

## Down-regulation of Valuation, "Accumulate" Rating Maintained

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Industry: Oil & Gas



Phillip Securities

Phillip Securities Research

26 July 2012

### Annual report review

Rating: Accumulate Closing price:9.31 Target price:10.57

### Investment Summary

Performance of the company's four main businesses was not optimistic, with big risk of downward performance in H1 2012.

Global economic recovery and geopolitical crisis will drive long-term hikes of international oil prices, which is favorable for the company's upstream exploration business, thus ensuring continuous rise of the corporate overall performance.

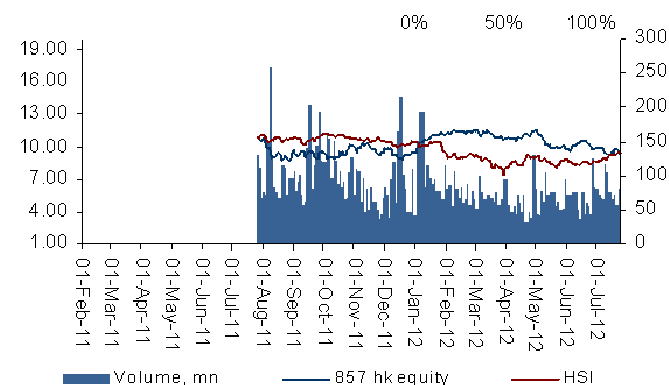
The expected delay of pricing reform for the domestic natural gas can hardly improve loss-making situation of the corporate natural gas business for a while. However, with the natural gas consumption expansion, natural gas price rise and pricing reform kickoff, natural gas business will become the company's main profit growth sector.

The rise of Special oil income threshold will benefit the corporate 2012 year-round performance. Compared with its peers, Petro China benefits most.

We adjust the company's EPS to HKD0.88 in 2012, and down-regulate the 6-month target price to HKD10.57. In combination with its dividend HKD0.44 per share, 6-month integrated yield of the company is predicted to be 17.28%, "accumulate" rating still to be maintained.

### CNPC

<b>Rating</b>	<b>2.00</b>	<b>Accumulate</b>
- Previous Rating	2.00	Accumulate
<b>Target Price (HKD)</b>	<b>10.57</b>	
- Previous Target Price (HKD)	11.60	
Closing Price (HKD)	9.31	
Expected Capital Gains (%)	13.5%	
Expected Dividend Yield (%)	3.8%	
<b>Expected Total Return (%)</b>	<b>17.3%</b>	
Raw Beta (Past 2yrs weekly data)	1.46	
Market Cap. (HKD mn)	1,940,121	
52 w eek range (HKD)	8.59 - 11.92	
Closing Price in 52 w eek range		



### Key Financial Summary

FYE	2010	2011	2012F	2013F
Revenue (HKD mn)	1,682,222	2,413,837	2,692,104	3,012,975
Net Profit, adj. (HKD mn)	160,704	160,165	161,944	170,271
EPS, adj. (HKD)	0.87	0.88	0.88	0.89
P/E (X),adj.	13.1	11.0	12.0	11.8
BVPS (HKD)	6.05	6.75	6.84	7.32
P/B (X)	1.6	1.6	1.5	1.4
DPS (HKD)	0.40	0.39	0.40	0.40
Div. Yield (%)	3.7%	3.7%	3.8%	3.8%

Source: Bloomberg.

\*All multiples & yields based on current market price

### Valuation Method

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### Financial Predications

Project (HKD mn)	Annually (As of December 31)			
	2010	2011	2012F	2013F
Revenue	1,682,222	2,413,837	2,692,104	3,012,975
Operating Profit & Loss	218,609	223,207	230,381	264,738
Profit Before Tax	217,313	221,906	228,039	259,381
Profit Before Unusual Project	173,102	175,823	176,738	187,945
Net Profit	160,704	160,165	161,944	170,271
Basic EPS Before Unusual Project	0.8922	0.8910	0.8926	0.9103
Basic EPS	0.8724	0.8794	0.8801	0.8927
Dilluted EPS Before Unusual Project	0.8865	0.8953	0.8904	0.8958
Dilluted EPS	0.8724	0.8794	0.8801	0.8927
Dividend Per Share	0.3951	0.3938	0.3969	0.4032
Total Current Asset	337,810	471,826	529,128	582,371
Total Fixed Asset	1,616,079	1,892,274	1,928,124	2,305,217
Total Asset	1,953,889	2,364,100	2,457,252	2,887,588
Total Current Liability	506,890	690,444	756,231	910,238
Total Fixed Liability	255,514	339,037	363,812	501,283
Total Liability	762,404	1,029,481	1,120,043	1,411,521
Total Shareholder's Equity	1,191,485	1,334,619	1,337,209	1,476,067
Book Value Per Share	6.0512	6.7546	6.8372	7.3217
P/E Ratio	13.1339	10.9742	12.0099	11.8405
P/B Ratio	1.5901	1.6251	1.5459	1.4436

Source: Bloomberg, Phillip Securities

#### PHILLIP RESEARCH STOCK SELECTION SYSTEMS

Total Return	Recommendation	Rating	Remarks
>+20%	Buy	1	>20% upside from the current price
+5% to +20%	Accumulate	2	+5% to +20% upside from the current price
-5% to +5%	Neutral	3	Trade within $\pm$ 5% from the current price
-5% to -20%	Reduce	4	-5% to -20% downside from the current price
<-20%	Sell	5	>20% downside from the current price

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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