

Hot on the plate – China Connect

❖ **Real Estate Sector Update: Establishing long-term mechanisms, with market and affordable housing playing their respective roles**

Real Estate | We have noticed that in the downward cycle of mortgage rates, the A-share real estate sector have outperformed the general market by an average of 8.8% on a quarterly basis, with policy movements being the main determining factor of real estate stock trends. We are bullish about blue chips and recommend China Merchants Shekou Industrial Zone Holdings (001979), Gemdale Corp. (600383), China Vanke (000002), China Fortune Land Development (600340), Jiangsu Zhongnan Construction Group (000961), Seazen Holdings (601155), Beijing Capital Development (600376), Longfor Group (00960.HK), China Jinmao (00817.HK), among others.

❖ **Express Couriers Feb Operation Data Commentary: The inflection point of divergence may arrive earlier on strengthened rationale for market share concentration**

Transportation | In Jan and Feb, STO/Yunda/YTO posted a YoY increase of 53%/47%/43% in their parcel delivery volumes, 25pcts+ higher than the average growth of the sector. As a result, market shares in the homogenized express delivery sector continued to concentrate, with the inflection point of divergence in head enterprises expected to arrive earlier. Affected by the off-season business during the Spring Festival holiday period, SF Express (002352) saw its parcel delivery volume growth slowing down to 7% YoY in the first two months of the year.

❖ **China Railway Group (601390): Revenue structure gradually improves on booming rail track construction**

Construction | As a big year of railway completion arrives and urban rail construction remains buoyant after the relaunch of construction plans, we anticipate a gradual recovery in the railway and urban rail orders of the Company in 2019, with the gradual realization of municipal construction orders and the continuous improvement of gross margin. We maintain our 2018-20 profit forecasts for the Company, corresponding to an EPS of Rmb0.76/0.80/0.88. We give the Company an 11x PE for 2019, corresponding to a target price of Rmb8.8.

Other recommendations

❖ **China Merchants Shekou Industrial Zone Holdings (001979) 2018 Annual Report Commentary:** As cash flow optimization goes along with active expansion, the Shekou Model bring high-quality development

❖ **Zhejiang Dahua Technology (002236) 2018 Annual Report Commentary:** Government-related business is under pressure, but overseas operations improve visibly

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	HOLD	Increase relative to market representative index between -10% and 5%
	SELL	Decrease relative to market representative index over 10%
	OUTPERFORM	Increase relative to market representative index over 10%
	NEUTRAL	Increase relative to market representative index between -10% and 10%
	UNDERPERFORM	Decrease relative to market representative index over 10%

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