

China / Hong Kong Industry Focus

China Infrastructure Sector

Refer to important disclosures at the end of this report

DBS Group Research . Equity

8 Jan 2019

Policy support driving high investments

- **High infrastructure investment as backup plan to boost the economy**
- **Chinese government has approved several provincial investment budget allocations, signally a more accommodative stance**
- **Positive on infrastructure sector; CRRC (1766 HK), CRCC (1186 HK) and CRG (390 HK) are expected to benefit**

Government to keep high infrastructure spending in 2019. The Chinese government remains committed to keep railway and subway investment high to drive economic growth, after the surge in infrastructure spending in 2H18. Targeted new infrastructure investments in railway and subway have obtained government approvals. New railway lines are expected to increase by c.45% in 2019 to 6,800km. Hence, railway investments should remain high at c.Rmb800bn for 2019. Besides, the government has also approved the mid-term investment plans of several provinces, and subways and inter-city links are the key project focus. This offers a continuous flow of new projects in the coming few years for the infrastructure companies. Also, China Railway Corporation (CRC) is procuring new rolling stocks, given the previous high levels of railway construction investments. This implies the rolling stock sector should start to accelerate in the coming quarters.

Project funding continues to strengthen. CRC continues to issue bonds (approximately Rmb400bn) to finance new project rollouts, while the local governments have issued some Rmb1.9tr of special project bonds to finance approved projects in 2018. With the anticipated loosening of monetary policy, the new project rollout pace is expected to hold up well in 2019.

Infrastructure companies to benefit. We are getting more excited on the sector, especially the rolling stock segment. Infrastructure companies won many contracts in 4Q18, particularly for rolling stock. For instance, CRRC (1766 HK) secured a large order for high-speed rail train sets worth over Rmb30bn in December 2018. With a robust 2019 investment horizon, the infrastructure companies should continue to draw market interests. We like CRCC and CRRC for their strong prospects (growing backlog orders to support earnings expansion) and FY19 valuations are still undemanding.

HSI: 25,875

ANALYST

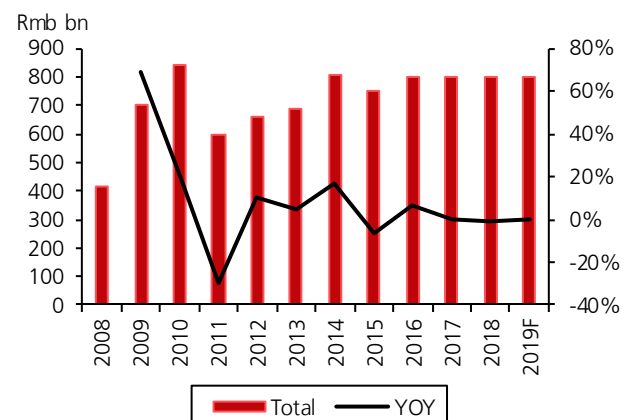
Rachel MIU +852 36684191 rachel_miu@dbs.com

Recommendation & valuation

Company Name	Target Price		Recom	Mkt Cap US\$m	PE 19F x
	Local\$	Local\$			
<u>Infrastructure construction</u>					
CCC-H (1800 HK)	7.57	9.00	BUY	23,790	4.5
CCC-A (601800 CH)	11.38	12.50	HOLD	23,790	7.9
CRCC-H (1186 HK)	11.24	12.90	BUY	21,733	6.4
CRCC-A (601186 CH)	11.17	11.70	HOLD	21,733	7.4
CRG-H (390 HK)	7.25	8.80	BUY	23,072	7.5
CRG-A (601390 CH)	7.05	7.90	HOLD	23,072	8.3
CSCI (3311 HK)	6.64	10.10	BUY	4,279	4.5
<u>Railway equipment</u>					
CRRC-H (1766 HK)	7.85	8.30	BUY	37,154	13.7
CRRC-A (601766 CH)	9.23	9.30	HOLD	37,154	18.4
Zhuzhou CRRC (3898)	44.15	n.a.	NR	6,624	13.5

Source: Thomson Reuters, DBS Bank (Hong Kong) Limited ("DBS HK"), Bloomberg Finance L.P.

Railway annual FAI



Source: CEIC, DBS HK



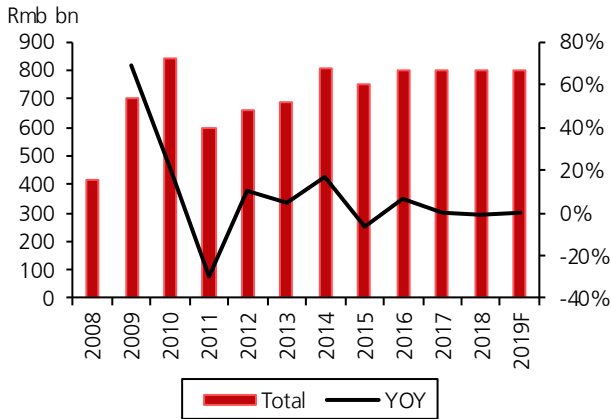
Live more, Bank less

Infrastructure companies investment summary

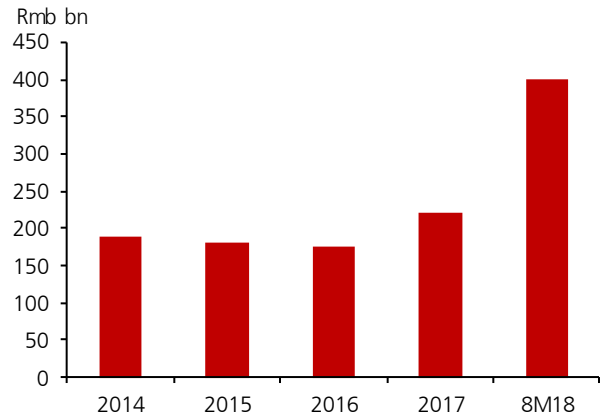
Name	Ticker	Market cap US\$m	Rating	TP HK\$	FY19 PE (x)	Key points
CRCC	1186 HK	21,733	BUY	12.90	6.4	<ul style="list-style-type: none"> • Strongest under the various performance matrix compared to peers, in terms of 3Q18 revenue and profit expansions, strong GP margins and financial health. • Management proactive approach on maintaining steady project returns and stringent cost control. • Good earnings visibility, supported by strong backlog orders of Rmb2.7tr at end September 2018.
CRG	390 HK	23,072	BUY	8.80	7.5	<ul style="list-style-type: none"> • Business restructuring to strengthen core earnings ability, especially in construction and railway equipment manufacturing. • Entered into debt-equity swap with Chinese financial institutions to lessen borrowing burden. • Huge backlog orders of Rmb2.8tr at end September 2018 to support earnings expansion.
CRRC	1766 HK	37,154	BUY	8.30	12.5	<ul style="list-style-type: none"> • Key player in the rolling stock market. • Rising demand for China standard Fuxinghao multiple units positive on economies of scale and production cost management. • Positive mid-term outlook for new rolling stock and major refurbishment demands.
CCCC	1800 HK	23,790	BUY	9.00	4.5	<ul style="list-style-type: none"> • Expects to ride on improving domestic infrastructure FAI. • To benefit from lower cost pressure after RRR cuts. • Net gearing ratio highest amongst peer, need to address high debt level.

Source: Thomson Reuters, DBS HK, Bloomberg Finance L.P.

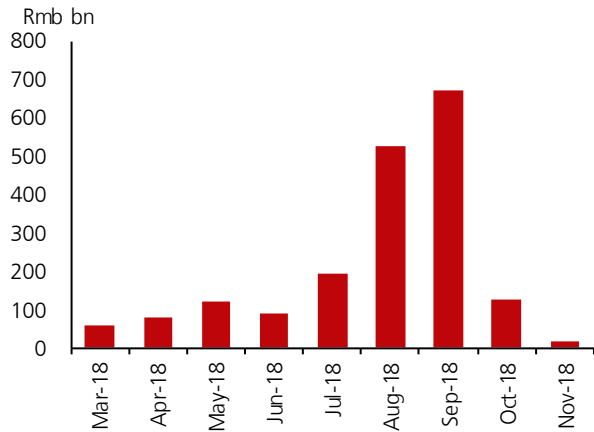
Annual railway investment



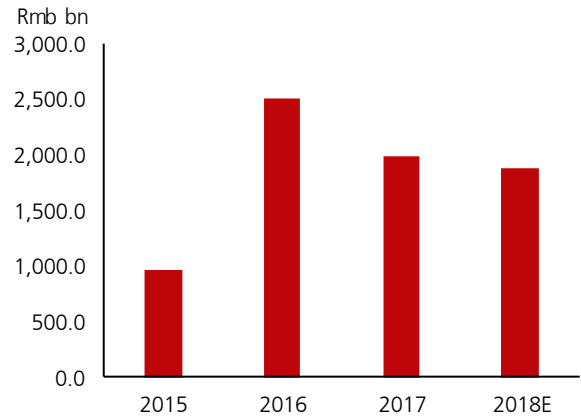
CRC corporate bond issuance trend



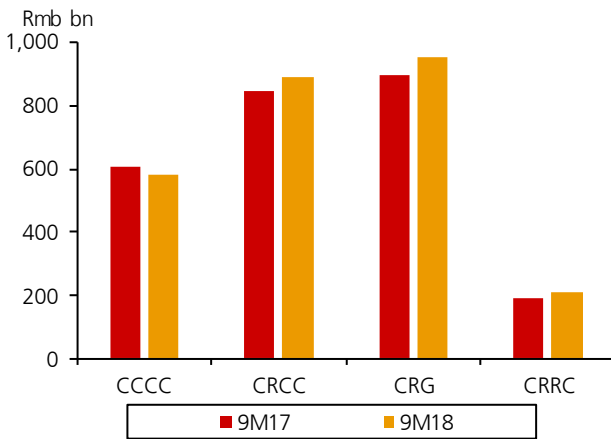
Monthly special project bonds issuance



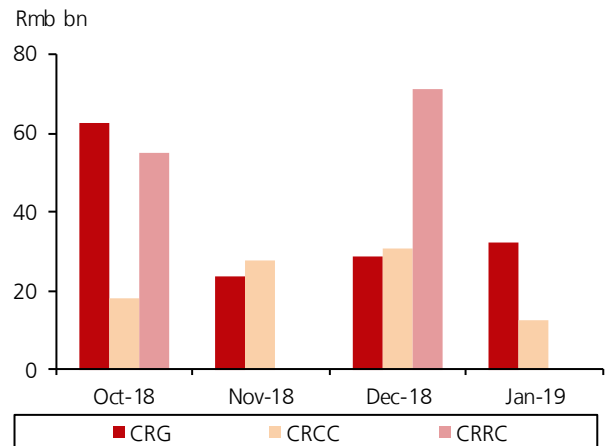
Yearly special project bonds issuance



Chinese infrastructure companies' 9M18 new contracts



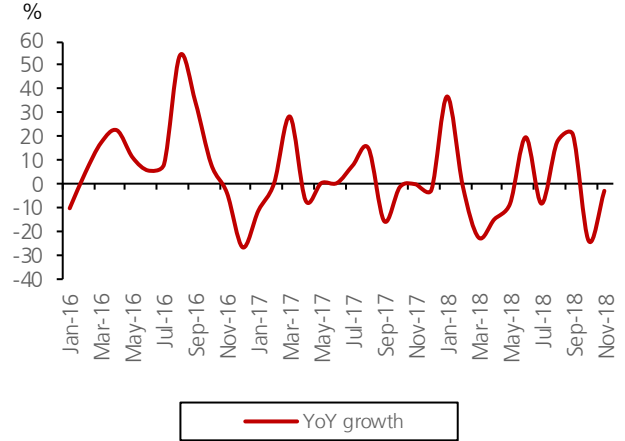
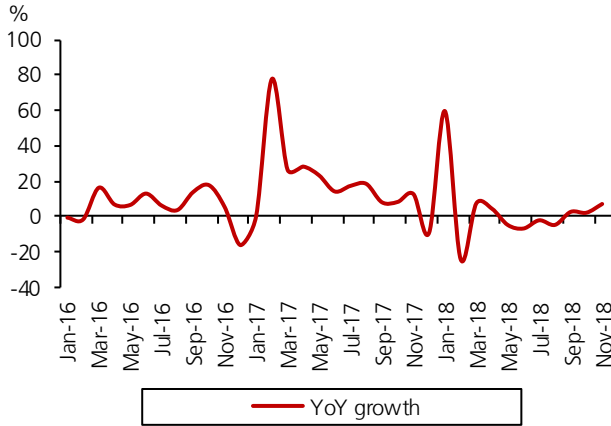
Infrastructure companies' recent new contract awards



Source: Bloomberg Finance L.P., CEIC, Companies, DBS HK

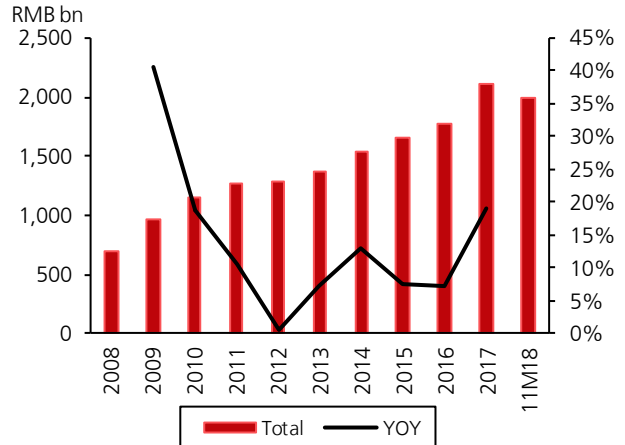
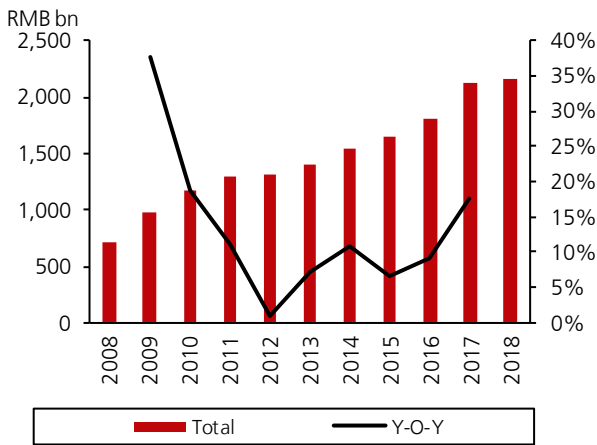
Transportation FAI monthly growth trend

Railway FAI monthly growth trend



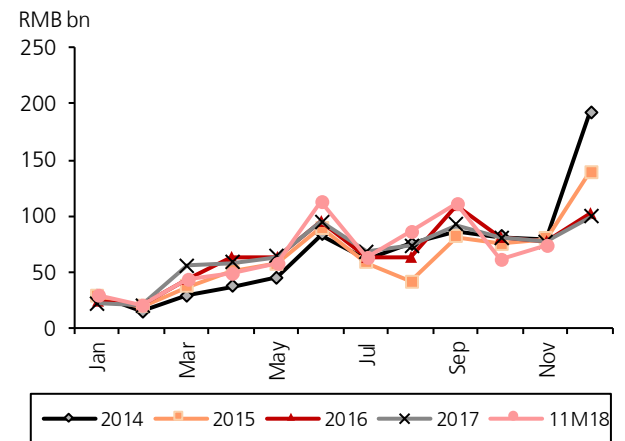
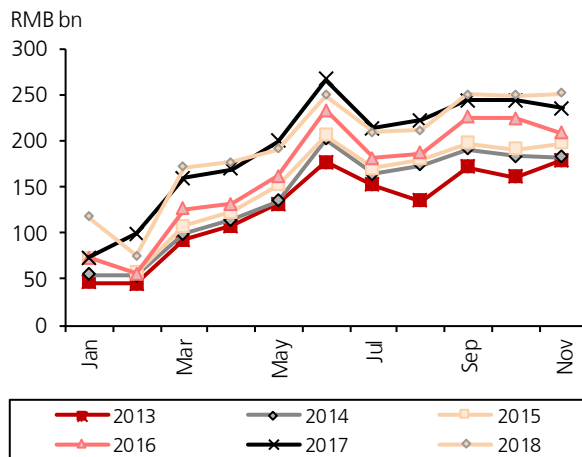
Annual transportation investment

Annual highway investment



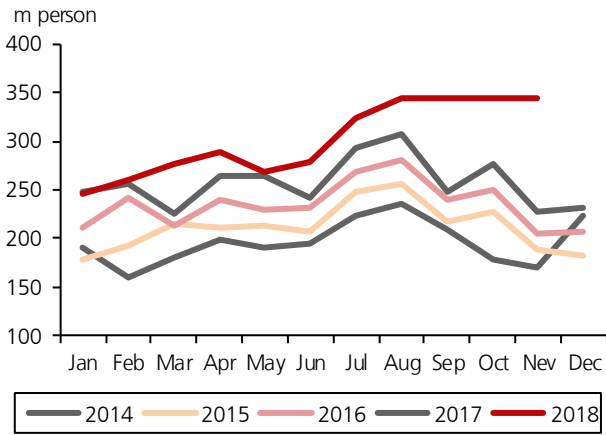
Transportation sector monthly FAI

Railway sector monthly FAI

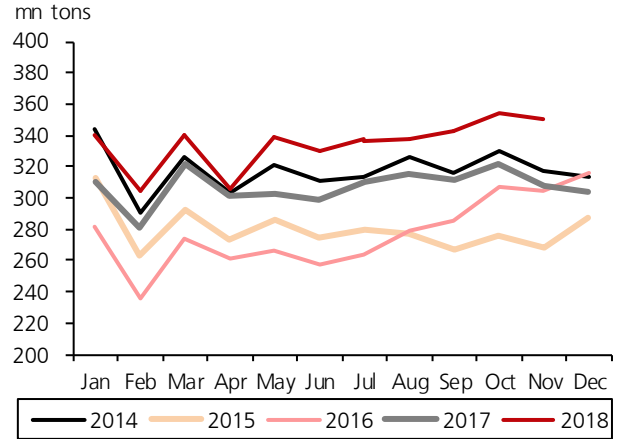


Source: Bloomberg Finance L.P., CEIC, Companies

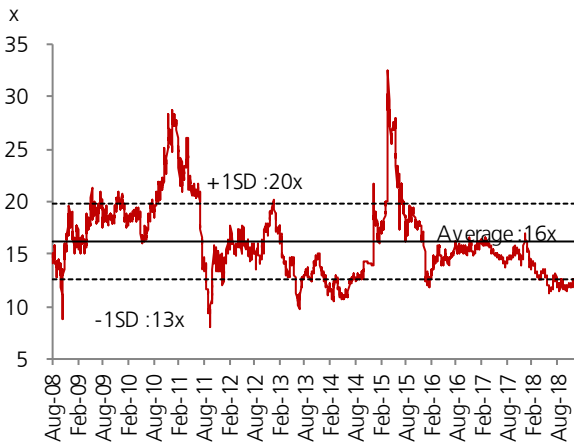
Monthly passenger traffic by railway



Monthly freight carried by railway



Train equipment sector PE



Infrastructure construction sector PE



Source: Bloomberg Finance L.P., Thomson Reuters, DBS HK

Mid-term infrastructure projects approved by the central government

Province/City	Project Type	Amount (Rmb bn)	Duration of investment
Wuhan	Subway line No. 12	147	2019-2024
	Subway line No. 6 Phase2		
	Subway line No. 8 Phase3		
	Subway line No.11 Phase3		
	Subway line No.7 Extension		
	Subway line No.16		
	Subway line No.19		
Jiangsu	Inter-city rail	218	2019-2025
Changchun	Subway line No.2	71.1	2019-2024
	Subway line No. 3 (Extension to South)		
	Subway line No. 4 (Extension to South)		
	Subway line No. 5 (Phase1)		
	Subway line No. 6		
	Subway line No. 7 (Phase1)		
Fujian	Roads and expressways	85	2019
	Port berthing facilities		
	Rural developments		
TianJin	Highway	10.43	
	Dredging		
	Road		
Xian	Railway link from Xian to Yanan	55.16	2018-2023

Source: Chinese Government

CRCC (1186 HK) Major contracts awarded in 4Q18

Date	Project Type	Amount (RMB bn)
9-Oct-18	BOT project of Chongqing Dazu-Sichuan Neijiang Expressway and	3.33
	The Expansion BOT Project of Chongqing Yusui Expressway	6.16
31-Oct-18	Construction of Guangzhou Rail Transit Line 10 and concurrent implementation works	8.59
6-Nov-18	Sightseeing facility engineering project (general construction contracting) in Shapotou, Zhongwei City, Ningxia, including the general construction contracting for the newly-built ground facilities for the transit system	3.04
15-Nov-18	General construction contracting for the construction project of Sanmenxia – Yuzhou Section (Intersection of Luoning – Yichuan and Ruyang) of Sanmenxia – Yangkou Railway	5.30
29-Nov-18	EPC general contracting project for the construction of Muchuan Haoran Champion Sports and Health (International) Town in China	7.63
	General construction contracting (EPC) for the construction project of the innovation and entrepreneurship base located in Northern Footwear Capital Gaoyi Xinsantai Footwear Industrial Town	4.18
	General contracting agreement for the Phase II construction project of Zunyi High-Speed Railway New Town with Zunyi High-Speed Railway New Town Development and Investment Co., Ltd.	7.63
12-Dec-18	Mining and stripping project for the years 2019–2021 of China Gold Inner Mongolia Mining Co., Ltd	3.03
19-Dec-18	Infrastructure stripping and production stripping construction of the renovation and expansion construction for Yulong copper mine of Tibet Yulong Copper Industry Co., Ltd.	6.85
22-Dec-18	A PPP Project of expansion construction of the expressway of Kunming (Minshan) to Chuxiong (Guangtong)	20.78
3-Jan-19	Won the PPP Project of Phase I Construction of the Intercity Railway from Chuzhou to Nanjing (Chuzhou section).	9.20
8-Jan-19	The bid for the PPP Project of Mei Xian-Tai Bai Highway in Shaanxi Province	12.30

Source: Company

CRG (390 HK) Major contracts awarded in 4Q18

Date	Project Type	Amount (RMB bn)
18-Oct-18	EPC contract of Sections GSSH-10 and GSSH-11 of before-station construction project of the Tangxia (exclusive) - Shenzhen North (exclusive) segment of the new Ganzhou-Shenzhen Railway	3.62
	EPC contract of Sections ZLKZZQSG2, ZLKZ-ZQSG5 and ZLKZZQSG7 of the second batch of the new Zhongwei-Lanzhou Railway (Gansu Segment)	2.96
	Construction project of Section MHSD3 of the E&M system project of the new coal transportation railway channel from west Inner Mongolia to Central China	2.71
	To construct the Shuangliao Taonan Express Highway	6.43
	Traffic facilities optimization project of the core area of Zhaoqing New District (EPC contract of survey, design and construction)	2.22
	Section 2 of the civil construction "Investment + EPC Project" of the east and west segment of Changsha Rail Transit No. 6	1.87
	EPC contract of the new campus of Zhangjiakou University	1.83
	Design-construction EPC contract of the underground express project of the new airport express highway in Chengdu	1.82
	Section 02 of the improvement and renovation project of Huancheng North Road – Tianmu Mountain Road (Zhonghe Multi-dimensional Highway – Gucui Road)	1.59
	Section 1 of the Dali II Segment of the water diversion project in Dianzhong, Yunnan Province	1.49
	Water supply and property maintenance reconstruction project of the separate and handover of the "water supply, electricity supply, heat supply and property management" project of Shenyang Railway Bureau (Shenyang)	1.40
	Construction project of Yingbin Bridge in Taiyuan	1.34
	EPC contract of maintenance and renovation project of separation and handover of heating project (Phase II) of "water supply, electricity supply, heat supply and property management" project of Shenyang Railway Bureau	1.28
	EPC contract of Phase I of resettlement residential area in south of the city of the urban shantytowns renovation project in Chongzuo	1.08
	EPC contract of northern extension of Economic Development Zone Avenue, south connection line of west second ring road, north connection line of west second ring road, connection line of the airport road, south connection line of northern extension of west second ring road and north connection line of northern extension of west second ring road in Ganjiang New District in Jiangxi Province	1.07
	Section 01 of improvement and reconstruction project of Huancheng North Road – Tianmu Mountain Road (Zhonghe Multi-dimensional Highway – Gucui Road)	1.05

Source: Company

CRG (390 HK) Major contracts awarded in 4Q18 (continued)

Date	Project Type	Amount (RMB bn)
30-Oct-18	EPC contract of construction project of Phase II of Guangzhou Rail Transit No. 7 and simultaneously implemented projects (civil construction project, transit construction project, mechanical and electrical equipment installation project, system integration project, decoration project, relevant traffic connection project, municipal connection project and simultaneously implemented projects of the upper parking lots and complex)	9.00
	EPC contract of construction project of the east extension segment of Guangzhou Rail Transit No. 5 and simultaneously implemented projects, and the EPC contract of construction project of Guangzhou Rail Transit No. 12 and simultaneously implemented projects.	2.55
	The Bangladesh National Digital Connectivity Project (Network construction / newwork access centers)	6.86
29-Nov-18	Construction project of Zhengzhou South Station and related projects (the overhead structure reserved for expansion inside the station and the remaining production and residential houses)	2.09
	EPC contract of Sections NCZQ1 and NCZQ3~5 of the new Nanning-Chongzuo Railway	1.53
	EPC contract of construction of Central China Headquarters' research and development base of Huadian Group	2.46
	EPC contract of the urban village renovation at the north side of Jingshidonglu, Zhangqiu District, Ji'nan City	2.25
	Construction project of Caichao segment of the water transfer project from Yangtze River to Chaohu Lake of the water transfer project from Yangtze River to Huaihe River (Anhui Segment)	1.76
	Resettlement housings renovation project of Baiquan Village, Shuangshan Sub-district Office under the 2018 shantytowns and old houses renovation in Zhangqiu District, Ji'nan City	1.63
	Procurement project under the EPC contract of Yanghu Village renovation project under the 2017 Zhangqiu District shantytowns and old houses renovation by Huinong New Village Construction and Investment Development Co., Ltd. in Zhangqiu District, Ji'nan City	1.39
	EPC contract of the design-procurement-construction project for upgrading and renovation of Xilang Sewage Plant of Phase II of construction project of Xilang Sewage Plant, Guangzhou City	1.38
	EPC contract of the construction project (Phase II) of municipal infrastructure of Fenghuang Industrial Park in Liaocheng City	1.18
13-Dec-18	Construction project of Heze-Qufu Segment of the new Lunan Highspeed Railway	12.34
	MJSD Segment of the EPC contract of the E&M system integration and construction of buildings and others of the new Mudanjiang-Jiamusi Railway	1.83
	Section JXZF-2 of the main structure construction project of station buildings and related projects of the new Beijing-Xiong'an Inter-city Railway	1.76
	EPC contract of the south extension line of Changchun East Express Highway	2.37
	EPC contract of the speed improvement project of the Nanjing Hengjiang Avenue (WeisanChengnanhe Segment) (Section One)	2.06
	Upgrading and improvement project of the Three Gorges follow-up highways to towns (townships) in Wanzhou District (EPC contract)	1.32
	Section Two of the construction of the Xinmei vehicle depot (above ±0.0) of the construction project of Wuxi Subway Line 3	1.19
27-Dec-18	the bid of the PPP project of Guizhou Province Guiyang Rail Transit Line 3 (Phase I).	32.23

Source: Company

CRRC (1766 HK) Major contracts awarded in 4Q18

Date	Project Type	Amount (RMB bn)
8-Oct-18	Contracts with China Railway Corporation in relation to the sales of "Fuxinghao" EMUs	24.99
	Metro cars and tramcars Sales to Shanghai Shentong Metro Group Co., Ltd. , Hangzhou Hanglin Rail Transit Co., Ltd. , Suzhou Rail Transit Group Co., Ltd. and Nanjing Technology Innovation Investment Co., Ltd..	5.72
	Entered into contracts with Chengdu Rail Transit Group Co., Ltd. , MTR Corporation Limited , Shijiazhuang Rail Transit Co., Ltd., Guangdong Guangfo Metro Co., Ltd., Jinan Rail Transit Group Co., Ltd. respectively, in relation to the sales of metro cars	4.34
	Entered into contracts with the relevant railway administration companies of China Railway Corporation in relation to the overhaul of passenger carriages.	2.13
	Entered into a contract with China Railway Corporation in relation to the sales of passenger carriages	0.67
	Entered into a contract with Shanghai Shentong Metro Group Co., Ltd. in relation to the sales of metro cars	2.48
	Entered into contracts with Xinjiang Goldwind Science & Technology Co., Ltd. in relation to the sales of wind turbine generators	2.20
	Entered into contracts with China Railway Shanghai Bureau Group Co., Ltd. and Guangshen Rail Co., Ltd. etc. in relation to the advanced refurbishment of Multiple Units	1.70
	Entered into contracts with Fuzhou Metro Group Co., Ltd. and Shijiazhuang Rail Transit Co., Ltd. respectively, in relation to the sales of metro cars	1.68
	Entered into contracts with the relevant railway administration companies of China Railway Corporation , in relation to the overhaul of locomotives	1.41
	Entered into a contract with PT Mega Guna Ganda Semesta, an Indonesian company, in relation to the sales of freight wagons	1.39
	Entered into contracts with the relevant railway administration companies of China Railway Corporation, in relation to the overhaul of freight wagons	1.27
	Entered into a contract with the Xinjiang Goldwind Science & Technology Co., Ltd., in relation to the sale of wind turbine generators	1.18
	Entered into contracts with Hohhot Rail Transit Line 1 Construction Management Co., Ltd. and Wuhan Optical Valley Traffic Company respectively, in relation to the sales of metro cars and tramcars	1.06

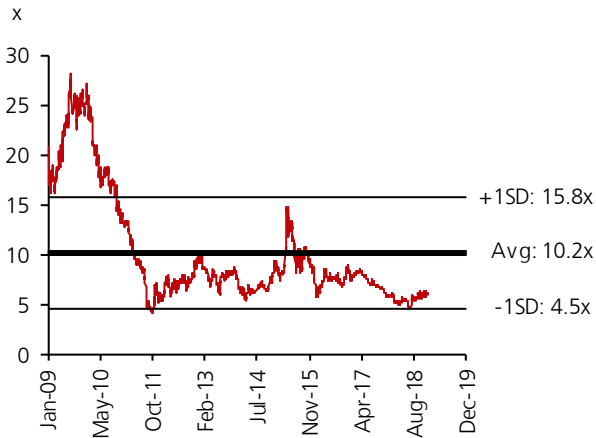
Source: Company

CRRC (1766 HK) Major contracts awarded in 4Q18 (continued)

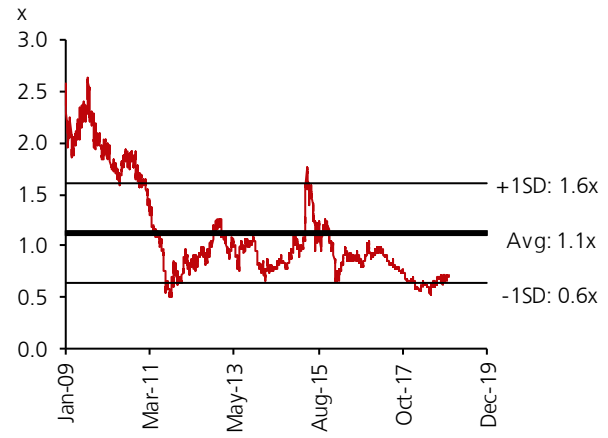
Date	Project Type	Amount (RMB bn)
10-Dec-18	Contracts with China Railway Corporation in relation to the sales of freight wagons	8.27
	Contracts with China Railway Corporation in relation to the sales of locomotives	5.44
	Contracts with Directorate of European Side Rail System of Department of Rail System, Istanbul Metropolitan Municipality , Shanghai Shentong Metro Co., Ltd. and Nanning Rail Transit Co., Ltd. in relation to the sales of metro cars	4.98
	Contract with Chile National Railway Corporation in relation to the sales of the multiple units (MUs)	0.59
	Contracts with Qingdao Metro Group Co., Ltd. AVIC-INTL Project Engineering Company and China Railway Eryuan Engineering Group Co., Ltd. in relation to the sales and maintenance of metro cars	3.88
	Contracts with relevant railway administration companies of China Railway Corporation in relation to the advanced refurbishment of Mus	2.96
	Contracts with Xinjiang Goldwind Science & Technology Co., Ltd.	2.12
	Contract with Hangzhou Metro Group Co., Ltd. in relation to the sales of metro cars	1.64
	Contracts with China Railway Corporation , in relation to the sales of MUs	0.65
	27-Dec-18	Entered into contracts with China Railway Corporation in relation to the sales of MUs
Contracts with China Railway Corporation in relation to the sales of locomotives		3.05
Contracts with China Railway Corporation in relation to the sales of power-centralized MUs		3.00
Entered into contracts with Chengdu Communications Railway Investment Group Co., Ltd. , Hunan Chengji Railway Co., Ltd.), Costa Rica National Railway Administration and Chile National Railway Corporation , respectively, in reation to the sales and maintenance of MUs		1.62
Contracts with Xuzhou Rail Transit Line Three Investment and Development Co., Ltd. and Zhejiang Highway Logistic Co., Ltd., respectively, in relation to the sales of metro cars		0.82
Entered into a contract with SBS Transit , in relation to the refurbishment of metro cars		0.60

Source: Company

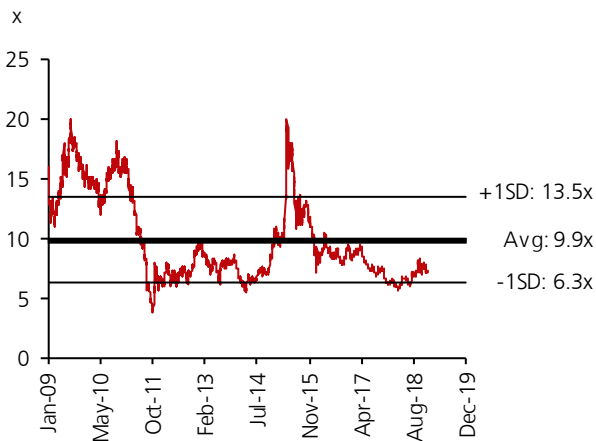
China Railway Con. 'H' (1186 HK) PE chart



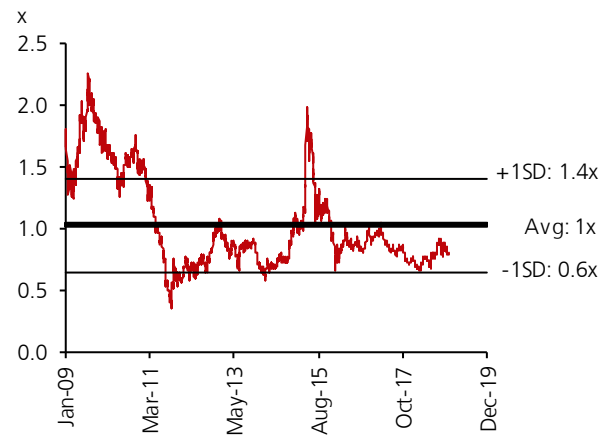
China Railway Con. 'H' (1186 HK) PB chart



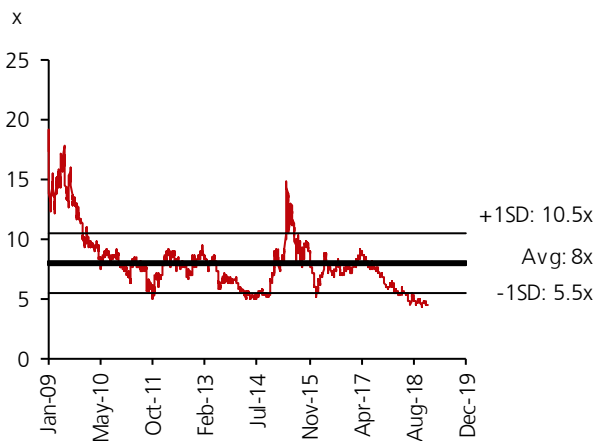
China Railway Group 'H' (390 HK) PE chart



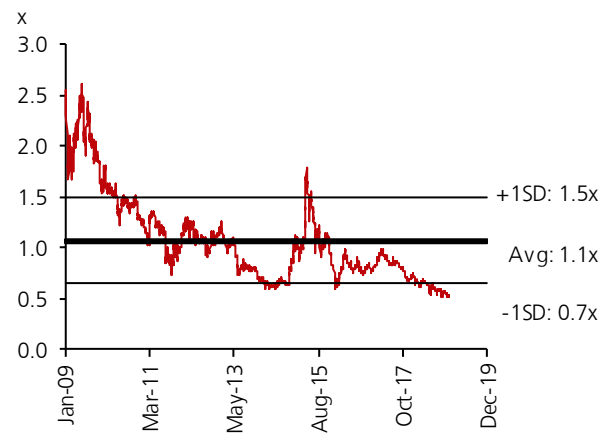
China Railway Group 'H' (390 HK) PB chart



China Comms.Cons. (1800 HK) PE chart

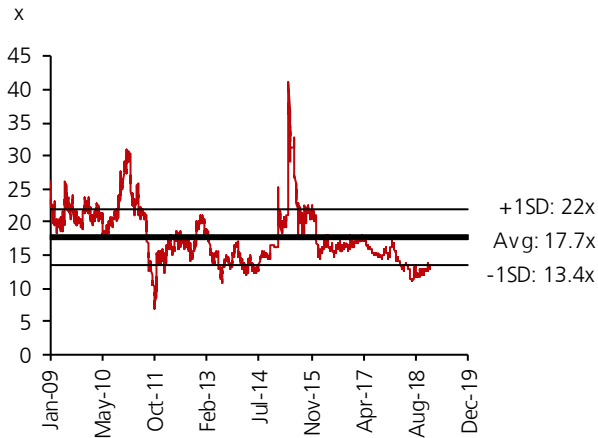


China Comms.Cons. (1800 HK) PB chart

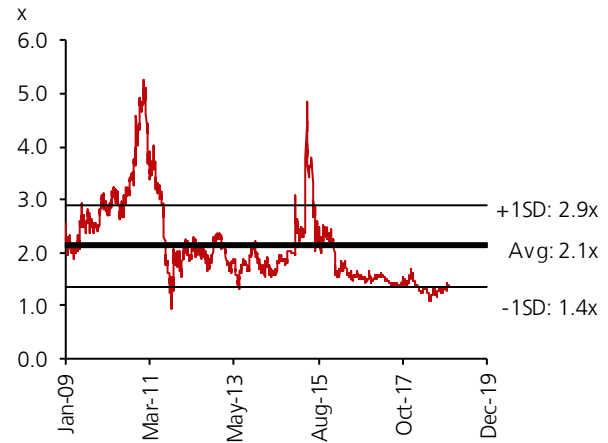


Source: Thomson Reuters, DBS HK

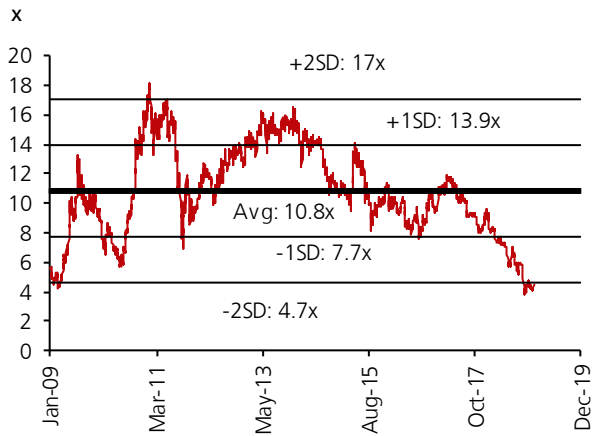
CRCC (1766 HK) PE chart



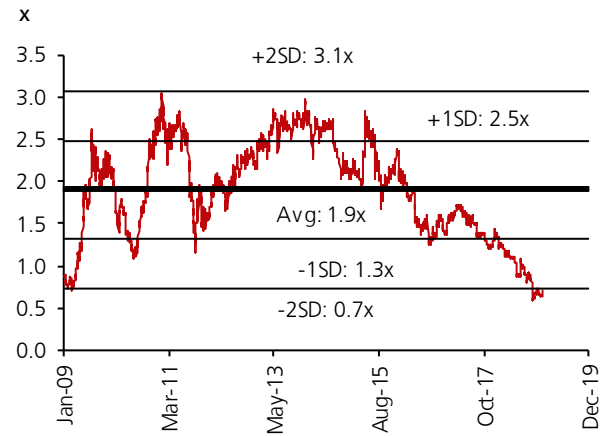
CRCC (1766 HK) PB chart



China State Construction (3311 HK) PE chart



China State Construction (3311 HK) PB chart



Source: Thomson Reuters, DBS HK

Valuation comparison – Infrastructure construction

Company Name	Currency Code	Price Local\$	Mkt Cap US\$m	Fiscal Yr	PE		PE Yield		P/Bk	EV/EBITDA		FY17-19 Earnings	
					18F x	19F x	18F %	18F x		18F x	19F x	18F %	CAGR %
Asia Pacific ex Japan													
Chin.Comms.Cnut.Gp. 'H'*	1800 HK	HKD	7.57	23,790	Dec	5.0	4.5	3.9	0.6	7.7	8.2	12.3	7.7
China Railway Group 'H'*	390 HK	HKD	7.25	23,072	Dec	7.9	7.5	2.2	0.9	6.0	5.8	12.2	16.7
China Railway Con.'H'*	1186 HK	HKD	11.24	21,733	Dec	7.1	6.4	2.1	0.8	3.6	3.8	11.7	13.2
China State.Constr.*	3311 HK	HKD	6.64	4,279	Dec	5.3	4.5	5.7	0.8	6.1	5.8	15.8	16.0
Baoye Group 'H'	2355 HK	HKD	4.3	309	Dec	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Beijing Urban Construction	1599 HK	HKD	3.09	532	Dec	5.6	4.7	4.7	0.8	3.0	2.6	25.8	24.9
Chun Wo Dev#	711 HK	HKD	0.67	159	Mar	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
China Comm.Con.'A'*	601800 CH	CNY	11.38	23,790	Dec	8.8	7.9	2.3	1.0	7.4	6.8	12.3	7.7
China Railway Group 'A'*	601390 CH	CNY	7.05	23,072	Dec	8.7	8.3	1.9	1.0	5.5	5.0	12.2	16.7
China Railway Con.'A'*	601186 CH	CNY	11.17	21,733	Dec	8.2	7.4	1.8	0.9	4.7	4.2	11.7	13.2
China State Con.Engr.'A'	601668 CH	CNY	5.72	35,054	Dec	6.7	6.0	3.3	1.0	5.8	5.2	14.7	12.9
Hyundai Engr.& Con.	000720 KS	KRW	57,300	5,713	Dec	13.9	11.6	0.9	1.0	5.1	4.5	7.1	70.6
Daewoo Engr.& Con.	047040 KS	KRW	5,450	2,026	Dec	6.1	5.6	0.0	0.9	4.0	4.2	15.6	24.7
Cimic Group	CIM US	AUD	44.07	10,216	Dec	18.3	17.1	3.4	6.1	7.5	7.1	27.1	8.5
Gamuda*	GAM MK	MYR	2.46	1,475	Jul	11.8	9.8	3.6	0.8	17.5	12.6	6.8	1.6
IJM CORPORATION#	IJM MK	MYR	1.65	1,457	Mar	13.8	12.1	3.5	0.6	9.3	8.6	4.6	(18.9)
Sunway Construction*	SCGB MK	MYR	1.48	465	Dec	13.3	11.9	3.8	3.1	6.4	5.4	24.4	8.1
Average (H-share)						6.2	5.5	3.7	0.8	5.3	5.2	15.6	15.7
Average (A-share)						8.1	7.4	2.3	1.0	5.8	5.3	12.7	12.6

FY18: FY19; FY19: FY20

Source: Thomson Reuters, *DBS HK

Valuation comparison – Railway Equipment

Company Name	Code	Currency	Price Local\$	Mkt Cap US\$m	Fiscal Yr	PE 18F x	PE 19F x	PEG 18F x	PEG 19F x	P/Bk 18F x	EV/EBITDA		Latest reported		
											18F x	19F x	Gross margin %	Net margin %	
Asian peers															
Xiangtan Elec.Mnfg. 'A'	600416	CH	CNY	5.93	819	Dec	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	14.0	0.9
Guodian Nanjing 'A'	600268	CH	CNY	5.54	562	Dec	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	20.3	0.6
Zhuzhou Times New Mats. Tech. '	600458	CH	CNY	7.32	858	Dec	28.2	22.2	0.1	0.8	n.a.	n.a.	n.a.	16.1	0.6
Gem-Year Industrial 'A'	601002	CH	CNY	6.1	706	Dec	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	19.4	5.0
Jinxi Axle 'A'	600495	CH	CNY	4.55	802	Dec	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	16.7	1.2
Tianma Bearing Group 'A'	002122	CH	CNY	1.72	298	Dec	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	17.0	5.0
Inmong.1St.Mch.Gp. 'A'	600967	CH	CNY	11.24	2,772	Dec	29.2	23.9	1.2	1.1	2.3	13.9	11.5	12.2	4.4
Fujian Longxi Brg.(Gp.) 'A'	600592	CH	CNY	6.16	359	Dec	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	27.5	8.0
Taiyuan Hvy.Ind.'A'	600169	CH	CNY	2.37	887	Dec	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	23.2	0.7
Crc 'A'*	601766	CH	CNY	9.23	37,154	Dec	21.5	18.4	1.5	1.1	2.0	11.0	10.0	22.1	5.2
Beijing Crowthell Tech. 'A'	300455	CH	CNY	6.77	504	Dec	45.1	42.3	7.1	6.3	4.5	n.a.	n.a.	40.6	24.3
Tianjin Keyvia Electric 'A'	300407	CH	CNY	7.9	323	Dec	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	23.2	4.4
Beijing Dinghan Tech.'A'	300011	CH	CNY	6.99	570	Dec	24.7	18.1	0.2	0.5	1.4	10.4	9.0	33.8	6.0
South Huiton 'A'	000920	CH	CNY	5.44	335	Dec	27.2	23.7	(1.0)	1.6	2.9	n.a.	n.a.	39.5	10.6
Xiamen Sunrise Wheel Gp. 'A'	002593	CH	CNY	3.18	325	Dec	24.5	21.2	0.7	1.4	1.2	n.a.	n.a.	13.8	3.4
Crc 'H'*	1766	HK	HKD	7.85	37,154	Dec	16.0	13.7	1.1	0.8	1.5	8.3	7.5	22.1	5.2
Zhuzhou Crc Times Electric 'H'	3898	HK	HKD	44.15	6,624	Dec	16.6	13.5	2.0	0.6	2.3	12.1	10.0	36.5	16.8
Crc Htec.Equ.Corp. 'H'	1786	HK	HKD	1.6	310	Dec	10.2	12.0	0.0	(0.8)	0.4	2.9	2.5	26.9	3.0
China Railway Signal 'H'	3969	HK	HKD	5.7	6,395	Dec	11.6	9.8	0.9	0.5	1.5	6.0	5.1	24.4	9.6
Midas Hdg. *	MIDAS	SP	SGD	0.192	269	Dec	9.5	8.7	0.7	1.0	0.4	7.1	7.0	29.7	6.8
Kinki Sharyo#	7122	JP	JPY	1998	127	Mar	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	12.8	8.4
Kawasaki Heavy Industry#	7012	JP	JPY	2398	3,685	Mar	11.7	8.5	0.6	0.2	0.8	6.6	5.8	16.2	1.8
Average (A-share)							28.7~	24.2	1.4	1.8	2.4	11.8	10.2	22.6	5.4
Average (H-share)							16.3	13.6	1.6	0.7	1.9	10.2	8.8	29.3	11.0
US/Europe															
Siemens	SIE	GR	EUR	98.15	95,729	Sep	14.9	13.4	(1.3)	1.3	1.7	7.4	8.3	29.9	6.5
Bombardier 'B'	BBD/B	CN	CAD	2.21	4,045	Dec	16.0	15.1	n.a.	2.6	n.a.	6.9	5.4	11.4	(3.3)
Alstom#	ALO	FP	EUR	34.09	8,733	Mar	14.2	16.2	1.2	(1.3)	1.8	8.5	7.8	15.3	6.0
Trinity Industries	TRN	US	USD	21.66	3,169	Dec	23.4	16.9	(0.7)	0.4	1.1	n.a.	n.a.	25.0	5.8
Const Y Auxiliar De Ferr	CAF	SM	EUR	36.05	1,418	Dec	22.0	15.2	0.7	0.3	1.6	8.5	7.2	10.3	2.9
American Railcar Inds. Dead - Delis	ARII	US	USD	69.97	1,335	Dec	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	24.6	7.3
Freightcar America	RAIL	US	USD	7.05	88	Dec	n.a.	n.a.	n.a.	n.a.	0.4	(3.6)	8.5	0.8	(4.9)
Greenbrier Cos.	GBX	US	USD	41.21	1,327	Aug	n.a.	9.6	n.a.	n.a.	n.a.	4.6	4.5	16.2	5.0
Vossloh	VOS	GR	EUR	42.25	774	Dec	27.4	20.0	n.a.	0.5	1.3	10.4	8.6	21.8	(1.2)
Wabtec	WAB	US	USD	70.57	6,818	Dec	18.3	15.7	0.7	0.9	2.3	14.8	13.2	26.5	7.6
Lem 'R' #	LEHN	SW	CHF	1122	1,306	Mar	24.5	22.1	(11.3)	2.1	10.9	18.5	16.8	45.9	17.7
Average							20.1	15.3	(1.8)	0.9	2.6	8.2	8.5	22.2	5.8
Grand average							20.4~	16.9	0.2	1.0	2.1	8.4	8.1	22.6	5.3

~ Exclude Zhuzhou Times 'A' & Jinxi Axle 'A'

FY18: FY19; FY19: FY20

Source: Thomson Reuters, *DBS HK

DBS HK recommendations are based on Absolute Total Return* Rating system, defined as follows:

STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return i.e. > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame)

* *Share price appreciation + dividends*

Completed Date: 8 Jan 2019 18:30:24 (HKT)

Dissemination Date: 8 Jan 2019 19:41:26 (HKT)

Sources for all charts and tables are DBS HK unless otherwise specified.

GENERAL DISCLOSURE/DISCLAIMER

This report is prepared by DBS Bank (Hong Kong) Limited ("DBS HK"). This report is solely intended for the clients of DBS Bank Ltd., DBS HK, DBS Vickers (Hong Kong) Limited ("DBSV HK"), and DBS Vickers Securities (Singapore) Pte Ltd. ("DBSVS"), its respective connected and associated corporations and affiliates only and no part of this document may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of DBS HK.

The research set out in this report is based on information obtained from sources believed to be reliable, but we (which collectively refers to DBS Bank Ltd., DBS HK, DBSV HK, DBSVS, its respective connected and associated corporations, affiliates and their respective directors, officers, employees and agents (collectively, the "DBS Group") have not conducted due diligence on any of the companies, verified any information or sources or taken into account any other factors which we may consider to be relevant or appropriate in preparing the research. Accordingly, we do not make any representation or warranty as to the accuracy, completeness or correctness of the research set out in this report. Opinions expressed are subject to change without notice. This research is prepared for general circulation. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees, who should obtain separate independent legal or financial advice. The DBS Group accepts no liability whatsoever for any direct, indirect and/or consequential loss (including any claims for loss of profit) arising from any use of and/or reliance upon this document and/or further communication given in relation to this document. This document is not to be construed as an offer or a solicitation of an offer to buy or sell any securities. The DBS Group, along with its affiliates and/or persons associated with any of them may from time to time have interests in the securities mentioned in this document. The DBS Group, may have positions in, and may effect transactions in securities mentioned herein and may also perform or seek to perform broking, investment banking and other banking services for these companies.

Any valuations, opinions, estimates, forecasts, ratings or risk assessments herein constitutes a judgment as of the date of this report, and there can be no assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments. The information in this document is subject to change without notice, its accuracy is not guaranteed, it may be incomplete or condensed, it may not contain all material information concerning the company (or companies) referred to in this report and the DBS Group is under no obligation to update the information in this report.

This publication has not been reviewed or authorized by any regulatory authority in Singapore, Hong Kong or elsewhere. There is no planned schedule or frequency for updating research publication relating to any issuer.

The valuations, opinions, estimates, forecasts, ratings or risk assessments described in this report were based upon a number of estimates and assumptions and are inherently subject to significant uncertainties and contingencies. It can be expected that one or more of the estimates on which the valuations, opinions, estimates, forecasts, ratings or risk assessments were based will not materialize or will vary significantly from actual results. Therefore, the inclusion of the valuations, opinions, estimates, forecasts, ratings or risk assessments described herein IS NOT TO BE RELIED UPON as a representation and/or warranty by the DBS Group (and/or any persons associated with the aforesaid entities), that:

- (a) such valuations, opinions, estimates, forecasts, ratings or risk assessments or their underlying assumptions will be achieved, and
- (b) there is any assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments stated therein.

Please contact the primary analyst for valuation methodologies and assumptions associated with the covered companies or price targets.

Any assumptions made in this report that refers to commodities, are for the purposes of making forecasts for the company (or companies) mentioned herein. They are not to be construed as recommendations to trade in the physical commodity or in the futures contract relating to the commodity referred to in this report.

DBS Vickers Securities (USA) Inc ("DBSVUSA"), a US-registered broker-dealer, does not have its own investment banking or research department, has not participated in any public offering of securities as a manager or co-manager or in any other investment banking transaction in the past twelve months and does not engage in market-making.

ANALYST CERTIFICATION

The research analyst(s) primarily responsible for the content of this research report, in part or in whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The analyst(s) also certifies that no part of his/her compensation was, is, or will be, directly or indirectly, related to specific recommendations or views expressed in the report. The research analyst (s) primarily responsible for the content of this research report, in part or in whole, certifies that he or his associate¹ does not serve as an officer of the issuer or the new listing applicant (which includes in the case of a real estate investment trust, an officer of the management company of the real estate investment trust; and in the case of any other entity, an officer or its equivalent counterparty of the entity who is responsible for the management of the issuer or the new listing applicant) and the research analyst(s) primarily responsible for the content of this research report or his associate does not have financial interests² in relation to an issuer or a new listing applicant that the analyst reviews. DBS Group has procedures in place to eliminate, avoid and manage any potential conflicts of interests that may arise in connection with the production of research reports. The research analyst(s) responsible for this report operates as part of a separate and independent team to the investment banking function of the DBS Group and procedures are in place to ensure that confidential information held by either the research or investment banking function is handled appropriately. There is no direct link of DBS Group's compensation to any specific investment banking function of the DBS Group.

COMPANY-SPECIFIC / REGULATORY DISCLOSURES


1. DBS Bank Ltd, DBS HK, DBSVS or their subsidiaries and/or other affiliates have proprietary positions in CRRC Corp Ltd (1766 HK), China Communications Construction Co Ltd (1800 HK), China Railway Group Ltd (390 HK), China Railway Construction Corp Ltd (1186 HK) and China State Construction International Holdings Ltd (3311 HK) recommended in this report as of 04 Jan 2019.

DBS Bank Ltd, DBS HK, DBSVS or their subsidiaries and/or other affiliates have a proprietary position in Midas Holdings Limited (MIDAS SP) recommended in this report as of 31 Dec 2018.
2. Neither DBS Bank Ltd nor DBS HK market makes in equity securities of the issuer(s) or company(ies) mentioned in this Research Report.
3. **Compensation for investment banking services:**
DBSVUSA does not have its own investment banking or research department, nor has it participated in any public offering of securities as a manager or co-manager or in any other investment banking transaction in the past twelve months. Any US persons wishing to obtain further information, including any clarification on disclosures in this disclaimer, or to effect a transaction in any security discussed in this document should contact DBSVUSA exclusively.
4. **Disclosure of previous investment recommendation produced:**
DBS Bank Ltd, DBSVS, DBS HK, their subsidiaries and/or other affiliates of DBSVUSA may have published other investment recommendations in respect of the same securities / instruments recommended in this research report during the preceding 12 months. Please contact the primary analyst listed in the first page of this report to view previous investment recommendations published by DBS Bank Ltd, DBS HK, DBSVS, their subsidiaries and/or other affiliates of DBSVUSA in the preceding 12 months.

¹ An associate is defined as (i) the spouse, or any minor child (natural or adopted) or minor step-child, of the analyst; (ii) the trustee of a trust of which the analyst, his spouse, minor child (natural or adopted) or minor step-child, is a beneficiary or discretionary object; or (iii) another person accustomed or obliged to act in accordance with the directions or instructions of the analyst.

² Financial interest is defined as interests that are commonly known financial interest, such as investment in the securities in respect of an issuer or a new listing applicant, or financial accommodation arrangement between the issuer or the new listing applicant and the firm or analysis. This term does not include commercial lending conducted at arm's length, or investments in any collective investment scheme other than an issuer or new listing applicant notwithstanding the fact that the scheme has investments in securities in respect of an issuer or a new listing applicant.

RESTRICTIONS ON DISTRIBUTION

General	This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.
Australia	This report is being distributed in Australia by DBS Bank Ltd, DBSVS or DBSV HK. DBS Bank Ltd holds Australian Financial Services Licence no. 475946. DBSVS and DBSV HK are exempted from the requirement to hold an Australian Financial Services Licence under the Corporation Act 2001 ("CA") in respect of financial services provided to the recipients. Both DBS Bank Ltd and DBSVS are regulated by the Monetary Authority of Singapore under the laws of Singapore, and DBSV HK is regulated by the Hong Kong Securities and Futures Commission under the laws of Hong Kong, which differ from Australian laws. Distribution of this report is intended only for "wholesale investors" within the meaning of the CA.
Hong Kong	This report is being distributed in Hong Kong by DBS Bank Ltd, DBS Bank (Hong Kong) Limited and DBS Vickers (Hong Kong) Limited, all of which are registered with or licensed by the Hong Kong Securities and Futures Commission to carry out the regulated activity of advising on securities.
Indonesia	This report is being distributed in Indonesia by PT DBS Vickers Sekuritas Indonesia.
Malaysia	This report is distributed in Malaysia by AllianceDBS Research Sdn Bhd ("ADBSR"). Recipients of this report, received from ADBSR are to contact the undersigned at 603-2604 3333 in respect of any matters arising from or in connection with this report. In addition to the General Disclosure/Disclaimer found at the preceding page, recipients of this report are advised that ADBSR (the preparer of this report), its holding company Alliance Investment Bank Berhad, their respective connected and associated corporations, affiliates, their directors, officers, employees, agents and parties related or associated with any of them may have positions in, and may effect transactions in the securities mentioned herein and may also perform or seek to perform broking, investment banking/corporate advisory and other services for the subject companies. They may also have received compensation and/or seek to obtain compensation for broking, investment banking/corporate advisory and other services from the subject companies.  Wong Ming Tek, Executive Director, ADBSR
Singapore	This report is distributed in Singapore by DBS Bank Ltd (Company Regn. No. 196800306E) or DBSVS (Company Regn No. 198600294G), both of which are Exempt Financial Advisers as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. DBS Bank Ltd and/or DBSVS, may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, DBS Bank Ltd accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact DBS Bank Ltd at 6327 2288 for matters arising from, or in connection with the report.
Thailand	This report is being distributed in Thailand by DBS Vickers Securities (Thailand) Co Ltd.
United Kingdom	This report is produced by DBS HK which is regulated by the Hong Kong Monetary Authority This report is disseminated in the United Kingdom by DBS Vickers Securities (UK) Ltd ("DBSVUK"). DBSVUK is authorised and regulated by the Financial Conduct Authority in the United Kingdom. In respect of the United Kingdom, this report is solely intended for the clients of DBSVUK, its respective connected and associated corporations and affiliates only and no part of this document may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of DBSVUK. This communication is directed at persons having professional experience in matters relating to investments. Any investment activity following from this communication will only be engaged in with such persons. Persons who do not have professional experience in matters relating to investments should not rely on this communication.
Dubai International Financial Centre	This research report is being distributed by DBS Bank Ltd., (DIFC Branch) having its office at units 608-610, 6th Floor, Gate Precinct Building 5, PO Box 506538, Dubai International Financial Centre (DIFC), Dubai, United Arab Emirates. DBS Bank Ltd., (DIFC Branch) is regulated by The Dubai Financial Services Authority. This research report is intended only for professional clients (as defined in the DFSA rulebook) and no other person may act upon it.

United Arab Emirates	This report is provided by DBS Bank Ltd (Company Regn. No. 196800306E) which is an Exempt Financial Adviser as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. This report is for information purposes only and should not be relied upon or acted on by the recipient or considered as a solicitation or inducement to buy or sell any financial product. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situation, or needs of individual clients. You should contact your relationship manager or investment adviser if you need advice on the merits of buying, selling or holding a particular investment. You should note that the information in this report may be out of date and it is not represented or warranted to be accurate, timely or complete. This report or any portion thereof may not be reprinted, sold or redistributed without our written consent.
United States	This report was prepared by DBS HK. DBSVUSA did not participate in its preparation. The research analyst(s) named on this report are not registered as research analysts with FINRA and are not associated persons of DBSVUSA. The research analyst(s) are not subject to FINRA Rule 2241 restrictions on analyst compensation, communications with a subject company, public appearances and trading securities held by a research analyst. This report is being distributed in the United States by DBSVUSA, which accepts responsibility for its contents. This report may only be distributed to Major U.S. Institutional Investors (as defined in SEC Rule 15a-6) and to such other institutional investors and qualified persons as DBSVUSA may authorize. Any U.S. person receiving this report who wishes to effect transactions in any securities referred to herein should contact DBSVUSA directly and not its affiliate.
Other jurisdictions	In any other jurisdictions, except if otherwise restricted by laws or regulations, this report is intended only for qualified, professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions.

DBS Bank (Hong Kong) Limited

13th Floor One Island East, 18 Westlands Road, Quarry Bay, Hong Kong

Tel: (852) 3668-4181, Fax: (852) 2521-1812

DBS Regional Research Offices

HONG KONG

DBS Bank (Hong Kong) Ltd

Contact: Carol Wu

13th Floor One Island East,

18 Westlands Road,

Quarry Bay, Hong Kong

Tel: 852 3668 4181

Fax: 852 2521 1812

e-mail: dbsvhk@dbs.com

MALAYSIA

AllianceDBS Research Sdn Bhd

Contact: Wong Ming Tek (128540 U)

19th Floor, Menara Multi-Purpose,

Capital Square,

8 Jalan Munshi Abdullah 50100

Kuala Lumpur, Malaysia.

Tel.: 603 2604 3333

Fax: 603 2604 3921

e-mail: general@alliancedbs.com

SINGAPORE

DBS Bank Ltd

Contact: Janice Chua

12 Marina Boulevard,

Marina Bay Financial Centre Tower 3

Singapore 018982

Tel: 65 6878 8888

Fax: 65 65353 418

e-mail: equityresearch@dbs.com

Company Regn. No. 196800306E

INDONESIA

PT DBS Vickers Sekuritas (Indonesia)

Contact: Maynard Priajaya Arif

DBS Bank Tower

Ciputra World 1, 32/F

Jl. Prof. Dr. Satrio Kav. 3-5

Jakarta 12940, Indonesia

Tel: 62 21 3003 4900

Fax: 6221 3003 4943

e-mail: research@id.dbsvickers.com

THAILAND

DBS Vickers Securities (Thailand) Co Ltd

Contact: Chanpen Sirithanarattanakul

989 Siam Piwat Tower Building,

9th, 14th-15th Floor

Rama 1 Road, Pathumwan,

Bangkok Thailand 10330

Tel. 66 2 857 7831

Fax: 66 2 658 1269

e-mail: research@th.dbs.com

Company Regn. No 0105539127012

Securities and Exchange Commission, Thailand