.8	2.2	2.3
Median							13.2	11.5	1.3	1.2	47.8	7.7	9.3	9.1	9.8	10.1	5.8	6.2	25.3	16.8	9.2	7.5	2.1	2.2
US & Europe																								
VINCI	dq-fr	EUR	58.25	37,100	EUR	12/2014	16.6	15.0	2.2	2.0	(21.3)	10.1	13.0	13.4	#N/A	9.8	14.9	15.4	86.1	74.8	8.36	7.88	3.1	3.3
ACS ACTIVIDADES CO	acs-es	EUR	21.76	7,409	EUR	12/2014	9.4	9.2	2.0	1.9	(0.3)	2.8	21.6	20.6	22.2	22.6	6.8	6.8	89.2	77.6	4.13	3.89	5.4	5.5
FOM CONST Y CONTRA	fcc-es	EUR	6.40	1,805	EUR	12/2014	42.7	19.4	6.6	2.9	(105.4)	120.2	15.5	15.1	22.0	21.9	12.5	13.0	2,566.8	1,716.0	8.78	7.66	-	0.2
KONINKLIJKE BOSKAL	boka-nl	EUR	34.79	4,730	EUR	12/2014	9.5	12.0	1.2	1.2	(9.5)	(20.3)	13.0	9.9	23.1	22.7	25.6	22.7	12.0	6.2	5.91	6.91	4.5	4.3
HOCHTIEF AG	hot-de	EUR	82.44	6,184	EUR	12/2014	21.9	18.1	2.5	2.3	(265.6)	20.9	11.2	12.8	n.a	n.a	5.1	5.3	(5.7)	(12.9)	4.88	4.42	2.4	2.7
SKANSKA AB	ska.b-se	SEK	151.40	7,396	SEK	12/2014	15.0	13.4	2.7	2.5	8.2	11.8	18.2	18.8	8.9	9.3	4.7	5.0	(9.1)	(11.7)	8.25	7.57	4.6	4.9
ATLAS COPCO AB	atco.a-se	SEK	184.70	26,003	SEK	12/2014	15.2	15.6	4.5	4.1	21.3	(2.5)	29.8	26.1	38.8	38.7	23.5	23.4	33.8	24.9	10.01	10.02	3.4	3.5
SANDVIK AB	sand-se	SEK	66.80	9,748	SEK	12/2014	13.2	13.4	2.3	2.2	5.7	(1.4)	17.7	16.3	34.3	36.1	15.9	17.8	86.8	69.9	8.29	7.60	4.3	4.4
CHICAGO BRIDGE & IRON	Ccbi-us	USD	33.48	3,456	USD	12/2014	5.8	6.6	1.4	1.3	14.6	(12.1)	23.5	19.2	11.3	11.1	9.4	8.9	68.9	54.7	4.25	4.43	0.8	0.8
FLUOR CORP NEW	flr-us	USD	41.11	5,851	USD	12/2014	10.0	11.0	1.9	1.6	28.2	(9.3)	18.8	14.7	6.2	6.0	6.3	5.7	(37.2)	(24.1)	4.07	4.70	2.0	2.0
Average							13.5	13.0	2.6	2.3	(31.3)	1.2	19.9	18.0	19.9	20.2	10.8	11.0	22.9	16.8	6.6	6.5	2.9	3.1
Median							14.1	13.4	2.4	2.3	11.4	(2.0)	18.5	17.5	11.3	11.1	7.9	7.3	14.0	6.6	6.6	6.1	2.9	3.1

Source: Factset, Company


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China railway sector: Negatives priced in



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Company Rating Definition

The Benchmark: Hong Kong Hang Seng Index; Time Horizon: 12 months

Outperform	Relative Performance >10%
Neutral	Relative Performance is -10% to 10%
Underperform	Relative Performance <10%

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