

China / Hong Kong Industry Focus

China Auto Sector

Refer to important disclosures at the end of this report

DBS Group Research . Equity

1 February 2016

Healthy moderation of sales growth

- Release of pent-up demand and vehicle purchase tax cut to lift volume sales in 2016
- RMB devaluation, decelerating economy, volatile stock market are weighing on auto companies' share price performance
- Certain auto makers and auto dealers earnings could disappoint during reporting seasons on margin compression
- Prefer auto parts companies Minth (425 HK), Nexteer (1316 HK) and GAC (2238 HK)

Growth moderation is healthy. The Chinese auto market is gradually entering a transition growth phase after posting annual sales of over 20m units for three consecutive years (2012-2015). The Chinese passenger vehicle (PV) market is ~1.2 times that of the US light vehicle market in unit sales terms. Car penetration rate in China is still low, especially in the tier 3/4 cities and this should sustain a 5-8% volume growth in the mid-term. This year, we project total vehicle volume sales to increase by 7.5% (see pg 2 on analysis). Although we are positive on the PV market, the weakness in the macro economy is expected to drag on the commercial vehicle (CV) market.

Some concerns on the horizon. The weak macro picture is affecting overall consumer market sentiment, but the auto market is still growing vs other consumer space. We forecast the PV market to expand by about 9.6% this year (2015: +7.2%) on the release of pent-up demand, apart from the stimulus policy. The CV market is expected to remain sluggish this year and we have forecast volume sales to decline by 5% (2015: -8.8%), due to the deceleration of the Chinese economy. Some Chinese auto companies like Geely, Xincheng, ZhengTong and Minth have USD-denominated loan exposure. Our analysis shows a 5% devaluation in the Chinese yuan could potentially hit net profit by 3-7%. However, a cheaper currency will also help exporter such as Minth. Hence the devaluation impact on net earnings is reduced.

Our picks. The Chinese automotive sector is one of the important economic pillars under the 13th five-year plan and the Chinese government would prefer to develop the industry at a healthy pace to avoid over-expansion. We maintain a positive mid-term outlook on car sales as the tier 3/4 cities are important volume drivers, given the low car penetration rate in these cities. The auto sector's FY16 valuation is below 2015's trough level but not in dire straits compared to 2008. For 2016 stock picks, we like Minth (export growth), Nexteer (strong US auto sales) and GAC (strong product pipeline).

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Recommendation & valuation

Company	Price HK\$	Target Price HK\$	Recom	FY16F PE x	Mkt Cap US\$m
Auto manufacturers					
Brilliance China (1114 HK)	7.43	9.95	Buy	7.4	4,810
Dongfeng Motor (489 HK)	9.12	13.50	Buy	4.8	10,099
Geely Auto (175 HK)	3.30	3.30	Hold	8.6	3,733
Great Wall Motor (2333 HK)	5.91	5.60	Hold	5.3	9,991
Guangzhou Auto (2238 HK)	6.51	7.50	Buy	7.8	14,574
BAIC Motor (1958 HK)^	5.54	n.a.	NR	6.2	5,408
CQ Changan 'B' (200625 CH)^	15.20	n.a.	NR	5.2	9,110
SAIC Motor 'A' (600104 CH)^	18.62	n.a.	NR	6.4	31,222
Auto dealers					
China ZhengTong (1728 HK)	2.86	4.30	Buy	5.4	812
Dah Chong Hong (1828 HK)*	2.93	3.70	Buy	6.5	690
ZhongSheng (881 HK)*	3.90	4.50	Buy	7.8	1,076
Auto parts & components					
Minth Group (425 HK)	14.20	15.80	Buy	9.0	2,021
Nexteer Automotive (1316 HK)	7.99	9.60	Buy	9.9	2,566
Xincheng China (1148 HK)	1.17	1.90	Buy	3.7	193
Xingda Int'l (1899 HK)^	1.43	n.a.	NR	n.a.	273

^ Consensus

Source: Thomson Reuters, DBS Vickers
Based on closing prices as at 29 Jan 2016

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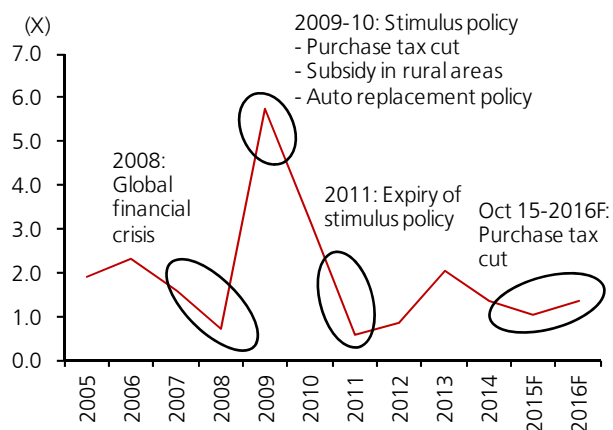
Industry Outlook

2016 vehicle sales prospects under three scenario analysis. The automobile sector performance was slightly better than our expectations in 2015. Total passenger vehicle (PV) sales expanded by 7.2% y-o-y, ahead of our 5% growth estimate. The commercial vehicle (CV) sales declined by 8.8% last year, compared to our forecast of 12%.

Since the stimulus policy was rolled out in October 2015, it has created a positive impact on vehicle sales, as reflected in the 4Q15 growth numbers. Small car (1.6L or below) volume sales surged by approximately 21% y-o-y in 4Q15 and for the full year, expanded by 10.4% y-o-y. On the other hand, vehicles with engine size >1.6L grew by 6.5% in 4Q15 and <1% in 2015.

Looking back at 2008 during the global financial crisis, the Chinese government also introduced a series of measures to prop up the economy, including stimulus for the auto sector. That policy lasted for two years (2009-2010). During that period, the PV market expanded sharply, at 52.9% and 33.3% in 2009 and 2010 respectively. It translated into PV sales-GDP growth ratio of 5.7x and 3.1x for the two years respectively. The ratio fell to 0.6x in 2011 after the stimulus policy expired.

Passenger vehicle sales-to-GDP growth ratio



Source: CEIC, DBS Bank, DBS Vickers

Market fundamentals

	2008 (Global financial crisis)	2015	2016F
Real GDP growth (%)	9.6	6.8	6.5
RMB/USD	6.9	6.3	6.7
Shanghai A Index (year-end)	1,912	3,704	2,865 [^]
Total auto volume growth (%)	6.6	4.6	7.5
Stimulus policy	No	Yes (from Oct 15)	Yes

Vehicle market growth assumption

%	2008	2009	2010	4Q15	2016F
Total PV	7.1	52.9	33.3	18.6	9.6
-1.6L or below	10.5	73.0	32.0	20.9	13.0
-1.6L and above	(2.1)	19.3	39.2	6.5	2.0
Total CV	5.2	26.4	29.8	(0.3)	(5.0)
Total vehicle volume	6.6	45.5	32.5	15.8	7.5
Total volume (m units)	6.7	10.3	13.7	7.5	23.1

Total vehicle volume growth assumptions for 2016

%	Worst case	Base case	Best case
Total PV volume sales growth	6.9	9.6	11.9
-1.6L or below	10.0	13.0	15.0
-1.6L and above	0.0	2.0	5.0
CV volume sales growth	(10.0)	(5.0)	0.0
Total vehicle volume sales growth	4.5	7.5	10.2

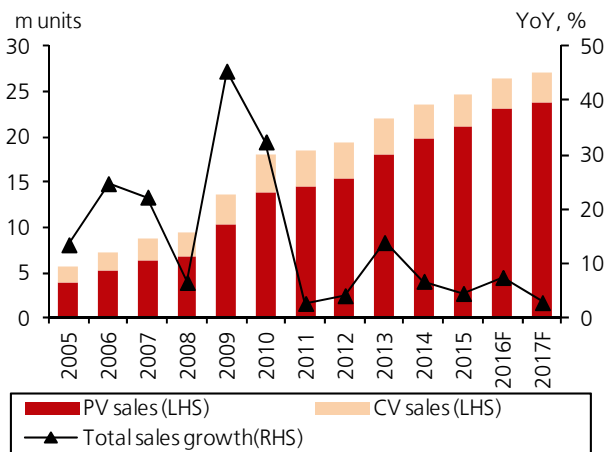
Source: CEIC, DBS Bank, DBS Vickers

[^] Current Shanghai A index @ 29 Jan 16

For 2016 outlook, we have considered the negative drivers such as RMB devaluation, decelerating Chinese economy, poor stock market, softer consumer appetite, and balancing our view with the positive catalysts like small vehicle tax cut and release of pent-up demand on this year's total PV sales. Our analysis is based on three scenarios as shown in the table above. The base-case growth scenario looks reasonable because the positive tax policy should have a 12-month impact on sales and we also anticipate the release of pent-up demand to drive the 1.6L-and-above category by 2%. Hence, this scenario was adopted with total PV volume growth of 9.6% y-o-y in 2016, translating to 23.1m units. This means PV-GDP ratio is 1.5x based on our GDP growth projection of 6.5% in 2016.

Given that the CV market is expected to remain weak in 2016, our total vehicle sales are revised down to 26.4m units (previously 27m units), or growth of 7.5% y-o-y.

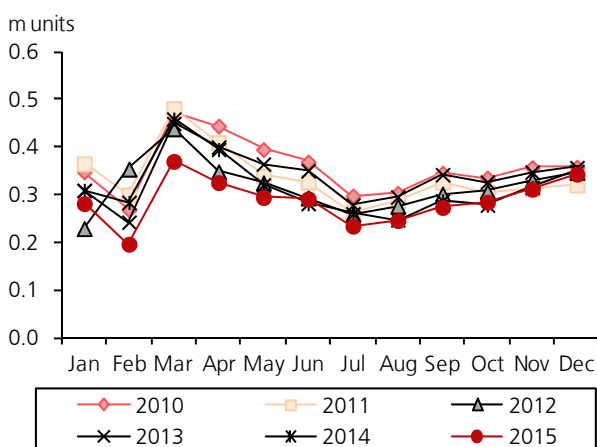
Vehicle sales growth projections



Source: CEIC, DBS Vickers

Commercial vehicle market to stay weak. China's economic slowdown (our house estimates China's GDP growth of 6.5% in 2016 vs 6.9% in 2015) will drag on the commercial vehicle (CV) market. Continued weakness in the manufacturing sector is slowing down demand for trucks. Although government infrastructure spending may lift truck demand, the effect is not prominent. Overall, we expect the CV market to post a 5% decline in sales volume in 2016, compared to a 8.8% contraction in 2015.

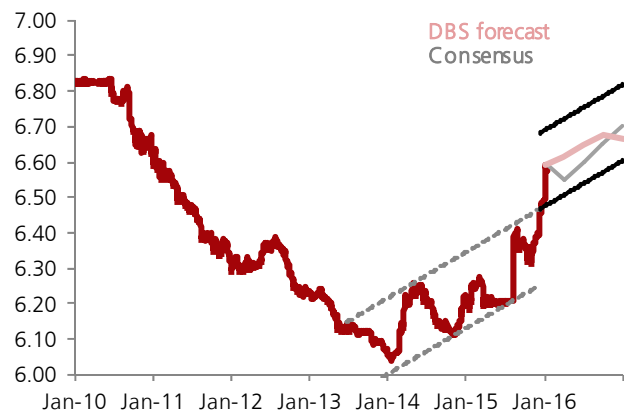
Monthly CV sales in China



Source: CEIC

Devaluation impact on automotive exports and imports. The recent devaluation of the RMB will help vehicle exporters. The Rmb has fallen about 1.3% In January 2016 against the US dollar and we expect further devaluation in 2016. This should be positive on vehicle exports. However, the vehicle export markets have been soft due to political turmoil and economic uncertainty. Besides, the Chinese vehicles are perceived to be of lower quality, hence making it difficult for the Chinese automakers to penetrate the developed markets. As a result, total volume exports from the Chinese automakers have been falling in the past three years (2013-2015). We do not expect the recent devaluation to have a significant impact on Chinese vehicle exports.

USD/CNY moves into a new and higher ascending price channel



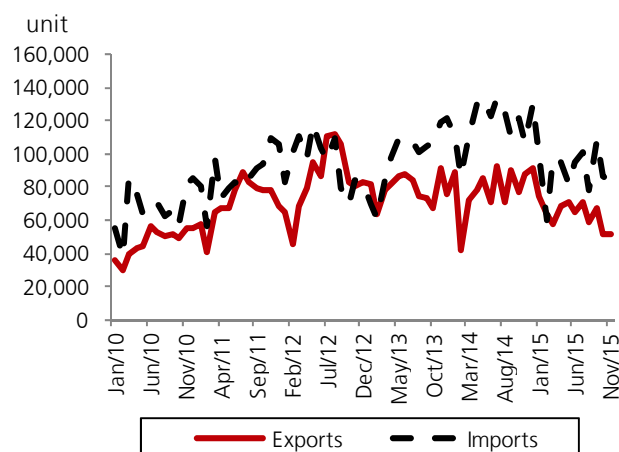
Source: Thomson Reuters, DBS Bank

On the flip side, the weaker currency means vehicle imports are more expensive than before. China imported about 1.1m vehicles last year, accounting for less than 5% of total vehicles sold in the country. Given the high import tariff rates, car distributors will only bring in the ultra luxury marques. Therefore, only this segment of the market will be affected due to the weaker currency.

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China Auto Sector

Vehicle imports and exports

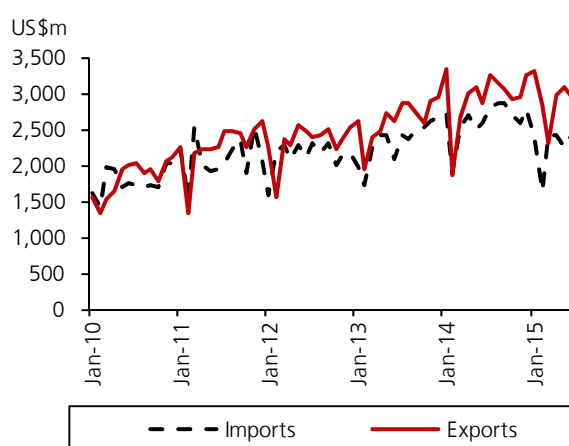


Source: CEIC

The currency devaluation will also affect imports and exports of automotive parts. China's exports and imports of automotive parts grew at CAGR of 13% and 10% respectively from 2010 to 2014. For 11M15, total exports of automotive parts were flat but imports fell by almost 16% y-o-y. Other than the currency factor, other reasons included the localisation of certain automotive parts production in China and setting up of production bases overseas by the Chinese automotive manufacturers have also affected the automotive parts export and import trends. The sino-foreign automakers import the more advanced automotive parts & components such as automobile integrated chips, high-end sensors, automobile electronics, high-end steering systems, etc. Generally, the localisation rates of the sino-foreign automakers are relatively high, at over 80%.

In the export of automotive parts and components, China is strong in the export of car tyres, car bodies, transmission systems, suspension systems, etc.

Automotive parts imports and exports



Source: CEIC

Devaluation impact on earnings is small. Some Chinese auto companies like Geely, Xincheng, ZhengTong and Minth have relatively high USD-denominated loan exposure. Our analysis shows a 5% devaluation will hit net profit by 2-8% this year. However, a cheaper currency will also help exports, hence Geely and Minth would benefit and the net impact is likely to be smaller.

Impact of RMB devaluation on auto companies

Assume 5% devaluation	% of exposure to USD loan	Impact on earnings (%)
China ZhengTong	32	(7.2)
Xincheng	62	(3.1)
Geely	72	(2.3)
Minth	78	(8.0)

Source: DBS Vickers

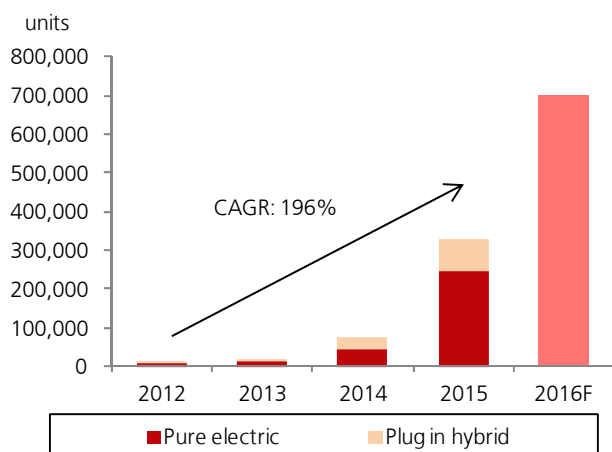
Industry Development

A) Domestic

1. **Green technology – a major theme under the 13th five-year plan.** To encourage the electric vehicle (EV) market development, the central government is carrying out a feasibility study on an incentive scheme to encourage investments in charging stations and points for electric vehicles. The lack of such infrastructure is one of the major obstacles faced by EV buyers. The Beijing government has introduced several measures to promote EV sales, including free licence plates, no usage restriction, purchase tax exemption and huge subsidies from the local and central governments. Several automakers like SAIC (600104 CH), Beijing Motor (1958 HK) and Chongqing Changan Automotive (200625 CH) are entering the EV market, challenging BYD's (1211 HK) leading position. In the CV segment, Zhengzhou YuTong Bus (600066 CH) is one of the leading players. China is becoming a leading nation in EV development globally, given the huge support from the government.

In 2015, total new energy vehicles sold amounted to 331,000 units, accounting for 1.35% of the total vehicle market compared to a mere 0.3% in 2014. CAAM is projecting NEV volume sales to reach 700,000 units this year, a substantial increase from 2015.

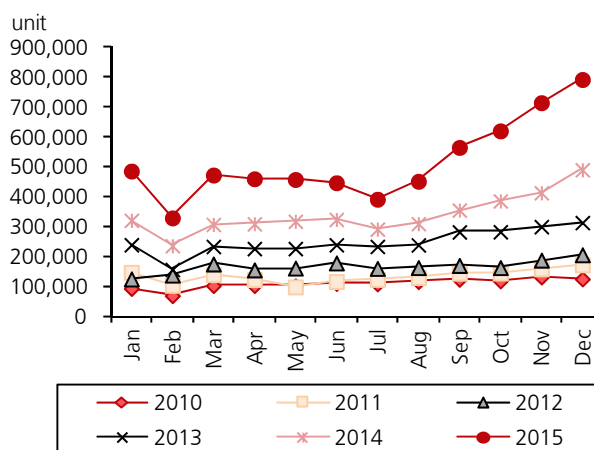
New energy vehicle sales trend



Source: CEIC, CAAM, DBS Vickers

2. **Strong consumer preference in SUV.** Changing consumer preference continues to boost SUV sales, thus supporting the overall PV market. This segment has outperformed the total PV market by a large margin and accounts for almost 30% of the PV industry. In the past decade, SUV sales grew at an annual rate of 44% from 2006 to 2015. We are seeing more automakers rolling out new SUV models to ride on the strong market demand. Despite the rising competition, the Chinese automakers will still dominate the SUV market.

Monthly SUV sales in China



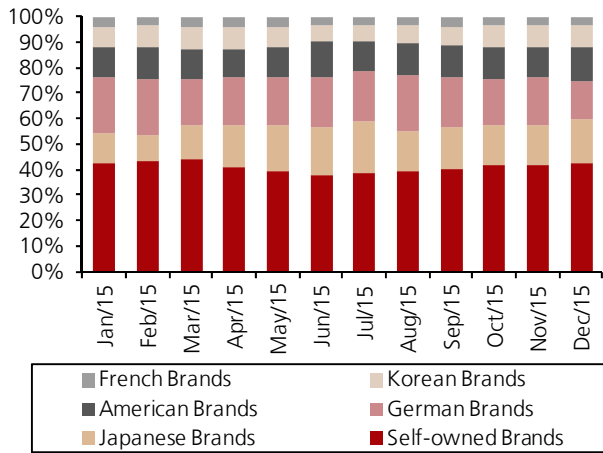
Source: CEIC

3. **Self-brand market share improving.** The recent cut in vehicle purchase tax is the main reason for the improving market share, as most Chinese auto brands fall under the small car category. Besides, the Chinese players such as Great Wall Motor (2333 HK) are also strong in the SUV segment, thus a boost to the Chinese market share. Among the foreign car brands, the German automakers suffered the largest market share drop in 2015, largely due to weak vehicle refresh rate. On the other hand, the Japanese auto JVs posted strong recovery, as their new strategy started to see positive results.

Industry Focus

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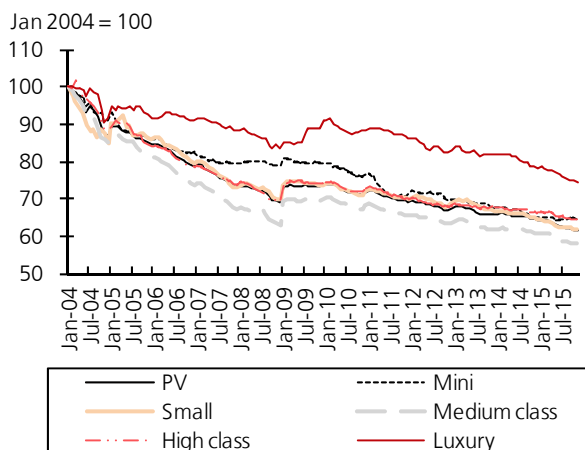
PV sales by country mix



Source: CEIC

- Falling vehicle prices.** Car prices stay on a downward trend as automakers want to maintain their market shares. Also, the low input costs and growing demand for entry models have also allowed automakers to price their cars cheaper. The overall PV price index has fallen by 4% in Jan-Nov 15, led by declines across the board, including small cars (-4%), mid-sized cars (-4%), high-end cars (-3%) and luxury marques (-5%).

PV Automobile price index - Domestic made

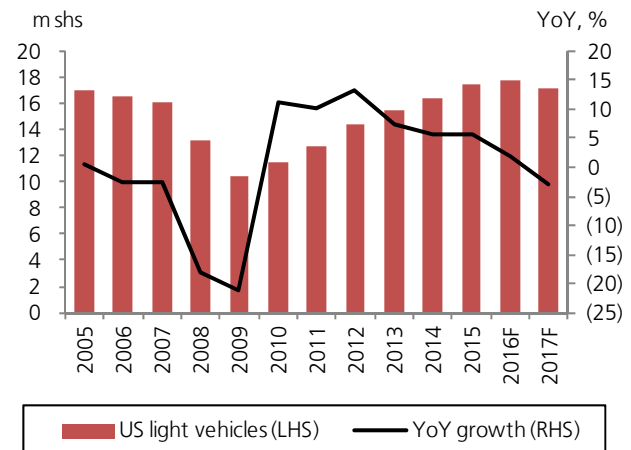


Source: CEIC

B) Global auto markets

US auto market: 7th straight year of improvement. The US light vehicle market did well in 2015 and National Automobile Dealers Association (NADA) has projected light vehicle sales to stay on an expansionary pace in 2016. Demand has been well supported by cheaper gasoline, boosting sales of pickups and SUVs. The US light vehicle auto market rose by 5.8% y-o-y in volume terms in 2015 to approximately 17.4m units. NADA has projected automobile sales to peak in 2016 at 17.71m units before starting to trend down from 2017-2019, due to gradual rise in interest rates, drop in used car prices and trend on extending the useful life of cars.

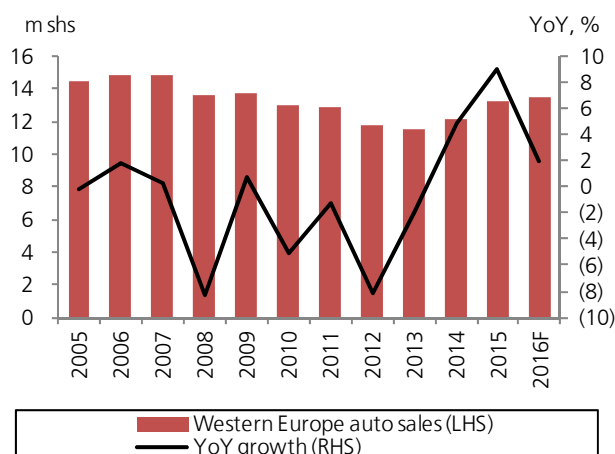
US light vehicle sales projections



Source: CEIC, NADA

Eurozone: Car sales supported by price discounting. The Eurozone automobile market has been recovering gradually since its turnaround two years ago. New passenger car registrations in the EU recorded a strong 9% expansion y-o-y in 2015, underpinned by discount incentives and self registration by auto dealerships. The overall auto sales outlook should mirror the economic health in the EU. Given the economic uncertainty in some EU markets and a high base in 2015, volume sales growth could slow this year.

EU new passenger vehicle registrations



Note: Western Europe including EU15, Norway, Iceland & Switzerland

Source: ACEA, DBS Vickers

Investment risks

- Vehicle sales restrictions spreading across China.** The worsening pollution problems may prompt more cities to limit vehicle sales. So far, seven cities, namely Beijing, Guangzhou, Shenzhen, Shanghai, Tianjin, Hangzhou and Guiyang already have such a policy in place.
- Cyclical industry.** The automobile market is a highly cyclical industry globally, thus any disruption to demand could affect profitability of the automobile companies. Last year, apart from the poor economic outlook, overcapacity in the industry is also weighing on the automakers in China. Price war is already hurting the Chinese auto dealerships. The stimulus policy is a short-term solution to tackling the falling domestic consumption. Longer-term industry consolidation is important for a sustainable and healthy development.
- Stringent fuel standard.** Starting this year, a higher fuel consumption standard will be implemented. It will be reduced from 6.9L per 100km to 6.7L/100km in 2016 and eventually down to 5L/100km by 2020. This means all vehicle manufacturers will have to roll out some new energy vehicle programmes to meet the stringent fuel policy. This will move China one step closer to its Made in China 2025 strategy as a leading nation in new energy

vehicle development. Automakers unable to meet the stringent fuel standards will be imposed a hefty fine.

- Liberalisation of spare part market.** Generally, car owners will have more choices in after-sales services and spare parts. Under the new regulations, they can send their cars to any non-4S shops for servicing and repairs. The spare part market will also be liberalised, giving consumers the right to use any generic spare parts that are compatible with those from the automakers. This effectively lowers the servicing and spare part costs for consumers. Automakers are making good margins from the spare part sales and market liberalisation could have a long-term impact on their future earnings.
- Margin compression.** Market competition is expected to drive profit margins lower, as evident in the SUV segment. Automakers have to constantly refresh their product pipeline to mitigate some of the downward pressure on profit margins.

Valuation and stock picks

Automotive parts. The automotive parts sector valuation has come off from its peak of about 15x in March 2015 and is currently trading slightly below historical average PE. However, compared to the other segments along the value chain, the automotive parts sector's share price performance fared better during the recent sharp market fluctuations because these players have a more diversified market base, hence lowering their earnings risk profile.

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Automotive parts sector valuation (Mkt cap wt. average PE)

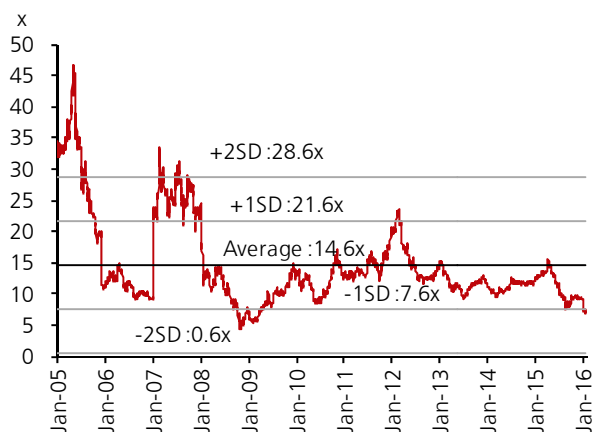


Source: Thomson Reuters, DBS Vickers

We have two picks in this category – Minth and Nexteer. Both companies have exposure to the US and European auto markets, which are still looking steady despite last year's strong expansion.

Automakers. The Japanese OEMs are recovering and we expect this trend to continue in 2016, following their new vehicle model plans. Another important trend is the SUV remaining the bright spot within the PV market. The automaker sector valuation came off its high following a jittery global market and is currently priced at -1SD PE. We believe profit-taking ahead of the result reporting season has also accelerated the recent price corrections, following the broad market sell down.

Automaker sector valuation (Mkt cap wt. average PE)



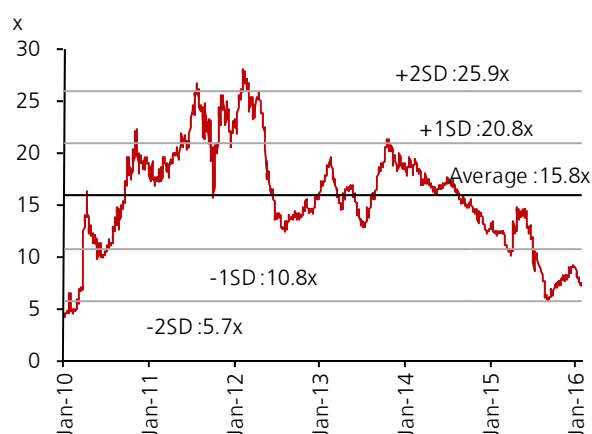
Source: Thomson Reuters, DBS Vickers

We are selective on automakers. GAC is our top picks as the company fits into our two main themes for the automaker segment.

GAC is seeing steady volume sales growth at its Honda and Toyota JVs. Besides, the company's Trumpchi brand is recording strong take-up rates, supported by new SUV model rollout. The high refresh rates at its sino-foreign JVs and Trumpchi's venture into the high-end vehicle segment will support growth. GAC has proposed to issue Rmb4bn A-share CBs to support its long-term expansion strategy.

Auto dealerships. The auto dealership sector suffered a sharp correction during last year's boom-bust cycle. YTD, the auto dealership has come down following the massive market sell-down. Although the current valuation is undemanding, we would not recommend an aggressive accumulation strategy yet. Probably after the March reporting period would be a better timing as it should shed more light on the new car sales business outlook, an important revenue and profit driver for auto dealerships.

Auto dealership sector valuation (Mkt cap wt. average PE)



Source: Thomson Reuters, DBS Vickers

FY15 earnings preview. We expect auto parts companies and selective automakers to report in-line earnings.

In fact, some automakers such as Geely and GAC have reported positive profit alerts, with earnings growth at 50-60% for Geely and 20-45% for GAC. Among the Chinese auto brands, GWM's preliminary financial data have disappointed the market, as keen competition in 2H15 has affected its SUV profit margins. For the luxury brand automakers, Brilliance is expected to see a dive in its FY15 earnings, due to weak BMW sales. Beijing Motor's Mercedes-Benz is expected to report a strong contribution to the group profit. However, the weakness in Hyundai Motor is dragging down Beijing Motor's overall performance.

The auto dealerships are expected to post weaker than expected earnings, due to the heavy price discounting last year which is compressing new car sales GP margin. Therefore, we would not be surprised on lower than expected earnings from the auto dealers.

Earnings preview

		Sales			Earnings		
		FY14	FY15	% chg	FY14	FY15	% chg
Auto manufacturers							
Brilliance China (1114 HK)	RMB m	5,515	5,155	(7)	5,403	3,743	(31)
Dongfeng Motor (489 HK)	RMB m	80,954	132,140	63	12,845	13,007	1
Geely Auto (175 HK)	RMB m	21,738	25,891	19	1,431	2,279	59
Great Wall Motor (2333 HK)	RMB m	62,599	76,033	21	8,042	8,040	(0)
Guangzhou Auto (2238 HK)	RMB m	22,376	31,551	41	3,185	4,121	29
Auto dealers							
China ZhengTong (1728 HK)	RMB m	30,910	29,897	(3)	804	800	(1)
Dah Chong Hong (1828 HK)	HK\$m	46,489	46,896	1	750	676	(10)
ZhongSheng (881 HK)	RMB m	54,787	60,531	10	751	730	(3)
Auto parts & components							
Mintch Group (425 HK)	RMB m	6,684	7,884	18	1,118	1,253	12
Nexteer Automotive (1316 HK)	US\$m	2,978	3,503	18	161	210	30
Xinchen China (1148 HK)	RMB m	2,652	3,449	30	272	307	13

Source: DBS Vickers

FY16 earnings and TP revisions. Due to the change in volume and margin assumptions, we have adjusted earnings of automobile companies as shown in the table below. Accordingly, our TPs are adjusted downwards to reflect the

current outlook. Our TPs are pegged to company and sector historical average PE.

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China Auto Sector

Earnings & TP revisions

	TP (HK\$)		Rating			FY15F earnings			FY16F earnings		
	Old	New	Old	New		Old	New	% chg	Old	New	% chg
Auto manufacturers											
Brilliance China (1114 HK)	12.6	9.95	BUY	BUY	RMB m	4,194	3,743	(11)	5,388	4,246	(21)
Dongfeng Motor (489 HK)	13.5	13.5	BUY	BUY	RMB m	13,007	13,007	(0)	13,949	13,949	(0)
Geely Auto (175 HK)	3.3	3.3	HOLD	HOLD	RMB m	2,527	2,279	(10)	2,827	2,859	1
Great Wall Motor-H (2333 HK)	5.6	5.6	HOLD	HOLD	RMB m	8,040	8,040	0	9,308	9,308	0
Great Wall Motor-A (601633 CH)	7.7	7.7	HOLD	HOLD							
Guangzhou Auto-H (2238 HK)	7.5	7.5	BUY	BUY	RMB m	4,121	4,121	0	4,644	4,644	0
Guangzhou Auto-A (601238 CH)	15.8	15.8	FV	FV							
Auto dealers											
China ZhengTong (1728 HK)	4.3	4.3	BUY	BUY	RMB m	800	800	0	994	994	0
Dah Chong Hong (1828 HK)	3.7	3.7	BUY	BUY	HK\$m	700	676	(3)	813	832	2
ZhongSheng (881 HK)	4.5	4.5	BUY	BUY	RMB m	730	730	0	906	906	0
Auto parts & components											
Minth Group (425 HK)	15.8	15.8	BUY	BUY	RMB m	1,253	1,253	0	1,452	1,452	0
Nexteer Automotive (1316 HK)	9.6	9.6	BUY	BUY	US\$m	210	210	0	258	258	0
Xinchen China (1148 HK)	3.3	1.9	BUY	BUY	RMB m	309	307	(0.5)	406	346	(15)

Source: DBS Vickers

Share price performance

Company	Code	Share Price Performance (%)							
		1-month	3-month	6-month	1-year	YTD	2014	2015	4Q15
Baoxin Auto	1293 HK	(9.4)	37.8	16.1	(2.4)	(9.1)	(40.5)	8.3	47.0
China Harmony	3836 HK	(13.6)	(6.2)	(22.8)	(16.0)	(10.8)	18.4	(15.8)	49.9
China Meidong	1268 HK	(16.8)	(13.2)	(30.7)	(56.1)	(21.0)	9.8	(44.1)	19.0
China Yongda	3669 HK	(18.7)	31.8	3.7	10.9	(18.5)	(26.8)	14.7	61.2
China ZhengTong	1728 HK	(20.6)	(18.5)	(30.1)	(28.9)	(19.9)	(30.6)	3.5	11.6
Dah Chong Hong	1828 HK	(24.9)	(16.5)	(14.6)	(35.0)	(25.1)	(27.8)	(6.7)	25.7
Sparkle Roll	970 HK	(33.6)	25.4	(1.1)	41.3	(32.6)	(47.7)	97.0	94.1
Zhongsheng	881 HK	(16.3)	20.0	(12.4)	(43.1)	(16.8)	(34.6)	(33.0)	49.4
Changan Minsheng	1292 HK	(10.3)	(10.6)	(16.4)	(9.6)	(12.3)	(9.2)	0.8	1.3
Minth	425 HK	(10.5)	(11.3)	(7.6)	(11.3)	(7.8)	0.0	(4.3)	11.4
Nexteer	1316 HK	(5.0)	(2.6)	6.5	4.0	(7.3)	49.9	29.8	10.5
Weichai Power	2338 HK	(12.8)	(15.1)	(32.1)	(51.9)	(13.8)	4.6	(47.5)	19.3
Xinchen China	1148 HK	(33.5)	(37.4)	(51.5)	(61.3)	(34.3)	(53.1)	(27.0)	0.6
Xingda	1899 HK	(11.2)	(18.3)	(25.1)	(42.3)	(9.5)	(40.4)	(42.8)	1.9
Xinyi Glass	868 HK	(12.7)	(6.7)	2.1	(7.3)	(14.0)	(42.8)	16.6	31.8
BAIC Motor	1958 HK	(28.9)	(18.5)	(21.6)	(36.8)	(28.6)	n.a.	(13.6)	14.3
Brilliance China	1114 HK	(24.6)	(29.1)	(28.4)	(47.5)	(23.8)	(1.4)	(21.7)	6.4
BYD	1211 HK	(17.4)	(27.1)	0.9	23.3	(17.5)	(20.1)	40.5	4.4
Chongqing Changan	200625 CH	(11.6)	4.8	(5.5)	(20.0)	(11.1)	14.8	(2.6)	30.6
Dongfeng Motor	489 HK	(12.5)	(15.7)	2.5	(20.3)	(12.0)	(9.6)	(5.6)	7.4
Geely Auto	175 HK	(21.2)	(20.9)	1.5	4.1	(20.1)	(34.1)	67.2	11.9
Great Wall Motor	2333 HK	(36.0)	(37.7)	(32.1)	(59.7)	(34.6)	3.0	(38.6)	5.5
Guangzhou Auto	2238 HK	(5.8)	(3.1)	2.0	(8.7)	(5.8)	(16.7)	(2.1)	9.5
Qingling	1122 HK	(10.5)	(13.4)	(14.7)	(17.4)	(11.2)	10.8	(6.2)	(6.6)
SAIC Motor	600104 CH	(12.9)	4.8	(6.0)	(20.5)	(12.3)	51.8	(1.2)	26.3
Sinotruk	3808 HK	(18.1)	(21.1)	(36.5)	(40.4)	(16.0)	(0.5)	(29.1)	10.8
HSI	HSI	(10.5)	(13.7)	(20.1)	(20.0)	(10.2)	1.3	(7.2)	5.1

Source: Thomson Reuters

Industry Focus

China Auto Sector

Peers valuation - Automakers

Company Name	Currency		Price Local\$	Mkt Cap US\$m	Fiscal Yr	PE		Yield		P/Bk		EV/EBITDA		ROE		
	Code					16F x	17F x	16F %	17F %	16F x	17F x	16F x	17F x	16F %	17F %	
Hong Kong																
GZ Auto 'H'*	2238	HK	HKD	6.51	14,574	Dec	7.8	7.1	3.8	4.2	0.9	0.8	5.2	4.7	11.6	11.8
Sinotruk (Hongkong)	3808	HK	HKD	2.58	915	Dec	10.3	8.4	3.0	3.9	0.3	0.3	2.6	2.4	2.8	3.3
Dongfeng Motor 'H'*	489	HK	HKD	9.12	10,099	Dec	4.8	4.5	2.6	2.6	0.7	0.6	2.7	2.3	15.3	14.3
Brilliance China*	1114	HK	HKD	7.43	4,810	Dec	7.4	6.5	1.3	1.4	1.3	1.1	7.3	6.3	18.6	17.7
Great Wall Motor 'H'*	2333	HK	HKD	5.91	9,991	Dec	5.3	4.9	7.1	7.9	1.0	0.9	3.8	3.5	22.0	20.9
BYD 'H'	1211	HK	HKD	35.2	11,201	Dec	31.2	27.1	0.2	0.2	2.2	2.0	12.1	10.7	6.6	7.5
Qingling Motors 'H'	1122	HK	HKD	2.14	683	Dec	8.6	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	6.1	6.2
Geely Automobile*	175	HK	HKD	3.3	3,733	Dec	8.6	7.6	1.7	2.0	1.1	1.0	4.5	3.8	13.8	13.9
BAIC Motor 'H'	1958	HK	HKD	5.54	5,408	Dec	6.2	5.4	6.6	7.0	0.8	0.8	4.4	3.6	13.8	15.2
Average							7.4~	6.3~	3.3	3.6	1.0	0.9	5.3	4.7	12.3	12.3
China																
SAIC Motor 'A'	600104	CH	CNY	18.62	31,222	Dec	6.4	6.1	7.5	8.2	1.1	1.0	4.6	5.7	16.8	16.4
Faw Car 'A'	000800	CH	CNY	12.52	3,099	Dec	30.7	28.8	0.3	0.1	2.1	2.0	14.0	13.7	5.7	5.6
CQ Changan 'A'	000625	CH	CNY	14.76	10,467	Dec	5.7	5.2	3.5	4.4	1.6	1.3	6.0	5.0	30.0	27.1
CQ Changan 'B'	200625	CH	HKD	15.2	9,110	Dec	5.2	4.8	4.2	5.9	1.4	1.2	6.5	5.3	30.8	29.1
Beiqi Foton Motor 'A'	600166	CH	CNY	4.68	2,374	Dec	9.2	n.a.	3.2	n.a.	0.9	n.a.	n.a.	n.a.	n.a.	n.a.
Tianjin Faw Xiali 'A'	000927	CH	CNY	5.3	1,286	Dec	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Dong Feng Auto 'A'	600006	CH	CNY	5.86	1,782	Dec	19.5	n.a.	1.5	n.a.	1.7	n.a.	n.a.	n.a.	n.a.	n.a.
Anhui Jianghuai 'A'	600418	CH	CNY	8.98	1,998	Dec	8.2	6.5	3.4	3.6	1.3	1.1	4.6	4.3	16.5	16.5
Yutong Bus 'A'	600066	CH	CNY	18.68	6,290	Dec	10.8	9.7	4.6	5.3	2.7	2.4	8.6	7.8	27.8	26.3
Haima Automobile 'A'	000572	CH	CNY	4.39	1,098	Dec	20.0	n.a.	1.6	n.a.	0.9	n.a.	n.a.	n.a.	n.a.	n.a.
Great Wall Motor 'A'*	601633	CH	CNY	8.34	10,000	Dec	8.9	8.1	4.3	4.7	1.7	1.4	6.6	6.3	22.0	20.9
GZ Auto. 'A'	601238	CH	CNY	19.81	14,571	Dec	26.7	21.3	1.1	1.3	3.0	2.7	71.1	61.3	12.2	13.0
BYD 'A'	002594	CH	CNY	47.59	17,920	Dec	41.0	29.2	0.2	0.1	3.5	3.2	15.3	12.5	8.5	10.8
Average							15.7~	13.3	2.9	3.7	1.8	1.8	15.3	13.5	18.9	18.4
US																
Ford Motor	F	US	USD	11.94	47,387	Dec	6.2	5.7	5.2	5.4	1.4	1.1	6.0	5.4	25.1	21.5
General Motors	GM	US	USD	29.64	46,125	Dec	5.5	5.1	4.9	5.2	1.1	0.9	3.2	3.1	22.0	19.7
Average							5.8	5.4	5.0	5.3	1.2	1.0	4.6	4.3	23.5	20.6
Korea																
Kia Motors	000270	KS	KRW	45,150	15,152	Dec	5.6	5.2	2.9	3.2	0.7	0.6	3.2	3.0	12.6	12.2
Hyundai Motor	005380	KS	KRW	133,000	31,433	Dec	4.8	4.6	3.4	3.7	0.5	0.5	5.4	5.2	10.6	10.4
Average							5.2	4.9	3.1	3.5	0.6	0.5	4.3	4.1	11.6	11.3
Japan																
Toyota Motor#	7203	JP	JPY	7200	198,395	Mar	8.7	8.0	3.4	3.7	1.1	1.0	5.0	4.7	13.6	13.3
Honda Motor#	7267	JP	JPY	3341	49,959	Mar	8.9	8.1	3.3	3.7	0.8	0.7	5.0	4.6	8.7	9.2
Nissan Motor#	7201	JP	JPY	1180	44,035	Mar	7.8	7.1	4.1	4.5	0.9	0.8	4.6	4.3	11.8	11.7
Suzuki Motor#	7269	JP	JPY	3656	16,932	Mar	13.4	12.4	1.1	1.2	1.3	1.2	4.4	4.1	10.3	10.2
Mitsubishi#	8306	JP	JPY	609.4	71,277	Mar	7.3	6.9	3.5	3.8	0.5	0.5	n.a.	n.a.	7.3	7.3
Average							9.2	8.5	3.1	3.4	0.9	0.8	4.7	4.4	10.3	10.3
Europe																
BMW	BMW	GR	EUR	77.051	54,786	Dec	7.9	7.5	4.4	4.7	1.1	1.0	4.0	3.8	14.7	14.2
Volkswagen (Swx)	VOW	GR	CHF	133	65,161	Dec	13.7	8.8	3.3	4.7	0.7	0.6	3.0	2.8	6.2	9.5
Saab 'B'	SAABB	SS	SEK	258.2	3,287	Dec	17.7	15.5	2.3	2.6	2.1	1.9	9.7	9.1	12.2	13.1
Peugeot	UG	FP	EUR	13.66	11,957	Dec	7.9	6.9	1.0	2.0	1.0	0.9	1.9	1.8	12.7	12.4
Porsche Aml.Hldg.Pref.	PAH3	GR	EUR	41.97	13,921	Dec	8.2	4.0	3.9	4.7	0.4	0.4	n.a.	n.a.	4.9	7.9
Daimler	DAI	GR	EUR	64.62	74,876	Dec	7.3	7.1	5.3	5.7	1.3	1.1	4.2	4.0	18.2	16.8
Fiat Chrysler Auto	FCA	IM	EUR	6.405	8,914	Dec	4.8	3.8	0.5	1.5	0.6	0.5	2.3	2.1	13.0	14.2
Average							9.6	7.7	2.9	3.7	1.0	0.9	4.2	3.9	11.7	12.6
Indonesia																
Astra International	ASII	IJ	IDR	6,450	19,103	Dec	14.1	12.4	3.3	3.7	2.3	2.0	10.0	9.4	17.0	17.5

FY15: FY16; FY16: FY17

~ Exclude outliers

Source: Thomson Reuters, *DBS Vickers

Peers valuation – Auto dealers

Company Name	Currency Code	Price Local\$	Mkt Cap US\$m	Fiscal Yr	PE	PE Yield	Yield	P/Bk	P/Bk	EV/EBITDA	ROE	ROE			
					16F x	17F x	16F %	17F %	16F x	17F x	16F x	17F x	16F %	17F %	
Hong Kong															
Dah Chong Hong*	1828 HK	HKD	2.93	690	Dec	6.5	5.6	4.7	5.3	0.5	0.5	6.7	6.0	8.3	8.9
ZhongSheng*	881 HK	HKD	3.9	1,076	Dec	7.8	5.8	2.6	3.4	0.6	0.5	7.4	6.4	7.5	9.3
China ZhengTong*	1728 HK	HKD	2.86	812	Dec	5.4	4.5	3.7	4.5	0.5	0.5	5.4	4.6	10.5	11.3
Baoxin Auto Group	1293 HK	HKD	4.41	1,449	Dec	10.1	8.7	1.4	1.7	1.4	1.2	6.1	5.5	14.9	15.0
China Yongda	3669 HK	HKD	4.77	907	Dec	7.4	5.1	3.1	5.8	1.1	1.0	4.4	3.4	16.7	20.6
China Meidong Auto	1268 HK	HKD	0.79	111	Dec	3.8	3.0	7.8	9.6	0.7	0.6	n.a.	n.a.	27.0	27.5
China Harmony Auto	3836 HK	HKD	4.88	988	Dec	7.9	6.2	1.9	2.4	1.0	0.7	5.8	5.2	14.0	11.8
Sparkle Roll Group	970 HK	HKD	0.445	170	Mar	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Auto Italia Holdings	720 HK	HKD	0.2	134	Dec	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
New Focus Auto	360 HK	HKD	0.365	215	Dec	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
China Rundong Auto	1365 HK	HKD	3.01	366	Dec	9.1	5.2	0.0	0.0	1.2	0.9	5.2	3.8	18.5	20.3
Sunfonda Group	1771 HK	HKD	2.31	178	Dec	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Average						7.2	5.5	3.1	4.1	0.9	0.7	5.9	5.0	14.7	15.6
Other Asia															
Jardine Cyc.& Carr.	JCNC SP	SGD	37.29	10,348	Dec	13.7	11.6	3.0	3.3	1.8	1.6	5.7	4.9	13.8	15.2
Tan Chong Intl	TCM MK	HKD	2.4	621	Dec	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Zhejiang Material	600704 CH	CNY	12.55	4,215	Dec	39.2	n.a.	0.7	n.a.	4.1	n.a.	n.a.	n.a.	n.a.	n.a.
Power Diversity Auto	601258 CH	CNY	2.83	2,789	Dec	7.1	n.a.	4.2	n.a.	0.7	n.a.	n.a.	n.a.	n.a.	n.a.
Wuhu Yaxia Auto	002607 CH	CNY	9.26	503	Dec	115.8	n.a.	0.2	n.a.	3.1	n.a.	n.a.	n.a.	n.a.	n.a.
Sinomach Auto	600335 CH	CNY	11.9	1,135	Dec	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
China Grand Auto	600297 CH	CNY	13.05	10,916	Dec	25.6	21.5	0.0	0.0	3.2	2.8	n.a.	n.a.	13.0	13.6
Wuxi Coml.Mansion	600327 CH	CNY	7.4	587	Dec	17.6	n.a.	1.8	n.a.	2.2	n.a.	n.a.	n.a.	n.a.	n.a.
Shanghai Shenhua	600653 CH	CNY	3.43	911	Dec	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Fujian Zhangzhou	000753 CH	CNY	4.22	567	Dec	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Yulon Motor	2201 TT	TWD	29.4	1,382	Dec	12.8	15.1	3.4	3.2	0.6	0.6	6.7	6.3	4.8	4.1
Hotai Motor	2207 TT	TWD	339.5	5,540	Dec	17.4	16.3	3.8	4.2	4.4	3.8	12.3	11.5	24.0	21.8
Average						31.1	16.1	2.1	2.7	2.5	2.2	8.2	7.6	13.9	13.7
US															
Autonation	AN US	USD	43.25	4,785	Dec	9.9	9.0	0.0	0.0	1.8	1.5	6.8	6.3	19.1	17.5
Group 1 Auto	GPI US	USD	53.65	1,271	Dec	7.0	6.4	1.4	1.3	1.1	0.9	7.5	6.8	16.2	16.0
Asbury Auto	ABG US	USD	47.08	1,195	Dec	7.6	6.9	0.0	0.0	2.5	1.9	7.4	7.0	39.7	36.5
Carmax	KMX US	USD	44.18	8,647	Feb	13.1	12.0	0.0	0.0	2.6	2.3	11.2	10.7	20.8	14.4
Lentuo Intl	LASLY US	USD	0.003	0.10	Dec	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Average						9.4	8.6	0.3	0.3	2.0	1.6	8.2	7.7	23.9	21.1

Source: Thomson Reuters, *DBS Vickers

Industry Focus

China Auto Sector

Peers valuation – Auto parts

Company Name	Currency Code	Price Local\$	Mkt Cap US\$m	PE	PE	P/Bk	EV/	ROE	Earnings Growth		Earnings CAGR	
				16F x	17F x	16F x	EBITDA 16F x	16F %	16F %	17F %	FY15-17 %	
Hong Kong listed												
Changan Minsheng	1292 HK	HKD	7.06	147	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
China Metal Intl.Hdg.	319 HK	HKD	2.14	277	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
China Veh.Comps.Tech.	1269 HK	HKD	3.76	267	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Fortinet E-Commerce Gp.	1039 HK	HKD	0.9	177	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Fuyao Glass Industry Gp. Co.'H'	3606 HK	HKD	15.7	4,929	11.0	9.8	1.9	8.1	17.5	18.0	13.4	15.7
Huazhong In-Vehicle Hdg.	6830 HK	HKD	0.87	179	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Launch Tech 'H'	2488 HK	HKD	7.05	298	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Minth Group*	425 HK	HKD	14.2	2,021	9.0	7.9	1.3	6.3	15.2	15.9	14.7	15.3
Nexteer Automotive Group*	1316 HK	HKD	7.99	2,566	9.9	8.4	2.4	5.1	26.7	23.2	18.8	21.0
Perennial Intl.	725 HK	HKD	1.81	46	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Shougang Ccrd.Cen.Hdg.	103 HK	HKD	0.171	42	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Weichai Power 'H'	2338 HK	HKD	7.4	3,803	12.0	9.7	0.7	3.7	5.8	(61.0)	24.1	(30.4)
Wuling Motors Holdings	305 HK	HKD	0.57	133	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Xinchen China Power Hdg.*	1148 HK	HKD	1.17	193	3.7	3.4	0.4	0.6	11.8	12.7	8.3	10.5
Xingda Intl.Holdings	1899 HK	HKD	1.43	273	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Xinyi Glass Holdings	868 HK	HKD	3.92	1,976	7.1	5.8	1.1	7.3	15.0	19.7	22.7	21.1
Average					8.8	7.5~	1.3	5.2	15.3	17.9~	17~	8.9
China listed												
Anhui Quanchai Engine	600218 CH	CNY	8.8	494	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Avic Aero-Engine Cntls.	000738 CH	CNY	30.65	5,340	142.6	127.7	7.1	77.5	5.4	42.5	11.1	25.8
Changchai	200570 CH	HKD	4.77	344	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Fangda Special Stl.Tech.	600507 CH	CNY	4.33	873	17.5	12.4	2.0	n.a.	12.5	24.6	61.8	42.0
Faway Auto Comps.	600742 CH	CNY	22.57	726	7.1	n.a.	1.1	n.a.	12.7	21.9	n.a.	n.a.
Fengfan Stock	600482 CH	CNY	30.82	2,515	54.7	43.1	6.7	n.a.	8.6	70.5	1.6	31.6
Fuyao Glss.Ind.Group 'A'	600660 CH	CNY	12.9	4,792	10.8	9.6	1.9	8.0	18.8	16.5	13.3	14.9
Guihang Auto Components	600523 CH	CNY	14.67	644	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Harbin Dongan Auto Enn.	600178 CH	CNY	7.3	513	15.4	16.2	1.6	n.a.	9.8	104.7	(5.5)	39.1
Huayu Automotive Sys.'A'	600741 CH	CNY	13.83	6,631	6.9	6.3	1.2	3.2	19.0	14.0	8.6	11.3
Jialeng Songzhi Auto	002454 CH	CNY	11.82	760	13.2	12.6	1.6	n.a.	12.2	33.3	3.6	17.5
Jiangnan Mould & Plastic	000700 CH	CNY	17.99	981	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Jiangsu Pac.Precn.Frgg. 'A'	300258 CH	CNY	12.48	512	19.2	16.5	2.4	n.a.	12.8	23.4	17.2	20.2
Kunming Yunnei Pwr.	000903 CH	CNY	5.97	725	13.0	12.0	1.2	n.a.	7.1	14.7	39.0	26.3
Liaoning Sg Autv.'Gp. 'A'	600303 CH	CNY	9.56	902	20.1	15.6	n.a.	n.a.	n.a.	541.3	29.2	187.8
Lingyun Industrial 'A'	600480 CH	CNY	11.17	766	22.8	20.5	2.1	8.4	8.4	10.2	11.2	10.7
Ningbo Huaxiang Elt.	002048 CH	CNY	17.4	1,403	15.5	14.1	1.9	n.a.	10.7	42.5	9.3	24.8
Shanghai Aerospace Auto	600151 CH	CNY	8.68	1,650	22.7	17.1	2.4	n.a.	11.6	40.7	27.4	33.9
Shanghai Jiao Yun Group	600676 CH	CNY	10.51	1,378	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Shenyang Jinbei Autv.	600609 CH	CNY	3.29	547	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Sic.Chengfei Intg.Tech.	002190 CH	CNY	30	1,575	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Sichuan Haowu Erml.'A'	000757 CH	CNY	7.42	510	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Steyr Motors 'A'	000760 CH	CNY	12.21	1,464	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Wanxiang Qiangchao 'A'	000559 CH	CNY	13.69	4,777	31.5	30.4	6.0	n.a.	19.3	17.2	2.8	9.8
Weifu High Tech.Gp.	200581 CH	HKD	15.21	1,972	6.2	5.6	1.0	9.3	15.2	62.6	9.2	33.2
Xuchang Ynd.Drive Shaft	002406 CH	CNY	7.28	621	34.7	31.7	1.8	n.a.	5.0	2.6	8.9	5.7
Zhejiang Wanliyang Tnsm.	002434 CH	CNY	23.05	1,788	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Zongshen Pwr. Machinery	001696 CH	CNY	9.26	1,613	20.1	15.2	2.7	n.a.	12.2	39.9	32.0	35.9
China Autv.'Sys.	CAAS US	USD	3.95	127	4.1	n.a.	n.a.	n.a.	n.a.	15.5	n.a.	n.a.
China Yuchai Intl.	CYD US	USD	9.39	369	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Sorl Auto Parts	SORL US	USD	1.74	34	2.5	n.a.	n.a.	n.a.	n.a.	21.0	n.a.	n.a.
Average					22~	17.1~	2.6	21.3	11.9	56.9~	17.9	33.4

~ Exclude outliers

Source: Thomson Reuters, *DBS Vickers

Monthly vehicle sales

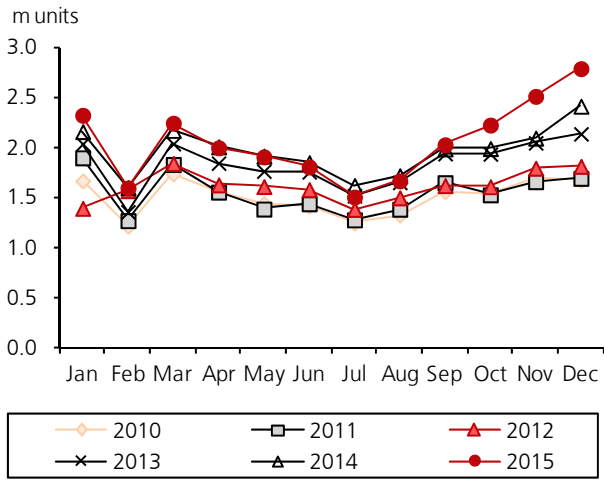
'000 units	Dec-14	Nov-15	Dec-15	YoY growth (%)	MoM growth (%)	2014	2015	YTD YoY growth (%)	As a % of total PV (2015)
China total vehicle sales	2,410	2,509	2,786	15.6	11.0	23,489	24,563	4.6	
Passenger Vehicles	2,061	2,197	2,442	18.5	11.2	19,700	21,109	7.2	100%
Sedan	1,263	1,171	1,281	1.4	9.4	12,374	11,697	(5.5)	55%
MPV	214	218	273	27.1	24.8	1,915	2,107	10.0	10%
SUV	492	716	794	61.5	10.9	4,078	6,206	52.2	29%
Cross	92	92	95	2.9	3.3	1,332	1,099	(17.5)	5%
Commercial Vehicles	349	312	343	(1.6)	10.1	3,789	3,454	(8.8)	
Bus	63	50	69	8.8	38.3	527	528	0.3	
Truck	220	204	215	(2.5)	5.5	2,436	2,256	(7.4)	
Tow Truck	26	23	23	(12.0)	(2.8)	279	251	(10.3)	
Unfinished Bus	7	7	6	(16.3)	(21.9)	77	70	(8.6)	
Unfinished Truck	33	28	31	(4.4)	12.2	469	349	(25.6)	

Source: CEIC

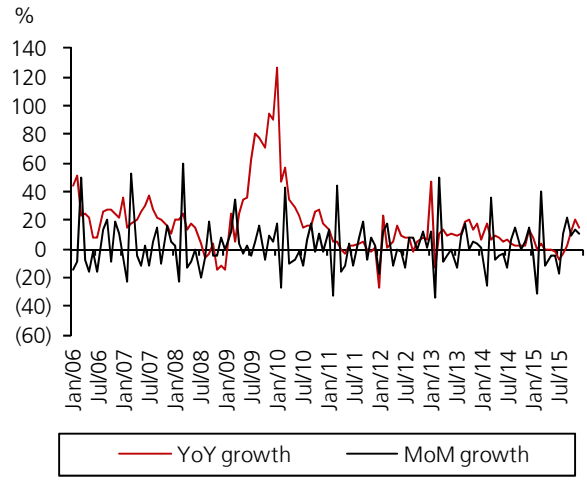
Industry Focus

China Auto Sector

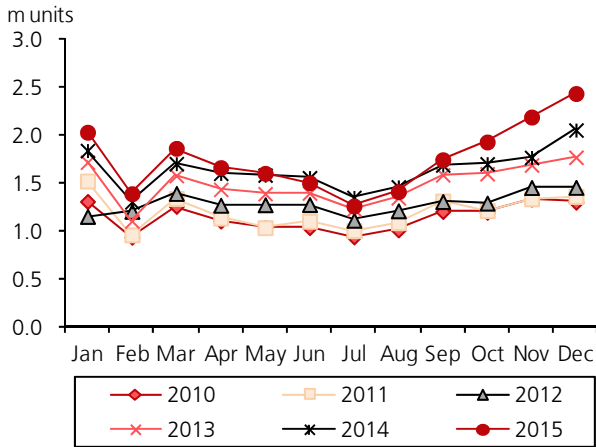
Monthly total vehicle sales in China



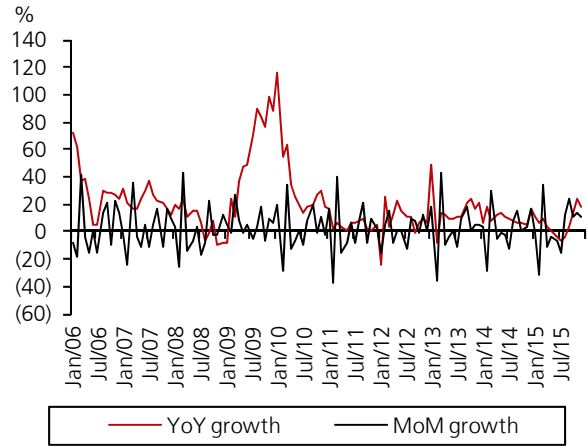
Monthly total vehicle sales growth in China



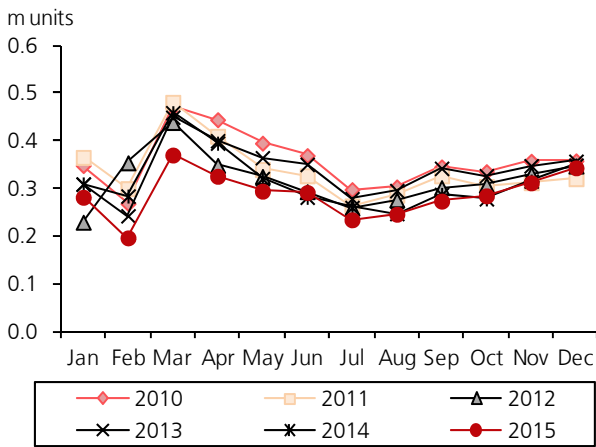
Monthly PV sales in China



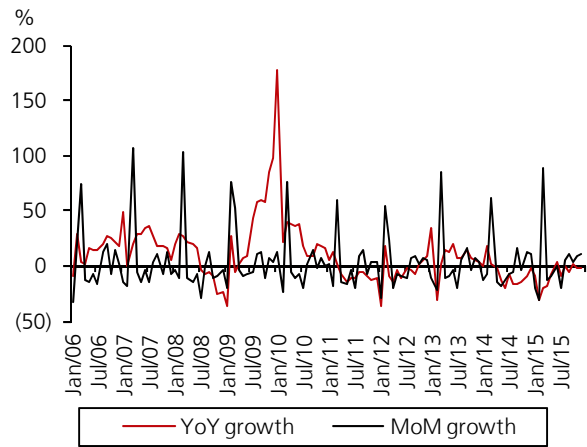
Monthly PV sales growth in China



Monthly CV sales in China

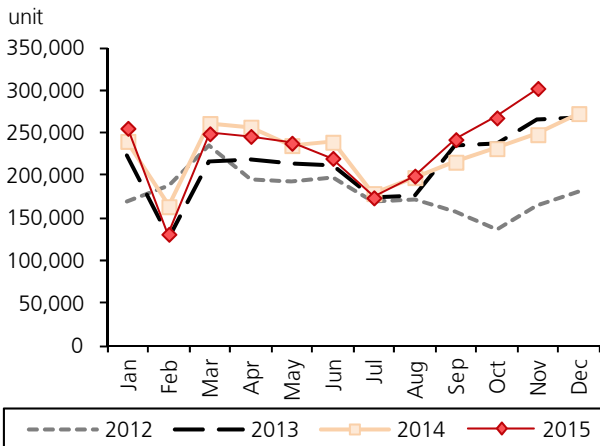


Monthly CV sales growth in China

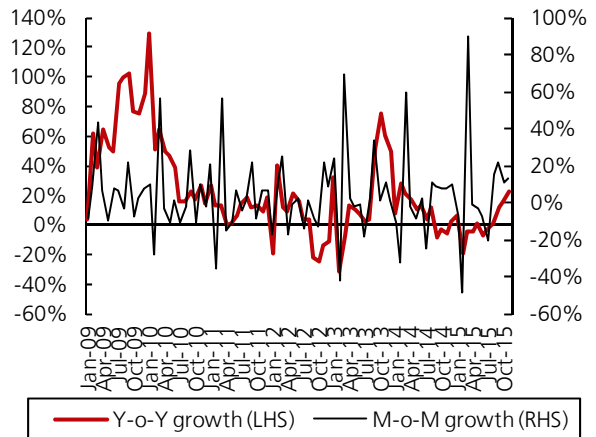


Source: CEIC

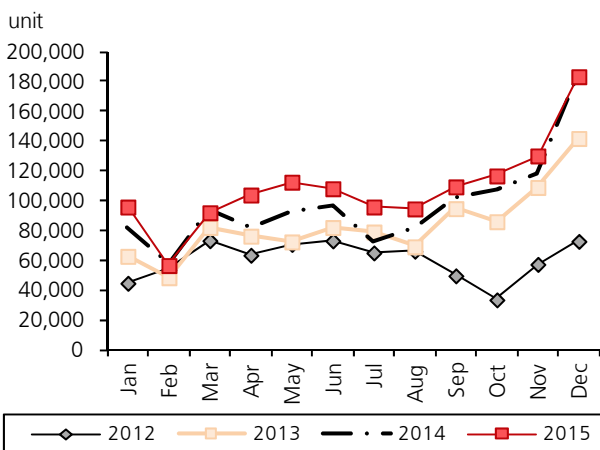
Dongfeng - total monthly sales



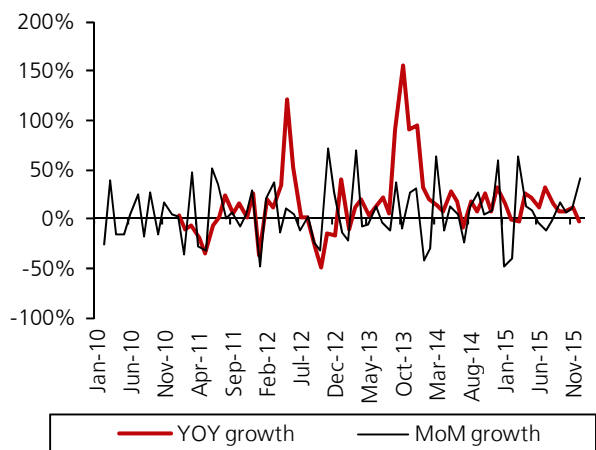
Dongfeng - total monthly sales growth



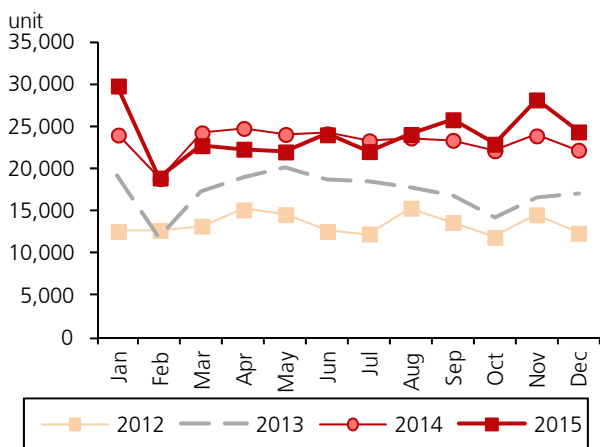
GAC - total monthly sales



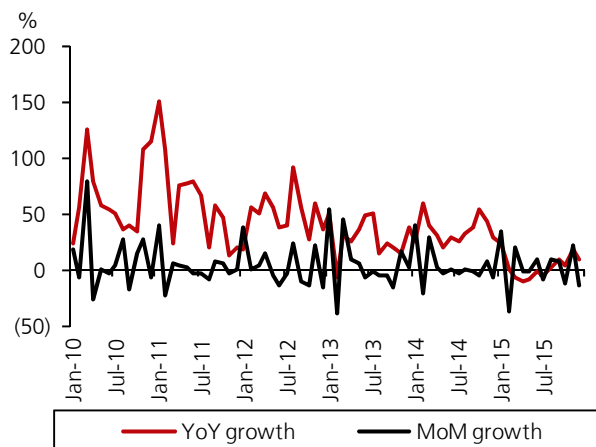
GAC - total monthly sales growth



Brilliance China - total monthly sales (BMW)



Brilliance China - total monthly sales growth (BMW)

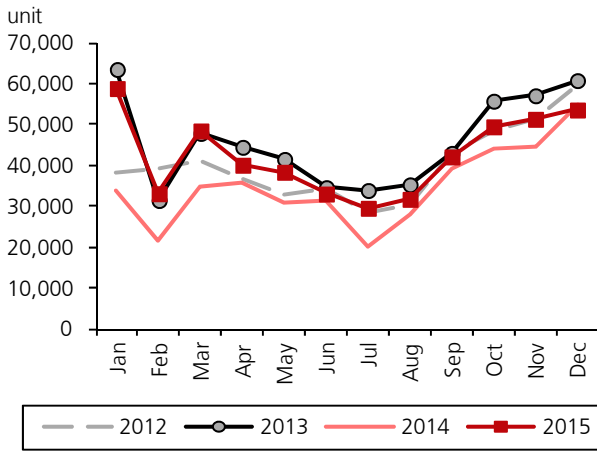


Source: Companies

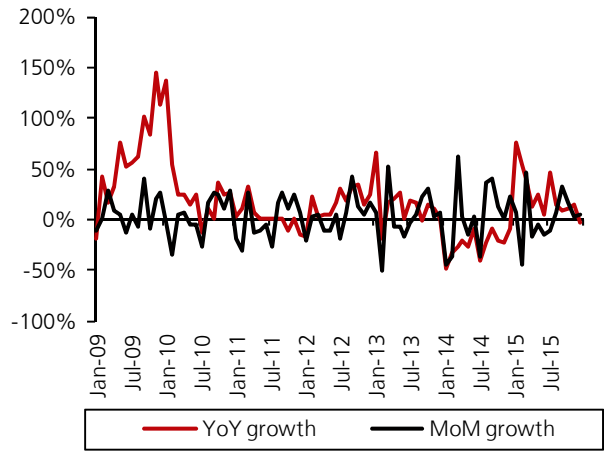
Industry Focus

China Auto Sector

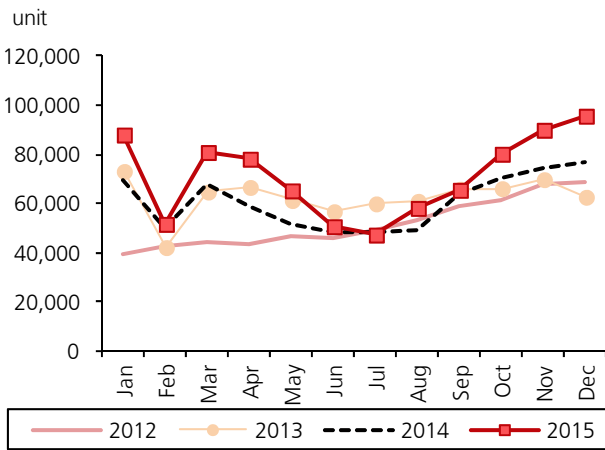
Geely – total monthly sales



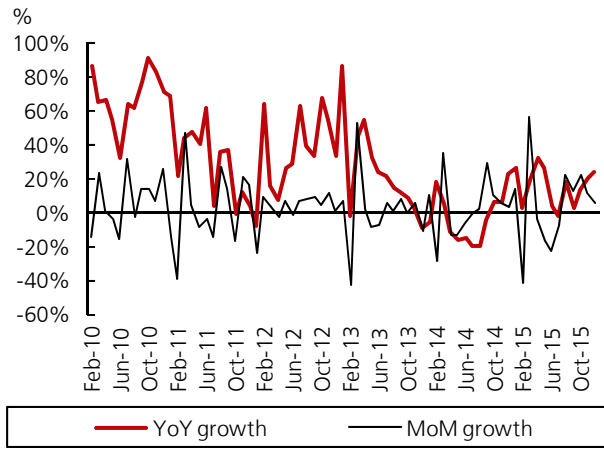
Geely – total monthly sales growth



Great Wall Motor – total monthly sales

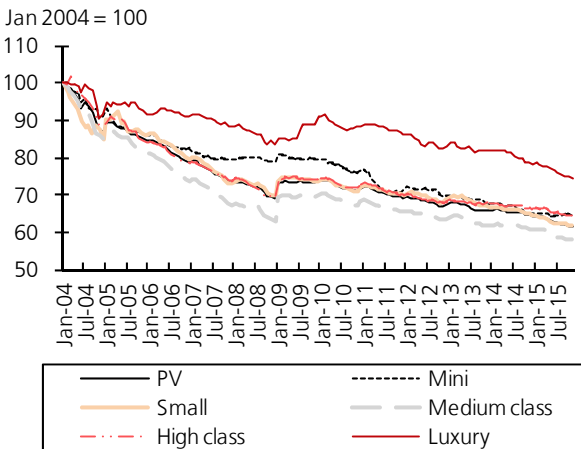


Great Wall Motor – total monthly sales growth



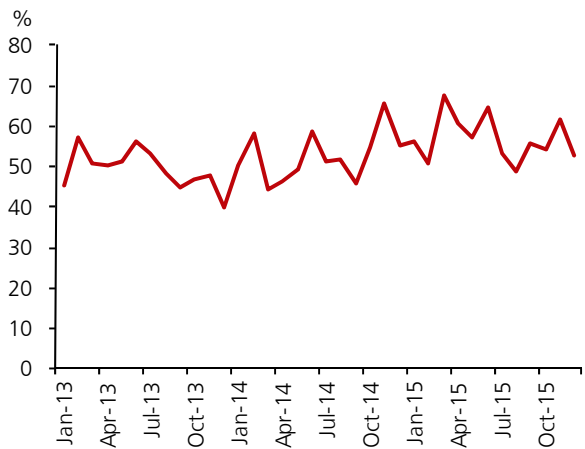
Source: Companies

Automobile price index - Domestic made



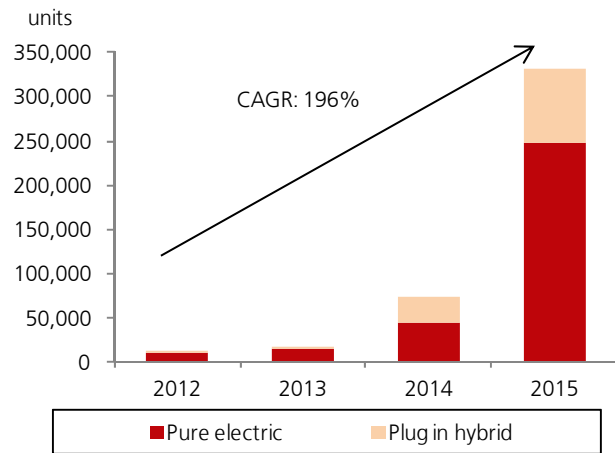
Source: CEIC

Vehicle inventory alert index

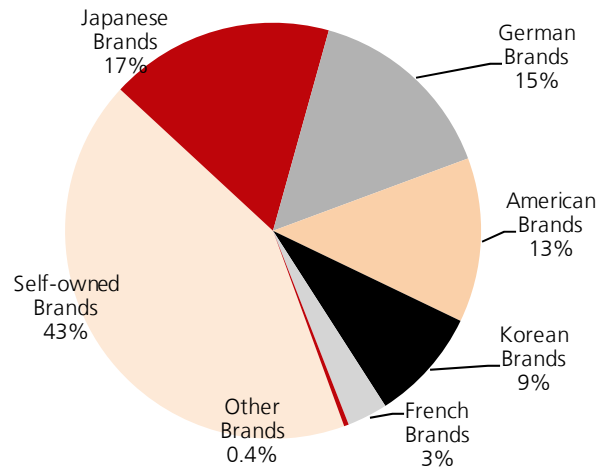


Source: CADA, DBS Vickers

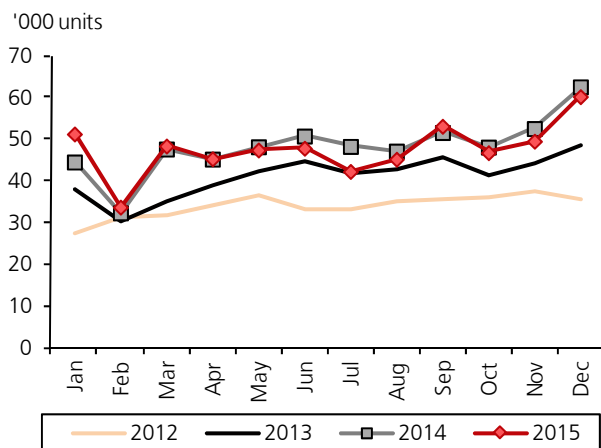
NEV sales



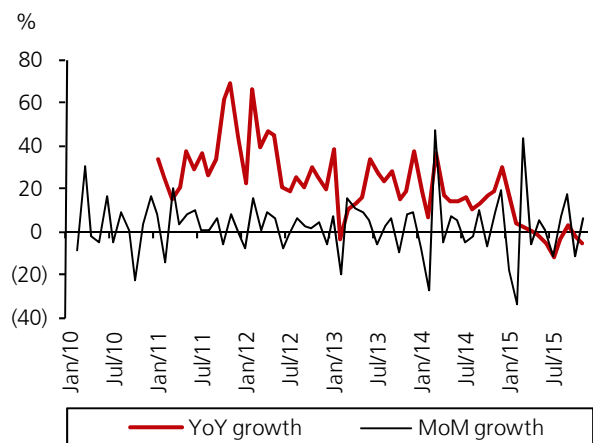
PV sales by country mix (Dec-15)



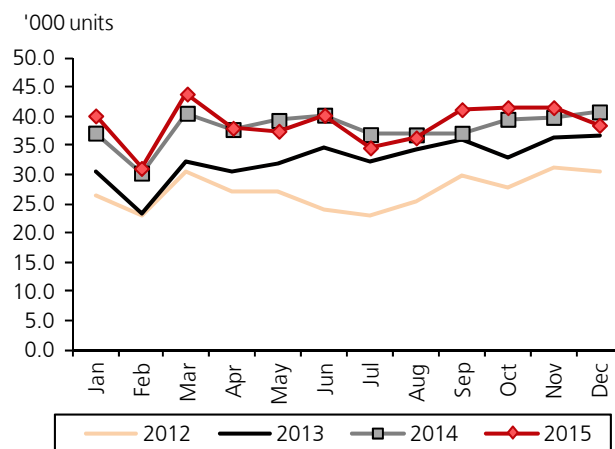
Audi – monthly sales



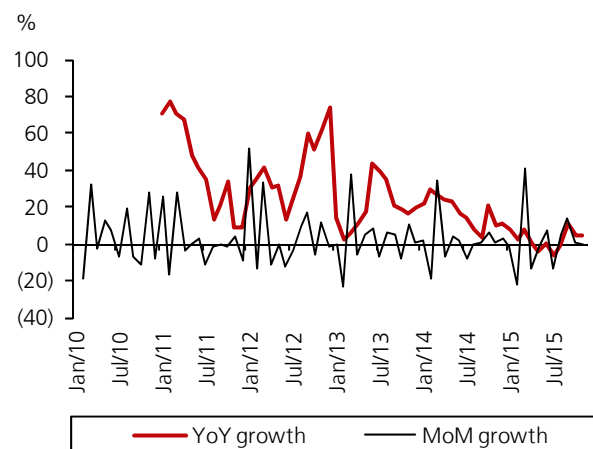
Audi – monthly sales growth



BMW Group – monthly sales



BMW Group – monthly sales growth

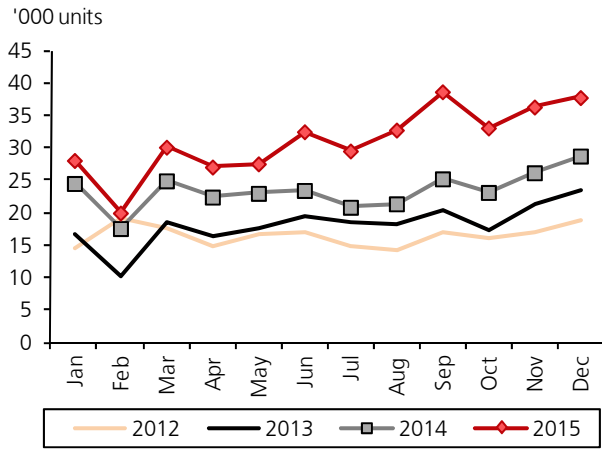


Source: CAAM, Companies

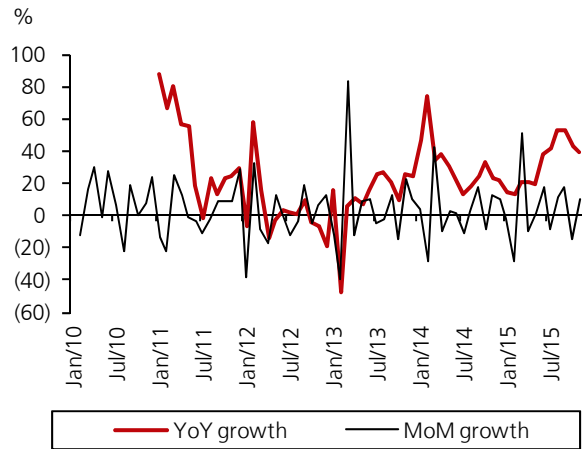
Industry Focus

China Auto Sector

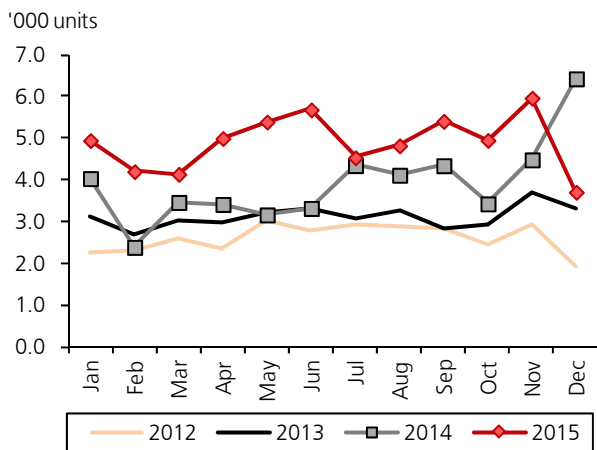
Mercedes Benz – monthly sales



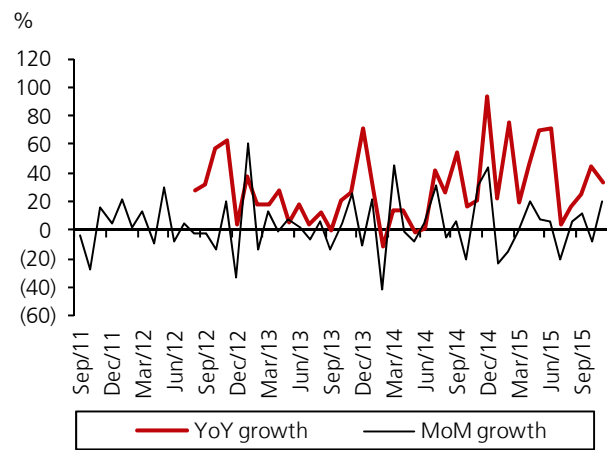
Mercedes Benz – monthly sales growth



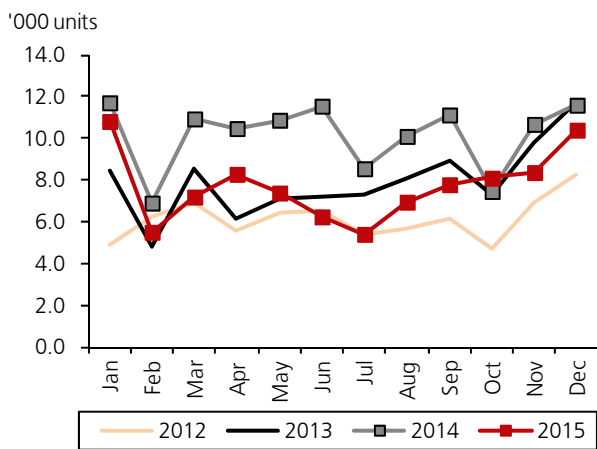
Porsche – monthly sales



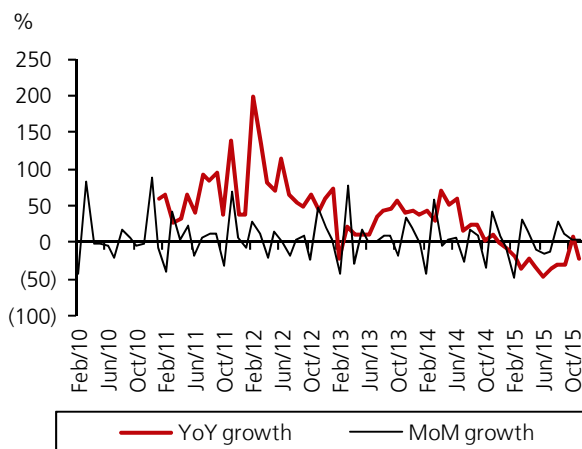
Porsche – monthly sales growth



Jaguar Land Rover – monthly sales



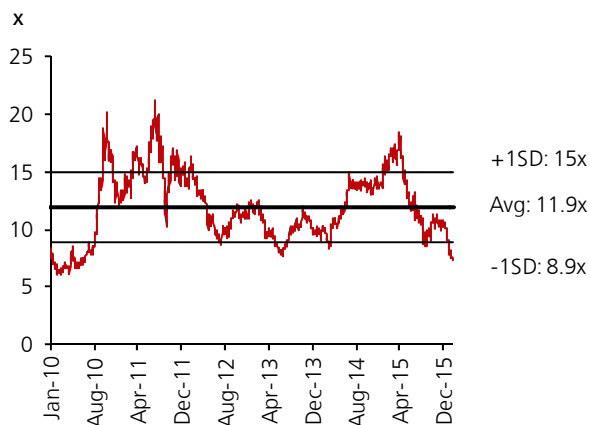
Jaguar Land Rover – monthly sales growth



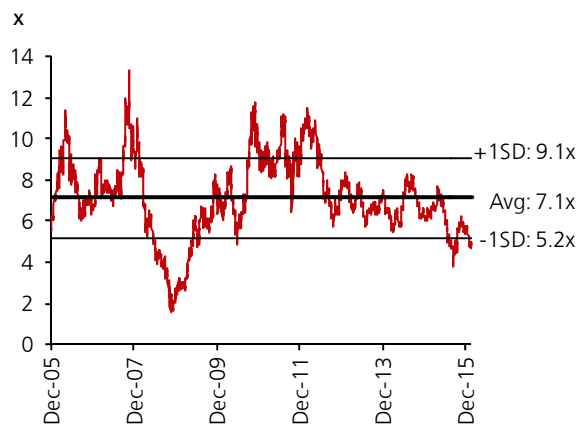
Source: Companies

PE charts

Brilliance China (1114 HK)



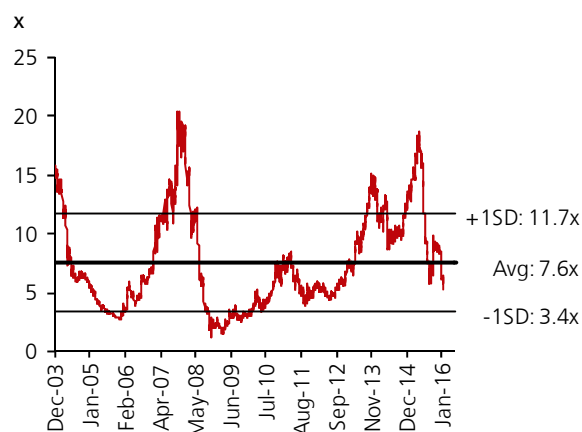
Dongfeng Motor (489 HK)



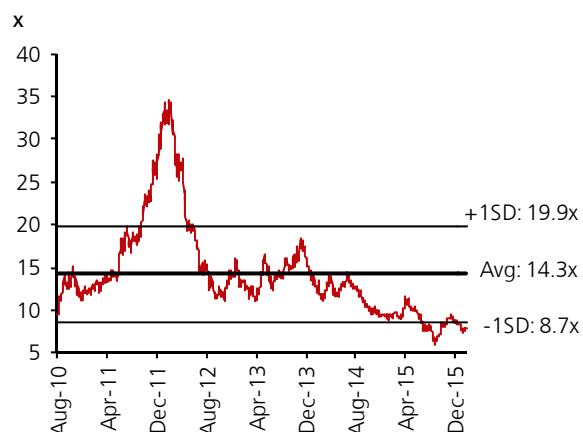
Geely (175 HK)



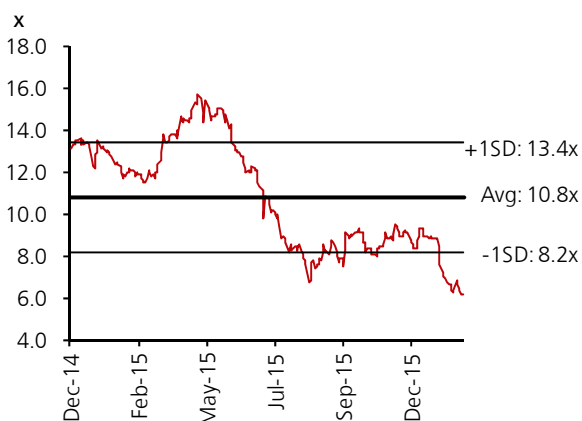
Great Wall Motor (2333 HK)



Guangzhou Auto (2238 HK)



BAIC (1958 HK)



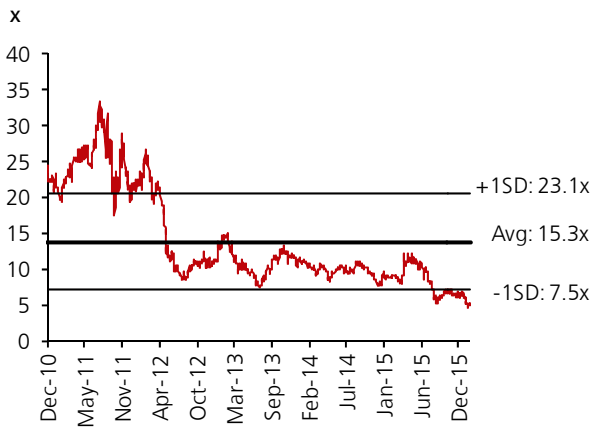
Source: Thomson Reuters, DBS Vickers

Industry Focus

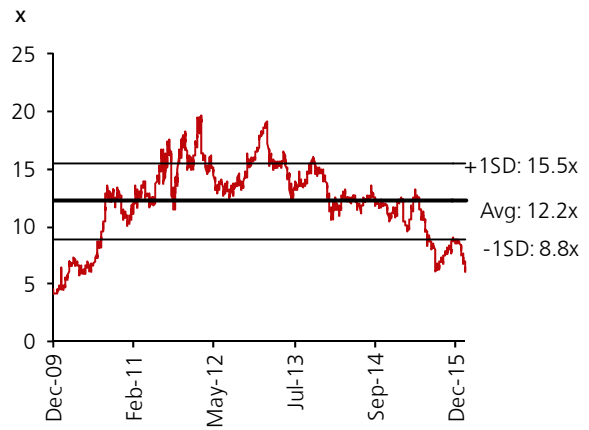
China Auto Sector

PE charts (continued)

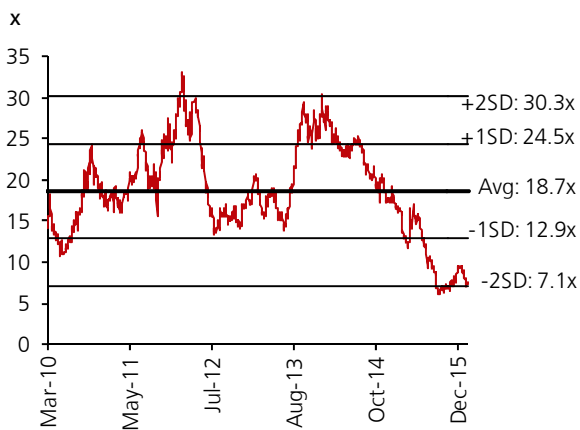
China Zhengtong (1728 HK)



Dah Chong Hong (1828 HK)



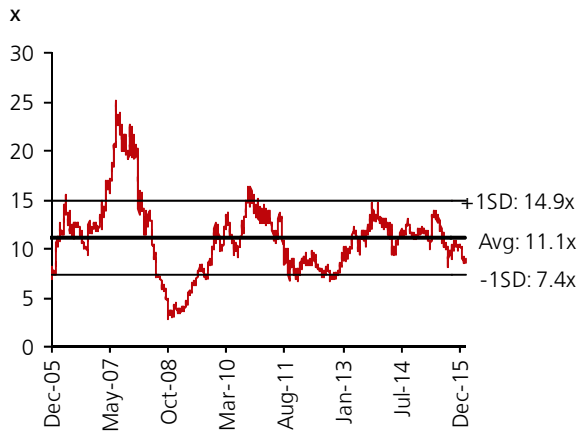
Zhongsheng Group (881 HK)



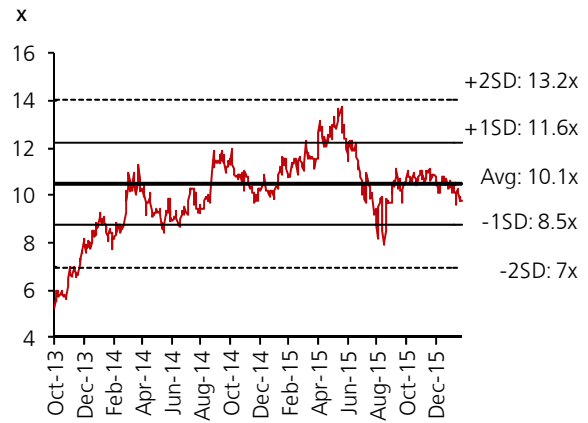
Source: Thomson Reuters, DBS Vickers

PE charts (continued)

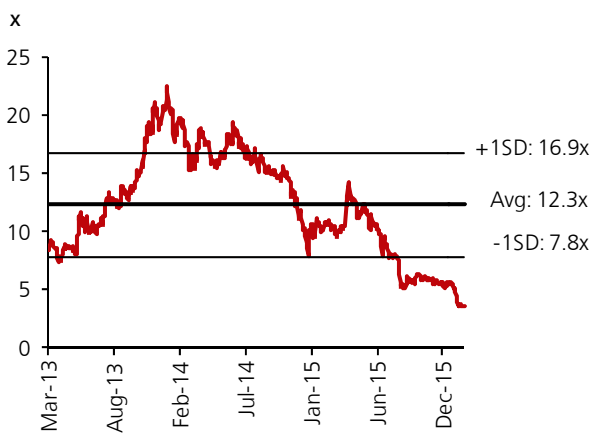
Minth (425 HK)



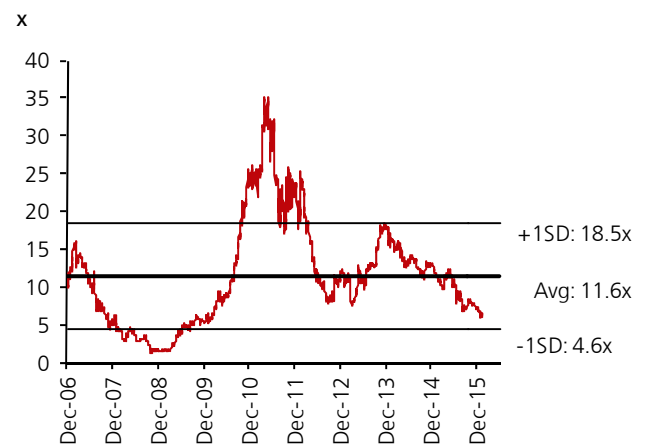
Nexteer Automotive (1316 HK)



Xinchen (1148 HK)



Xingda Int'l (1899 HK)



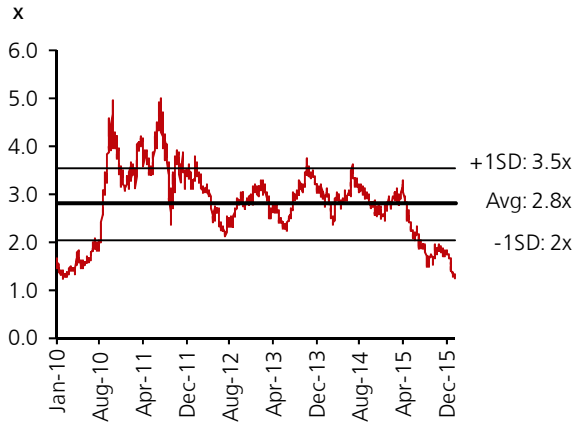
Source: Thomson Reuters, DBS Vickers

Industry Focus

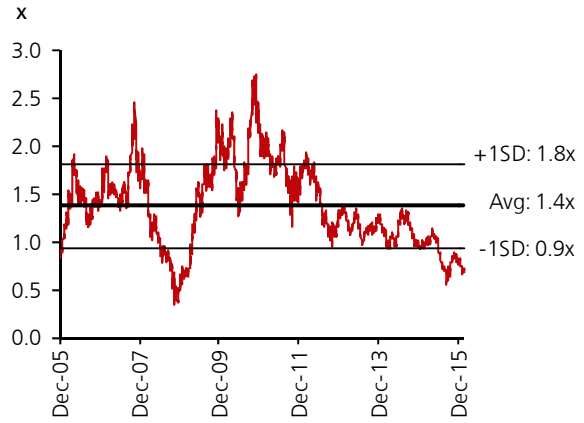
China Auto Sector

PB charts

Brilliance China (1114 HK)



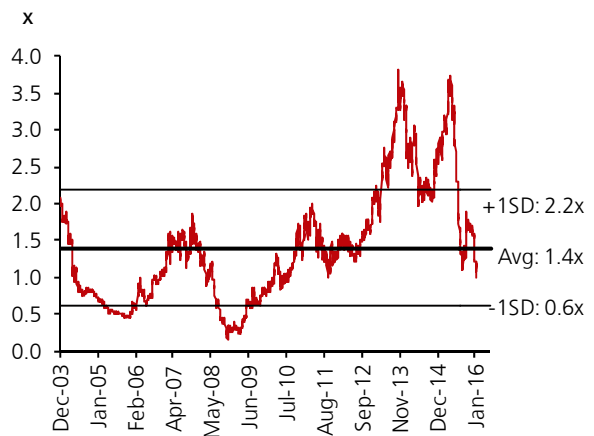
Dongfeng Motor (489 HK)



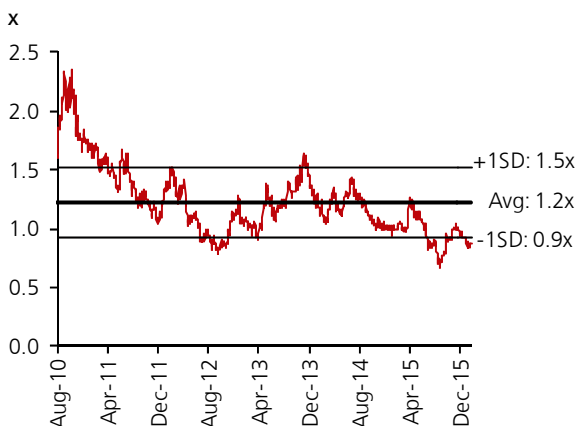
Geely (175 HK)



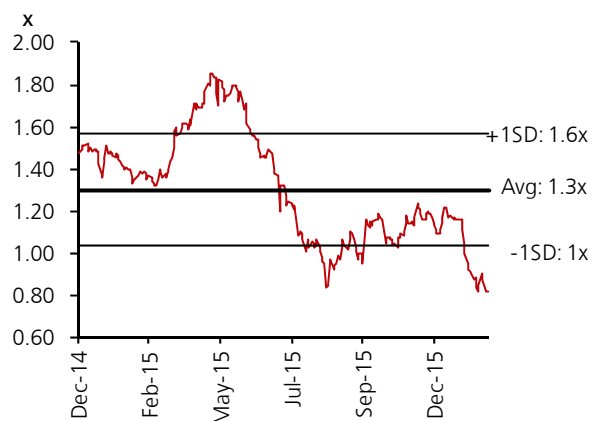
Great Wall Motor (2333 HK)



Guangzhou Auto (2238 HK)



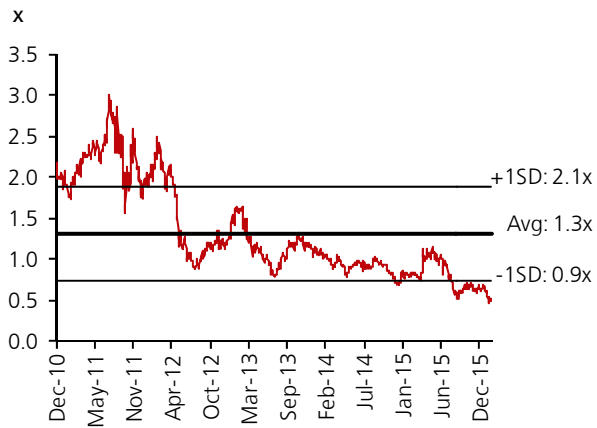
BAIC (1958 HK)



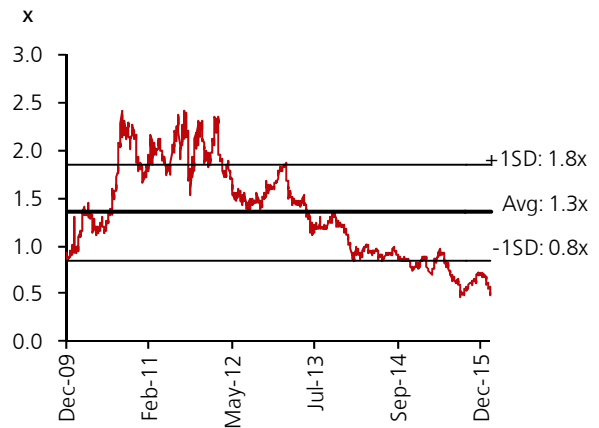
Source: Thomson Reuters, DBS Vickers

PB charts (continued)

China Zhengtong (1728 HK)



Dah Chong Hong (1828 HK)



Zhongsheng Group (881 HK)



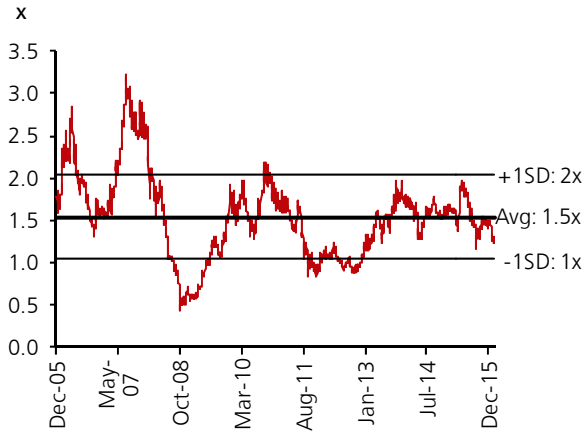
Source: Thomson Reuters, DBS Vickers

Industry Focus

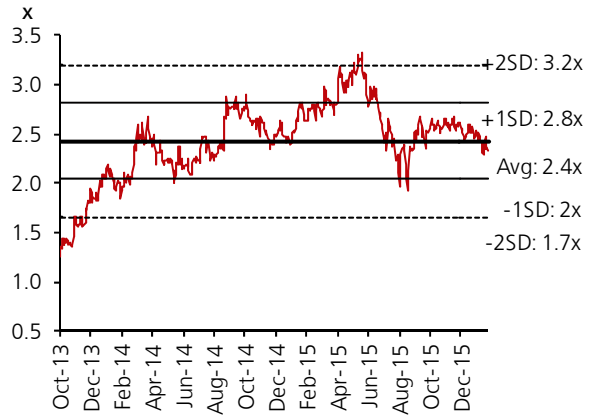
China Auto Sector

PB charts (continued)

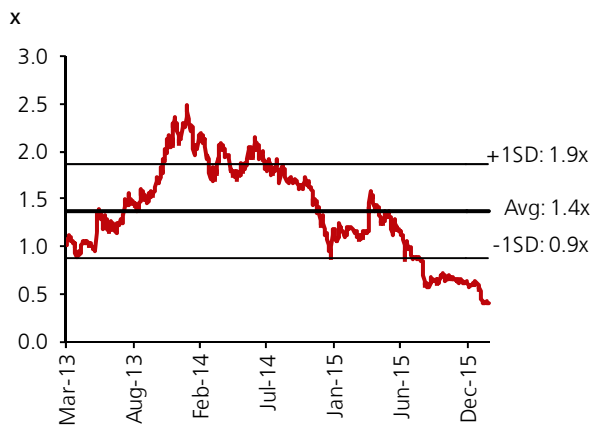
Minth (425 HK)



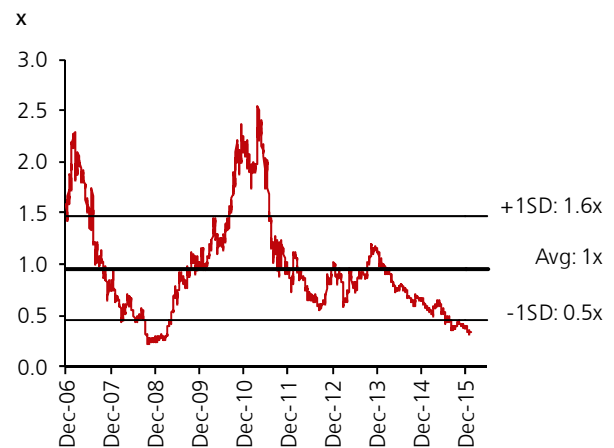
Nexteer (1316 HK)



Xinchen (1148 HK)



Xingda Int'l (1899 HK)



Source: Thomson Reuters, DBS Vickers

Brilliance China (1114 HK EQUITY, HK\$7.43, BUY, Target Price HK\$ 9.95)

Forecast & Valuation

FY Dec (RMB m)	2014A	2015F	2016F	2017F
Turnover	5,515	5,155	5,823	6,130
EBITDA	5,583	3,922	4,325	4,924
Pre-tax Profit	5,343	3,634	4,186	4,790
Net Profit	5,403	3,743	4,246	4,833
Net Pft (Pre Ex.)	5,403	3,743	4,246	4,833
EPS (RMB)	1.08	0.74	0.84	0.96
EPS (HK\$)	1.27	0.88	1.00	1.14
EPS Gth (%)	60.1	(30.7)	13.4	13.8
Diluted EPS (HK\$)	1.27	0.88	1.00	1.13
DPS (HK\$)	0.10	0.13	0.10	0.11
BV Per Share (HK\$)	3.99	4.87	5.87	7.01
PE (X)	5.8	8.4	7.4	6.5
P/Cash Flow (X)	43.8	nm	nm	nm
P/Free CF (X)	nm	nm	nm	nm
EV/EBITDA (X)	5.8	8.2	7.3	6.3
Net Div Yield (%)	1.4	1.8	1.3	1.4
P/Book Value (X)	1.9	1.5	1.3	1.1
Net Debt/Equity (X)	0.1	0.1	0.1	0.0
ROAE (%)	36.1	19.9	18.6	17.7

Earnings Rev (%)		(11)	(21)	New
Consensus EPS (RMB)		0.76	0.94	1.11
Other Broker Recs:		B: 14	S: 4	H: 10

Income Statement (RMB m)

FY Dec	2014A	2015F	2016F	2017F
Turnover	5,515	5,155	5,823	6,130
Cost of Goods Sold	(4,952)	(4,845)	(5,357)	(5,639)
Gross Profit	562	309	466	490
Other Opg (Exp)/Inc	(883)	(855)	(917)	(905)
Operating Profit	(320)	(546)	(451)	(414)
Other Non Opg (Exp)/Inc	0	0	0	0
Associates & JV Inc	5,766	4,321	4,776	5,338
Net Interest (Exp)/Inc	(103)	(142)	(139)	(134)
Dividend Income	0	0	0	0
Exceptional Gain/(Loss)	0	0	0	0
Pre-tax Profit	5,343	3,634	4,186	4,790
Tax	(43)	(45)	(47)	(50)
Minority Interest	103	155	108	93
Preference Dividend	0	0	0	0
Net Profit	5,403	3,743	4,246	4,833
Net profit before Except.	5,403	3,743	4,246	4,833
EBITDA	5,583	3,922	4,325	4,924
Sales Gth (%)	(9.6)	(6.5)	13.0	5.3
EBITDA Gth (%)	57.0	(29.8)	10.3	13.8
Opg Profit Gth (%)	(42.2)	(70.5)	17.4	8.1
Effective Tax Rate (%)	0.8	1.2	1.1	1.0

Cash Flow Statement (RMB m)

FY Dec	2014A	2015F	2016F	2017F
Pre-Tax Profit	5,343	3,634	4,186	4,790
Dep. & Amort.	138	147	162	179
Tax Paid	(47)	(21)	(23)	(24)
Assoc. & JV Inc/(loss)	(5,766)	(4,321)	(4,776)	(5,338)
(Pft)/ Loss on disposal of FAs	0	0	0	0
Chg in Wkg.Cap.	1,029	(166)	(181)	(198)
Other Operating CF	22	142	139	134
Net Operating CF	720	(587)	(492)	(457)
Capital Exp.(net)	(737)	(590)	(472)	(519)
Other Invts.(net)	0	0	0	0
Invts in Assoc. & JV	0	0	0	0
Div from Assoc & JV	1,355	1,374	1,442	1,514
Other Investing CF	(354)	25	26	29
Net Investing CF	264	809	996	1,025
Div Paid	(437)	0	0	0
Chg in Gross Debt	(105)	0	0	0
Capital Issues	0	0	0	0
Other Financing CF	(167)	(167)	(165)	(163)
Net Financing CF	(709)	(167)	(165)	(163)
Currency Adjustments	0	0	0	0
Chg in Cash	275	56	339	404

Source: Company, DBS Vickers

General Data

At A Glance

Issued Capital (m shrs)	5,037
Mkt. Cap (HK\$m/US\$m)	37,428 / 4,810
Major Shareholders	
Huachen Auto (%)	42.5
Templeton Asset Management (%)	13.9
Free Float (%)	43.6
Avg. Daily Vol.('000)	12,048

Balance Sheet (RMB m)

FY Dec	2014A	2015F	2016F	2017F
Net Fixed Assets	1,960	2,443	2,793	3,175
Invts in Assocs & JVs	12,764	15,712	19,045	22,869
Other LT Assets	2,138	2,098	2,058	2,016
Cash & ST Invts	1,325	1,380	1,719	2,123
Inventory	797	876	964	1,060
Debtors	1,194	1,285	1,385	1,494
Other Current Assets	3,029	3,095	3,163	3,233
Total Assets	23,207	26,889	31,126	35,970
ST Debt	3,223	3,186	3,149	3,114
Other Current Liab	3,911	4,042	4,177	4,316
LT Debt	0	0	0	0
Other LT Liabilities	119	119	119	119
Shareholder's Equity	16,931	20,674	24,921	29,753
Minority Interests	(977)	(1,132)	(1,240)	(1,332)
Total Cap. & Liab.	23,207	26,889	31,126	35,970
Non-Cash Wkg. Cap	1,109	1,214	1,334	1,471
Net Cash/(Debt)	(1,898)	(1,806)	(1,431)	(991)

Key Assumptions

FY Dec	2014A	2015F	2016F	2017F
Key Assumptions				
Sales volume ('000)				
Minibuses - Jinbei	77.7	73.8	71.6	69.5
BMW	278.5	287.0	315.7	347.3
BMW net margin (%)	11.7	8.5	9.0	9.5

Industry Focus

China Auto Sector

China ZhengTong Auto (1728 HK Equity, HK\$2.86, BUY, Target Price HK\$ 4.30)

Forecast & Valuation

FY Dec (RMB m)	2014A	2015F	2016F	2017F
Turnover	30,910	29,897	32,062	35,142
EBITDA	1,975	1,837	2,180	2,483
Pre-tax Profit	1,175	1,161	1,473	1,763
Net Profit	804	800	994	1,189
Net Pft (Pre Ex.)	804	800	994	1,189
EPS (RMB)	0.36	0.36	0.45	0.54
EPS (HK\$)	0.43	0.43	0.53	0.64
EPS Gth (%)	(4.1)	(0.5)	24.3	19.7
Diluted EPS (HK\$)	0.43	0.43	0.53	0.64
DPS (HK\$)	0.10	0.09	0.11	0.13
BV Per Share (HK\$)	4.38	4.80	5.34	5.97
PE (X)	6.6	6.7	5.4	4.5
P/Cash Flow (X)	6.1	5.5	4.5	3.4
P/Free CF (X)	22.7	nm	13.9	6.8
EV/EBITDA (X)	5.3	6.2	5.4	4.6
Net Div Yield (%)	3.4	3.0	3.7	4.5
P/Book Value (X)	0.7	0.6	0.5	0.5
Net Debt/Equity (X)	0.6	0.6	0.6	0.5
ROAE (%)	10.2	9.3	10.5	11.3

Earnings Rev (%)	Nil	Nil	Nil
Consensus EPS (RMB):	0.35	0.43	0.50
Other Broker Recs:	B: 14	S: 0	H: 1

Income Statement (RMB m)

FY Dec	2014A	2015F	2016F	2017F
Turnover	30,910	29,897	32,062	35,142
Cost of Goods Sold	(28,185)	(27,252)	(29,051)	(31,719)
Gross Profit	2,726	2,645	3,011	3,423
Other Opg (Exp)/Inc	(1,120)	(1,050)	(1,077)	(1,193)
Operating Profit	1,605	1,595	1,934	2,230
Other Non Opg (Exp)/Inc	0	0	0	0
Associates & JV Inc	24	25	26	26
Net Interest (Exp)/Inc	(454)	(459)	(486)	(493)
Dividend Income	0	0	0	0
Exceptional Gain/(Loss)	0	0	0	0
Pre-tax Profit	1,175	1,161	1,473	1,763
Tax	(352)	(337)	(427)	(511)
Minority Interest	(20)	(25)	(52)	(63)
Preference Dividend	0	0	0	0
Net Profit	804	800	994	1,189
Net profit before Except.	804	800	994	1,189
EBITDA	1,975	1,837	2,180	2,483
Sales Gth (%)	3.6	(3.3)	7.2	9.6
EBITDA Gth (%)	(0.2)	(7.0)	18.7	13.9
Opg Profit Gth (%)	(3.2)	(0.7)	21.3	15.3
Effective Tax Rate (%)	29.9	29.0	29.0	29.0

Cash Flow Statement (RMB m)

FY Dec	2014A	2015F	2016F	2017F
Pre-Tax Profit	1,175	1,161	1,473	1,763
Dep. & Amort.	345	217	220	227
Tax Paid	(257)	(352)	(337)	(427)
Assoc. & JV Inc/(loss)	(24)	(25)	(26)	(26)
(Pft)/ Loss on disposal of FAs	0	0	0	0
Chg in Wkg.Cap.	(793)	(440)	(580)	(391)
Other Operating CF	429	407	434	440
Net Operating CF	874	969	1,185	1,586
Capital Exp.(net)	(639)	(1,000)	(800)	(800)
Other Invt.(net)	0	0	0	0
Invt in Assoc. & JV	0	0	0	0
Div from Assoc & JV	0	0	0	0
Other Investing CF	(674)	(451)	(277)	(80)
Net Investing CF	(1,312)	(1,451)	(1,077)	(880)
Div Paid	(194)	0	0	0
Chg in Gross Debt	1,073	500	300	(200)
Capital Issues	0	0	0	0
Other Financing CF	(490)	(431)	(457)	(460)
Net Financing CF	388	69	(157)	(660)
Currency Adjustments	17	0	0	0
Chg in Cash	(33)	(413)	(48)	46

General Data

At A Glance

Issued Capital (m shrs)	2,210
Mkt. Cap (HK\$/US\$m)	6,321 / 812
Major Shareholders	
Grand Glory (%)	62.2
Free Float (%)	37.8
Avg. Daily Vol.('000)	4,613

Balance Sheet (RMB m)

FY Dec	2014A	2015F	2016F	2017F
Net Fixed Assets	2,756	3,623	4,285	4,941
Invt in Assocs & JVs	190	690	1,015	1,142
Other LT Assets	6,954	6,871	6,788	6,705
Cash & ST Invt	1,466	1,053	1,004	1,050
Inventory	4,346	4,139	4,346	4,564
Debtors	4,807	5,083	5,121	5,068
Other Current Assets	1,663	1,713	1,764	1,817
Total Assets	22,183	23,171	24,324	25,285
ST Debt	4,348	4,848	5,148	4,948
Other Current Liab	6,603	6,266	6,074	5,983
LT Debt	2,032	2,032	2,032	2,032
Other LT Liabilities	903	903	903	903
Shareholder's Equity	8,172	8,972	9,965	11,154
Minority Interests	125	150	202	265
Total Cap. & Liab.	22,183	23,171	24,324	25,285
Non-Cash Wkg. Cap	4,214	4,668	5,158	5,465
Net Cash/(Debt)	(4,913)	(5,827)	(6,175)	(5,929)

Segmental Breakdown (RMB m) / Key Assumptions

FY Dec	2014A	2015F	2016F	2017F
Revenues (RMB m)				
New car sales	27,130	25,543	27,007	29,303
After-sales services	3,180	3,657	4,205	4,836
Logistics services & lubricant oil trading	600	687	790	912
Interest from financial services	0	10	60	90
Total	30,910	29,897	32,062	35,142
Gross Profit (RMB m)				
New car sales	1,139	816	859	926
After-sales services	1,507	1,737	1,997	2,297
Logistics services & lubricant oil trading	90	82	95	109
Interest from financial services	0	5	30	45
Total	2,736	2,640	2,981	3,378
Gross Profit Margins (%)				
New car sales	4.2	3.2	3.2	3.2
After-sales services	47.4	47.5	47.5	47.5
Logistics services & lubricant oil trading	15.0	12.0	12.0	12.0
Interest from financial services	N/A	50.0	50.0	50.0
Total	8.9	8.8	9.3	9.6
Key Assumptions				
Premium brands (units)	59,613.0	59,016.9	63,738.2	70,112.0
Middle market brands (units)	28,279.0	28,137.6	29,263.1	30,726.3

Source: Company, DBS Vickers

Dah Chong Hong (1828 HK Equity, HK\$2.93, BUY, Target Price HK\$ 3.70)

Forecast & Valuation

FY Dec (HK\$ m)	2014A	2015F	2016F	2017F
Turnover	46,489	46,896	49,458	52,930
EBITDA	1,900	1,624	1,856	2,109
Pre-tax Profit	1,094	1,003	1,237	1,395
Net Profit	750	676	832	951
Net Pft (Pre Ex.)	730	676	832	951
EPS (HK\$)	0.41	0.37	0.45	0.52
EPS (HK\$)	0.41	0.37	0.45	0.52
EPS Gth (%)	(16.8)	(9.9)	23.1	14.4
Diluted EPS (HK\$)	0.41	0.37	0.45	0.52
DPS (HK\$)	0.16	0.11	0.14	0.16
BV Per Share (HK\$)	5.09	5.30	5.64	6.02
PE (X)	7.2	7.9	6.5	5.6
P/Cash Flow (X)	nm	2.5	6.4	5.6
P/Free CF (X)	nm	3.7	16.1	11.6
EV/EBITDA (X)	6.8	7.6	6.7	6.0
Net Div Yield (%)	5.4	3.8	4.7	5.3
P/Book Value (X)	0.6	0.6	0.5	0.5
Net Debt/Equity (X)	0.7	0.6	0.6	0.6
ROAE (%)	8.2	7.1	8.3	8.9

Earnings Rev (%)		(3)	2	New
Consensus EPS (HK\$):		0.40	0.41	0.42
Other Broker Recs:		B: 2	S: 2	H: 0

Income Statement (HK\$ m)

FY Dec	2014A	2015F	2016F	2017F
Turnover	46,489	46,896	49,458	52,930
Cost of Goods Sold	(41,235)	(41,597)	(43,820)	(46,790)
Gross Profit	5,254	5,299	5,638	6,140
Other Opg (Exp)/Inc	(3,864)	(4,054)	(4,184)	(4,451)
Operating Profit	1,390	1,245	1,454	1,689
Other Non Opg (Exp)/Inc	(74)	0	0	0
Associates & JV Inc	11	12	13	14
Net Interest (Exp)/Inc	(253)	(253)	(230)	(307)
Dividend Income	0	0	0	0
Exceptional Gain/(Loss)	20	0	0	0
Pre-tax Profit	1,094	1,003	1,237	1,395
Tax	(272)	(301)	(371)	(405)
Minority Interest	(72)	(27)	(35)	(40)
Preference Dividend	0	0	0	0
Net Profit	750	676	832	951
Net profit before Except.	730	676	832	951
EBITDA	1,900	1,624	1,856	2,109
Sales Gth (%)	10.0	0.9	5.5	7.0
EBITDA Gth (%)	(7.0)	(14.5)	14.3	13.6
Opg Profit Gth (%)	(3.0)	(10.4)	16.8	16.1
Effective Tax Rate (%)	24.9	30.0	30.0	29.0

Cash Flow Statement (HK\$ m)

FY Dec	2014A	2015F	2016F	2017F
Pre-Tax Profit	1,094	1,003	1,237	1,395
Dep. & Amort.	574	369	390	408
Tax Paid	(195)	(166)	(301)	(371)
Assoc. & JV Inc/(loss)	(11)	(12)	(13)	(14)
(Pft)/ Loss on disposal of FAs	0	0	0	0
Chg in Wkg.Cap.	(2,482)	692	(708)	(761)
Other Operating CF	201	251	228	305
Net Operating CF	(819)	2,138	833	963
Capital Exp.(net)	(893)	(700)	(500)	(500)
Other Invt.(net)	501	(295)	0	0
Invt in Assoc. & JV	0	0	0	0
Div from Assoc & JV	0	0	0	0
Other Investing CF	(118)	12	21	15
Net Investing CF	(510)	(983)	(479)	(485)
Div Paid	(366)	(291)	(203)	(250)
Chg in Gross Debt	1,292	200	(500)	(300)
Capital Issues	0	0	0	0
Other Financing CF	(252)	(192)	(251)	(322)
Net Financing CF	674	(283)	(954)	(872)
Currency Adjustments	(16)	0	0	0
Chg in Cash	(671)	872	(599)	(394)

General Data

At A Glance

Issued Capital (m shrs)	1,832
Mkt. Cap (HK\$/US\$m)	5,368 / 690
Major Shareholders	
CITIC Group (%)	56.1
Free Float (%)	43.9
Avg. Daily Vol.('000)	1,737

Balance Sheet (HK\$ m)

FY Dec	2014A	2015F	2016F	2017F
Net Fixed Assets	3,821	4,208	4,370	4,513
Invt in Assocs & JVs	765	777	790	804
Other LT Assets	2,156	2,318	2,267	2,218
Cash & ST Invt	1,493	2,371	1,771	1,377
Inventory	8,723	8,287	8,701	9,136
Debtors	6,668	7,135	7,706	8,322
Other Current Assets	5	5	5	5
Total Assets	23,631	25,099	25,610	26,375
ST Debt	5,402	5,602	5,102	4,802
Other Current Liab	4,983	5,841	6,188	6,512
LT Debt	3,259	3,259	3,259	3,259
Other LT Liabilities	224	224	224	224
Shareholder's Equity	9,322	9,706	10,335	11,036
Minority Interests	441	468	502	542
Total Cap. & Liab.	23,631	25,099	25,610	26,375
Non-Cash Wkg. Cap	10,413	9,586	10,224	10,951
Net Cash/(Debt)	(7,168)	(6,490)	(6,590)	(6,684)

Segmental Breakdown (HK\$ m) / Key Assumptions

FY Dec	2014A	2015F	2016F	2017F
Revenues (HK\$ m)				
Motor & Motor-related	36,012	34,964	36,401	38,435
Business				
Food & Consumer Products	10,445	11,899	13,022	14,459
Others	32	34	35	37
Total	46,489	46,896	49,458	52,930
Segment operating profit				
Motor & Motor-related	1,104	1,088	1,196	1,288
Business				
Food & Consumer Products	329	165	230	341
Others	65	85	93	102
Total	1,498	1,338	1,519	1,731
Segment operating profit				
Motor & Motor-related	3.1	3.1	3.3	3.4
Business				
Food & Consumer Products	3.1	1.4	1.8	2.4
Others	203.1	251.5	263.5	276.0
Total	3.2	2.9	3.1	3.3
Key Assumptions				
Total vehicle sales (units)	115,282.1	114,469.9	119,511.2	126,753.6
Auto ASP (HK\$'000/unit)	312.4	305.4	304.6	303.2

Source: Company, DBS Vickers

Industry Focus

China Auto Sector

Dongfeng Motor Group (489 HK EQUITY, HK\$9.12, BUY, Target Price HK\$ 13.50)

Forecast & Valuation

FY Dec (RMB m)	2014A	2015F	2016F	2017F
Turnover	80,954	132,140	141,360	151,392
EBITDA	15,635	16,531	17,734	18,955
Pre-tax Profit	14,683	14,988	16,069	17,242
Net Profit	12,845	13,007	13,949	14,830
Net Pft (Pre Ex.)	12,845	13,007	13,949	14,830
EPS (RMB)	1.49	1.51	1.62	1.72
EPS (HK\$)	1.76	1.79	1.92	2.04
EPS Gth (%)	22.0	1.3	7.2	6.3
Diluted EPS (HK\$)	1.76	1.79	1.92	2.04
DPS (HK\$)	0.24	0.24	0.24	0.24
BV Per Share (HK\$)	10.14	11.69	13.37	15.17
PE (X)	5.2	5.1	4.8	4.5
P/Cash Flow (X)	nm	nm	nm	nm
P/Free CF (X)	nm	nm	nm	nm
EV/EBITDA (X)	3.6	3.2	2.7	2.3
Net Div Yield (%)	2.6	2.6	2.6	2.6
P/Book Value (X)	0.9	0.8	0.7	0.6
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
ROAE (%)	18.8	16.4	15.3	14.3

Earnings Rev (%)	Nil	Nil	Nil
Consensus EPS (RMB):	1.58	1.86	1.70
Other Broker Recs:	B: 22	S: 0	H: 3

Income Statement (RMB m)

FY Dec	2014A	2015F	2016F	2017F
Turnover	80,954	132,140	141,360	151,392
Cost of Goods Sold	(70,244)	(114,301)	(121,569)	(130,197)
Gross Profit	10,710	17,839	19,790	21,195
Other Opg (Exp)/Inc	(9,282)	(14,326)	(15,474)	(16,178)
Operating Profit	1,428	3,513	4,316	5,016
Other Non Opg (Exp)/Inc	0	0	0	0
Associates & JV Inc	12,751	11,709	12,029	12,510
Net Interest (Exp)/Inc	504	(233)	(277)	(284)
Dividend Income	0	0	0	0
Exceptional Gain/(Loss)	0	0	0	0
Pre-tax Profit	14,683	14,988	16,069	17,242
Tax	(1,365)	(1,082)	(1,131)	(1,325)
Minority Interest	(473)	(899)	(989)	(1,087)
Preference Dividend	0	0	0	0
Net Profit	12,845	13,007	13,949	14,830
Net profit before Except.	12,845	13,007	13,949	14,830
EBITDA	15,635	16,531	17,734	18,955
Sales Gth (%)	117.3	63.2	7.0	7.1
EBITDA Gth (%)	34.3	5.7	7.3	6.9
Opg Profit Gth (%)	N/A	146.0	22.9	16.2
Effective Tax Rate (%)	9.3	7.2	7.0	7.7

Cash Flow Statement (RMB m)

FY Dec	2014A	2015F	2016F	2017F
Pre-Tax Profit	14,683	14,988	16,069	17,242
Dep. & Amort.	1,456	1,309	1,388	1,428
Tax Paid	(1,144)	(1,365)	(1,082)	(1,131)
Assoc. & JV Inc/(loss)	(12,751)	(11,709)	(12,029)	(12,510)
(Pft)/ Loss on disposal of FAs	(1,189)	(271)	(276)	(269)
Chg in Wkg.Cap.	(1,643)	(4,851)	(5,152)	(5,534)
Other Operating CF	(397)	(233)	(277)	(284)
Net Operating CF	(985)	(2,132)	(1,360)	(1,058)
Capital Exp.(net)	(3,105)	(2,000)	(2,000)	(2,000)
Other Invts.(net)	0	0	0	0
Invts in Assoc. & JV	(10,232)	(300)	(100)	(99)
Div from Assoc & JV	9,871	10,068	10,270	10,475
Other Investing CF	(278)	505	553	553
Net Investing CF	(3,744)	8,273	8,723	8,929
Div Paid	(1,551)	(1,723)	(1,723)	(1,723)
Chg in Gross Debt	9,704	500	500	500
Capital Issues	0	0	0	0
Other Financing CF	70	577	0	0
Net Financing CF	8,223	(646)	(1,223)	(1,223)
Currency Adjustments	0	0	0	0
Chg in Cash	3,494	5,495	6,140	6,648

General Data

Issued Capital - H shares (m shs)	2,856
- Non H shrs (m shs)	5,760
H shs as a % of Total	33
Total Mkt. Cap (HK\$m/US\$m)	78,579 / 10,099
Major Shareholders	
Dongfeng Motor Corp. (%)	66.9
Major H Shareholders (%)	
JPMorgan Chase & Co. (%)	9.9
Standard Chartered Holding Limited (%)	9.8
BlackRock, Inc. (%)	7.6
Prudential plc (%)	7.0
Edinburgh Partners Limited (%)	5.4
H Shares-Free Float (%)	60.3
Avg. Daily Vol.('000)	14,720

Balance Sheet (RMB m)

FY Dec	2014A	2015F	2016F	2017F
Net Fixed Assets	11,862	11,996	12,628	13,220
Invts in Assocs & JVs	49,506	51,446	53,306	55,439
Other LT Assets	15,669	15,649	15,629	15,609
Cash & ST Invts	28,858	34,353	40,492	47,140
Inventory	9,874	10,861	11,948	13,142
Debtors	28,744	32,007	35,673	39,800
Other Current Assets	2,463	2,709	2,980	3,278
Total Assets	146,976	159,022	172,656	187,629
ST Debt	17,354	17,854	18,354	18,854
Other Current Liab	50,849	50,211	50,132	50,411
LT Debt	350	350	350	350
Other LT Liabilities	2,988	2,988	2,988	2,988
Shareholder's Equity	73,814	85,098	97,324	110,431
Minority Interests	1,621	2,520	3,508	4,596
Total Cap. & Liab.	146,976	159,022	172,656	187,629
Non-Cash Wkg. Cap	(9,768)	(4,634)	469	5,810
Net Cash/(Debt)	11,154	16,149	21,788	27,936

Segmental Breakdown (RMB m) / Key Assumptions

FY Dec	2014A	2015F	2016F	2017F
Revenues (RMB m)				
Passenger vehicles	104,976	94,740	103,284	112,485
Commercial vehicles	10,314	7,464	7,753	8,054
Financial business	363	617	926	1,111
Total JCE revenue	114,257	101,514	110,601	120,202
Gross profit (RMB m)				
Passenger vehicles	24,144	21,316	22,722	24,747
Commercial vehicles	1,547	1,120	1,163	1,208
Total	25,692	22,436	23,885	25,955
Gross profit Margins (%)				
Passenger vehicles	23.0	22.5	22.0	22.0
Commercial vehicles	15.0	15.0	15.0	15.0
Total	24.2	24.0	23.0	23.0

Key Assumptions

DF Nissan ('000 units)	954.2	877.8	921.7	995.4
DF Honda ('000 units)	308.2	332.9	356.2	381.1
DF PSA ('000 units)	704.0	760.3	828.8	895.1
DF self - PV ('000 units)	321.0	373.9	411.3	452.5
DF self - CV ('000 units)	287.4	273.1	281.3	289.7

Source: Company, DBS Vickers

Geely Automobile Holdings (175 HK EQUITY, HK\$3.30, HOLD, Target Price HK\$ 3.30)

Forecast & Valuation

FY Dec (RMB m)	2014A	2015F	2016F	2017F
Turnover	21,738	25,891	30,693	34,417
EBITDA	2,841	3,653	4,479	5,058
Pre-tax Profit	1,943	2,843	3,568	4,053
Net Profit	1,431	2,279	2,859	3,242
Net Pft (Pre Ex.)	1,431	2,279	2,859	3,242
EPS (RMB)	0.16	0.26	0.32	0.37
EPS (HK\$)	0.19	0.31	0.38	0.44
EPS Gth (%)	(48.8)	59.3	25.4	13.4
Diluted EPS (HK\$)	0.19	0.31	0.38	0.44
DPS (HK\$)	0.02	0.05	0.06	0.07
BV Per Share (HK\$)	2.32	2.61	2.95	3.32
PE (X)	17.2	10.8	8.6	7.6
P/Cash Flow (X)	12.1	8.9	8.2	6.5
P/Free CF (X)	20.6	98.6	20.7	12.6
EV/EBITDA (X)	7.0	5.6	4.5	3.8
Net Div Yield (%)	0.7	1.4	1.7	2.0
P/Book Value (X)	1.4	1.3	1.1	1.0
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
ROAE (%)	8.6	12.4	13.8	13.9

Earnings Rev (%)	(10)	1	New
Consensus EPS (RMB)	0.28	0.37	0.43
Other Broker Recs:	B: 20	S: 3	H: 4

General Data

At A Glance

Issued Capital (m shrs)	8,802
Mkt. Cap (HK\$/m/US\$m)	29,047 / 3,733
Major Shareholders	
Li Shu Fu (%)	43.0
JPMorgan Chase & Co. (%)	8.0
Free Float (%)	49.0
Avg. Daily Vol.('000)	58,580

Income Statement (RMB m)

FY Dec	2014A	2015F	2016F	2017F
Turnover	21,738	25,891	30,693	34,417
Cost of Goods Sold	(17,776)	(20,972)	(24,769)	(27,774)
Gross Profit	3,963	4,919	5,924	6,642
Other Opg (Exp)/Inc	(2,028)	(2,053)	(2,323)	(2,543)
Operating Profit	1,935	2,866	3,601	4,099
Other Non Opg (Exp)/Inc	0	0	0	0
Associates & JV Inc	32	37	41	45
Net Interest (Exp)/Inc	(24)	(60)	(74)	(91)
Dividend Income	0	0	0	0
Exceptional Gain/(Loss)	0	0	0	0
Pre-tax Profit	1,943	2,843	3,568	4,053
Tax	(494)	(540)	(678)	(770)
Minority Interest	(19)	(24)	(31)	(41)
Preference Dividend	0	0	0	0
Net Profit	1,431	2,279	2,859	3,242
Net profit before Except.	1,431	2,279	2,859	3,242
EBITDA	2,841	3,653	4,479	5,058
Sales Gth (%)	(24.3)	19.1	18.5	12.1
EBITDA Gth (%)	(35.8)	28.6	22.6	12.9
Opg Profit Gth (%)	(42.3)	48.1	25.7	13.8
Effective Tax Rate (%)	25.4	19.0	19.0	19.0

Cash Flow Statement (RMB m)

FY Dec	2014A	2015F	2016F	2017F
Pre-Tax Profit	1,943	2,843	3,568	4,053
Dep. & Amort.	874	751	837	915
Tax Paid	(497)	(494)	(540)	(678)
Assoc. & JV Inc/(loss)	(32)	(37)	(41)	(45)
(Pft)/ Loss on disposal of FAs	0	0	0	0
Chg in Wkg.Cap.	(960)	(373)	(914)	(588)
Other Operating CF	706	60	74	91
Net Operating CF	2,033	2,749	2,984	3,747
Capital Exp.(net)	(841)	(2,500)	(1,800)	(1,800)
Other Invts.(net)	0	0	0	0
Invts in Assoc. & JV	0	0	0	0
Div from Assoc & JV	0	0	0	0
Other Investing CF	(626)	(300)	(500)	(500)
Net Investing CF	(1,468)	(2,800)	(2,300)	(2,300)
Div Paid	(320)	(174)	(342)	(429)
Chg in Gross Debt	1,540	0	500	500
Capital Issues	0	0	0	0
Other Financing CF	(48)	(60)	(74)	(91)
Net Financing CF	1,172	(234)	84	(20)
Currency Adjustments	(12)	0	0	0
Chg in Cash	1,725	(285)	768	1,428

Source: Company, DBS Vickers

Balance Sheet (RMB m)

FY Dec	2014A	2015F	2016F	2017F
Net Fixed Assets	5,861	7,919	9,196	10,402
Invts in Assocs & JVs	691	728	768	813
Other LT Assets	5,426	5,416	5,601	5,780
Cash & ST Invts	7,251	6,966	7,734	9,161
Inventory	1,620	1,781	1,995	2,235
Debtors	12,816	13,540	14,424	15,372
Other Current Assets	3,617	3,974	4,367	4,714
Total Assets	37,280	40,324	44,086	48,477
ST Debt	692	692	692	692
Other Current Liab	17,153	18,068	18,782	19,819
LT Debt	1,820	1,820	2,320	2,820
Other LT Liabilities	149	149	149	149
Shareholder's Equity	17,288	19,393	21,910	24,723
Minority Interests	178	202	234	275
Total Cap. & Liab.	37,280	40,324	44,086	48,477
Non-Cash Wkg. Cap	899	1,227	2,005	2,501
Net Cash/(Debt)	4,739	4,454	4,722	5,650

Segmental Breakdown (RMB m) / Key Assumptions

FY Dec	2014A	2015F	2016F	2017F
Revenues (RMB m)				
Auto & related parts	21,738	25,891	30,693	34,417
Gearbox	0	0	0	0
Total	21,738	25,891	30,693	34,417

Key Assumptions

Car sales ('000 units)	417.9	510.1	599.4	659.3
Blended ASP (RMB/unit)	47,487.4	50,336.6	50,840.0	51,856.8

Industry Focus

China Auto Sector

Great Wall Motor (2333 HK EQUITY, HK\$5.91, HOLD, Target Price HK\$ 5.6)

Great Wall Motor-A(601633 CH EQUITY, RMB8.34, HOLD, Target Price RMB7.70)

Forecast & Valuation

FY Dec (RMB m)	2014A	2015F	2016F	2017F
Turnover	62,599	76,033	89,270	98,075
EBITDA	11,195	11,740	13,165	14,230
Pre-tax Profit	9,640	9,698	11,300	12,357
Net Profit	8,042	8,040	9,308	10,241
Net Pft (Pre Ex.)	8,042	8,040	9,308	10,241
EPS (RMB)	0.88	0.88	0.93	1.03
EPS (HK\$)	1.04	1.04	1.11	1.22
EPS Gth (%)	(2.2)	0.0	6.1	10.0
Diluted EPS (HK\$)	1.04	1.04	1.11	1.22
DPS (HK\$)	0.32	0.36	0.42	0.46
BV Per Share (HK\$)	4.34	5.06	5.91	6.81
PE (X)	5.7	5.7	5.3	4.9
P/Cash Flow (X)	7.5	6.3	5.6	5.3
P/Free CF (X)	nm	194.4	17.5	14.7
EV/EBITDA (X)	3.9	3.9	3.8	3.5
Net Div Yield (%)	5.3	6.2	7.1	7.9
P/Book Value (X)	1.4	1.2	1.0	0.9
Net Debt/Equity (X)	CASH	0.0	0.0	0.0
ROAE (%)	26.2	22.2	22.0	20.9
Earnings Rev (%)		Nil	Nil	Nil
Consensus EPS (RMB):		0.99	1.05	1.08
Other Broker Recs:		B: 21	S: 4	H: 6

General Data

Issued Capital - H shares (m shs)	3,100
- Non H shrs (m shs)	6,028
H shs as a % of Total	34
Total Mkt. Cap (HK\$m/US\$m)	77,852 / 9,991
Major Shareholders	
Baoding Innovation Great Wall Asset Mgt (%)	56.0
Major H Shareholders (%)	
BlackRock, Inc. (%)	7.1
Invesco Advisers, Inc. (%)	6.4
JPMorgan Chase & Co. (%)	6.0
H Shares-Free Float (%)	80.5
Avg. Daily Vol.('000)	29,562

Income Statement (RMB m)

FY Dec	2014A	2015F	2016F	2017F
Turnover	62,599	76,033	89,270	98,075
Cost of Goods Sold	(45,252)	(57,657)	(67,836)	(74,654)
Gross Profit	17,347	18,376	21,433	23,421
Other Opg (Exp)/Inc	(7,853)	(8,520)	(10,156)	(11,083)
Operating Profit	9,495	9,856	11,277	12,338
Other Non Opg (Exp)/Inc	0	0	0	0
Associates & JV Inc	16	25	28	30
Net Interest (Exp)/Inc	129	(184)	(5)	(11)
Dividend Income	0	0	0	0
Exceptional Gain/(Loss)	0	0	0	0
Pre-tax Profit	9,640	9,698	11,300	12,357
Tax	(1,599)	(1,649)	(1,977)	(2,101)
Minority Interest	0	(9)	(14)	(15)
Preference Dividend	0	0	0	0
Net Profit	8,042	8,040	9,308	10,241
Net profit before Except.	8,042	8,040	9,308	10,241
EBITDA	11,195	11,740	13,165	14,230
Sales Gth (%)	10.2	21.5	17.4	9.9
EBITDA Gth (%)	1.8	4.9	12.1	8.1
Opg Profit Gth (%)	(3.4)	3.8	14.4	9.4
Effective Tax Rate (%)	16.6	17.0	17.5	17.0

Cash Flow Statement (RMB m)

FY Dec	2014A	2015F	2016F	2017F
Pre-Tax Profit	9,640	9,698	11,300	12,357
Dep. & Amort.	1,684	1,859	1,860	1,861
Tax Paid	(6,547)	(1,599)	(1,649)	(1,977)
Assoc. & JV Inc/(loss)	(16)	(25)	(28)	(30)
(Pft)/ Loss on disposal of FAs	0	0	0	0
Chg in Wkg.Cap.	(3,569)	(2,881)	(2,652)	(2,844)
Other Operating CF	4,904	184	5	11
Net Operating CF	6,096	7,235	8,837	9,378
Capital Exp.(net)	(7,229)	(7,000)	(6,000)	(6,000)
Other Invt.(net)	0	0	0	0
Invt in Assoc. & JV	0	0	0	0
Div from Assoc & JV	0	0	0	0
Other Investing CF	333	364	329	324
Net Investing CF	(6,896)	(6,636)	(5,671)	(5,676)
Div Paid	(2,506)	(2,434)	(2,814)	(3,258)
Chg in Gross Debt	(14)	0	0	0
Capital Issues	55	0	0	0
Other Financing CF	1,155	(235)	(20)	(21)
Net Financing CF	(1,309)	(2,668)	(2,834)	(3,279)
Currency Adjustments	(18)	0	0	0
Chg in Cash	(2,128)	(2,069)	332	422

Source: Company, DBS Vickers

Balance Sheet (RMB m)

FY Dec	2014A	2015F	2016F	2017F
Net Fixed Assets	17,273	17,491	17,705	17,915
Invt in Assocs & JVs	66	91	119	149
Other LT Assets	8,692	13,616	17,542	21,471
Cash & ST Invt	3,394	1,011	1,029	1,138
Inventory	3,470	3,991	4,470	5,006
Debtors	730	803	883	972
Other Current Assets	27,719	30,360	33,032	35,971
Total Assets	61,345	67,363	74,780	82,621
ST Debt	0	0	0	0
Other Current Liab	26,145	26,548	27,456	28,299
LT Debt	1,682	1,682	1,682	1,682
Other LT Liabilities	0	0	0	0
Shareholder's Equity	33,452	39,058	45,552	52,536
Minority Interests	67	75	89	105
Total Cap. & Liab.	61,345	67,363	74,780	82,621
Non-Cash Wkg. Cap	5,775	8,606	10,929	13,650
Net Cash/(Debt)	1,712	(671)	(653)	(544)

Segmental Breakdown (RMB m) / Key Assumptions

FY Dec	2014A	2015F	2016F	2017F
Revenues (RMB m)				
Sales of automobile vehicles	59,346	72,557	85,572	94,133
Sales of parts and compnents	2,433	2,652	2,784	2,923
Others	821	825	913	1,019
Total	62,599	76,033	89,270	98,075

Key Assumptions

Total vehicles sales ('000 units)	730.8	852.7	949.8	1,038.8
Pick-up trucks	118.3	99.5	81.6	75.0
SUVs	519.4	699.0	824.9	923.9
Sedan	93.0	54.2	43.3	39.9

Guangzhou Automobile Group (2238 HK Equity, HK\$6.51, BUY, Target Price HK\$ 7.50)
Guangzhou Automobile Group (601238 CH Equity, RMB19.81, FULLY VALUED, Target Price RMB 15.80)

Forecast & Valuation

FY Dec (RMB m)	2014A	2015F	2016F	2017F
Turnover	22,376	31,551	35,861	39,503
EBITDA	4,575	5,872	6,477	7,149
Pre-tax Profit	3,053	4,071	4,590	5,121
Net Profit	3,185	4,121	4,644	5,135
Net Pft (Pre Ex.)	3,185	4,121	4,644	5,135
EPS (RMB)	0.49	0.64	0.70	0.78
EPS (HK\$)	0.59	0.76	0.83	0.92
EPS Gth (%)	20.0	29.4	9.5	10.6
Diluted EPS (HK\$)	0.59	0.76	0.83	0.92
DPS (HK\$)	0.19	0.23	0.25	0.28
BV Per Share (HK\$)	6.50	7.05	7.45	8.11
PE (X)	11.1	8.6	7.8	7.1
P/Cash Flow (X)	101.9	nm	nm	1060.8
P/Free CF (X)	nm	nm	nm	nm
EV/EBITDA (X)	7.0	5.5	5.2	4.7
Net Div Yield (%)	2.9	3.5	3.8	4.2
P/Book Value (X)	1.0	0.9	0.9	0.8
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
ROAE (%)	9.3	11.2	11.6	11.8
Earnings Rev (%):		Nil	Nil	Nil
Consensus EPS (RMB):		0.58	0.69	0.78
Other Broker Recs:		B: 16	S: 4	H: 5

Income Statement (RMB m)

FY Dec	2014A	2015F	2016F	2017F
Turnover	22,376	31,551	35,861	39,503
Cost of Goods Sold	(19,829)	(28,080)	(31,737)	(34,763)
Gross Profit	2,547	3,471	4,124	4,740
Other Opg (Exp)/Inc	(3,369)	(3,190)	(3,752)	(4,102)
Operating Profit	(822)	281	372	638
Other Non Opg (Exp)/Inc	0	0	0	0
Associates & JV Inc	4,181	4,290	4,695	4,978
Net Interest (Exp)/Inc	(307)	(499)	(477)	(496)
Dividend Income	0	0	0	0
Exceptional Gain/(Loss)	0	0	0	0
Pre-tax Profit	3,053	4,071	4,590	5,121
Tax	(126)	(50)	(68)	(95)
Minority Interest	259	100	122	109
Preference Dividend	0	0	0	0
Net Profit	3,185	4,121	4,644	5,135
Net profit before Except.	3,185	4,121	4,644	5,135
EBITDA	4,575	5,872	6,477	7,149
Sales Gth (%)	18.9	41.0	13.7	10.2
EBITDA Gth (%)	22.0	28.3	10.3	10.4
Opg Profit Gth (%)	32.7	N/A	32.6	71.6
Effective Tax Rate (%)	4.1	1.2	1.5	1.9

Cash Flow Statement (RMB m)

FY Dec	2014A	2015F	2016F	2017F
Pre-Tax Profit	3,053	4,071	4,590	5,121
Dep. & Amort.	1,216	1,301	1,410	1,532
Tax Paid	(83)	(10)	(20)	(20)
Assoc. & JV Inc/(loss)	(4,181)	(4,290)	(4,695)	(4,978)
(Pft)/ Loss on disposal of FAs	0	0	0	0
Chg in Wkg.Cap.	612	(1,306)	(1,453)	(1,620)
Other Operating CF	(269)	0	0	0
Net Operating CF	348	(234)	(168)	34
Capital Exp.(net)	(3,511)	(1,500)	(2,000)	(1,800)
Other Invt.(net)	0	0	0	0
Invt in Assoc. & JV	(288)	0	0	0
Div from Assoc & JV	0	0	0	0
Other Investing CF	547	2,892	2,812	3,074
Net Investing CF	(3,252)	1,392	812	1,274
Div Paid	0	0	0	0
Chg in Gross Debt	28	0	500	200
Capital Issues	(923)	(1,133)	(1,315)	(1,467)
Other Financing CF	(14)	0	0	0
Net Financing CF	(909)	(1,133)	(815)	(1,267)
Currency Adjustments	(2)	0	0	0
Chg in Cash	(3,815)	25	(170)	42

Source: Company, DBS Vickers

General Data

Issued Capital - H shares (m shs)	2,213
- Non H shrs (m shs)	4,222
H shs as a % of Total	34
Total Mkt. Cap (HK\$m/US\$m)	113,568 / 14,574
Major Shareholders	
Guangzhou Automobile (%)	57.6
Major H Shareholders (%)	
Templeton Asset Management (%)	14.9
Guangzhou Auto Industry Group (%)	9.1
BlackRock, Inc. (%)	7.0
H Shares-Free Float (%)	69.0
Avg. Daily Vol.(000)	15,454

Balance Sheet (RMB m)

FY Dec	2014A	2015F	2016F	2017F
Net Fixed Assets	8,536	9,299	10,503	11,443
Invt in Assocs & JVs	18,693	20,091	21,974	23,877
Other LT Assets	8,169	7,605	6,991	6,319
Cash & ST Invt	18,365	18,390	18,220	18,262
Inventory	2,661	2,927	3,219	3,541
Debtors	5,515	6,342	7,293	8,387
Other Current Assets	434	434	434	434
Total Assets	62,372	65,087	68,634	72,264
ST Debt	9,541	9,541	9,541	9,541
Other Current Liab	10,681	10,508	10,348	10,218
LT Debt	4,769	4,769	5,269	5,469
Other LT Liabilities	1,212	1,212	1,212	1,212
Shareholder's Equity	35,373	38,361	41,691	45,359
Minority Interests	796	696	574	465
Total Cap. & Liab.	62,372	65,087	68,634	72,264
Non-Cash Wkg. Cap	(2,072)	(806)	599	2,145
Net Cash/(Debt)	4,055	4,080	3,410	3,252

Segmental Breakdown (RMB m) / Key Assumptions

FY Dec	2014A	2015F	2016F	2017F
Revenues (RMB m)				
Guangqi Honda	59,809	70,101	76,340	81,622
GAC Toyota	53,879	56,311	59,600	63,080
GAC Mitsubishi	7,478	6,331	7,103	7,969
GAC Fiat	6,814	3,833	4,223	4,738
Unit Sales				
Guangqi Honda	480,060	580,068	638,075	689,121
GAC Toyota	374,108	403,088	435,335	470,162
GAC Mitsubishi	63,199	56,317	61,949	68,144
GAC Fiat	68,090	39,488	42,647	46,912

Key Assumptions

Passenger vehicle (units)	140,662.0	206,571.9	231,504.6	250,855.6
Commercial vehicle (units)	3,791.0	1,945.0	2,042.3	2,144.4
Total veh sales at GAC level	144,453.0	208,516.9	233,546.9	253,000.0

Industry Focus

China Auto Sector

Minth Group (425 HK EQUITY, HK\$14.20, BUY, Target Price HK\$ 15.80)

Forecast & Valuation

FY Dec (RMB m)	2014A	2015F	2016F	2017F
Turnover	6,684	7,884	9,242	10,733
EBITDA	1,559	1,731	2,006	2,315
Pre-tax Profit	1,356	1,570	1,819	2,086
Net Profit	1,118	1,253	1,452	1,665
Net Pft (Pre Ex.)	1,118	1,253	1,452	1,665
EPS (RMB)	1.02	1.15	1.33	1.52
EPS (HK\$)	1.21	1.36	1.57	1.80
EPS Gth (%)	14.0	12.1	15.9	14.7
Diluted EPS (HK\$)	1.20	1.34	1.56	1.79
DPS (HK\$)	0.48	0.54	0.63	0.72
BV Per Share (HK\$)	8.98	9.85	10.88	12.06
PE (X)	11.7	10.5	9.0	7.9
P/Cash Flow (X)	12.7	11.6	9.2	7.9
P/Free CF (X)	nm	39.3	20.9	15.3
EV/EBITDA (X)	8.0	7.3	6.3	5.4
Net Div Yield (%)	3.4	3.8	4.4	5.1
P/Book Value (X)	1.6	1.4	1.3	1.2
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
ROAE (%)	14.2	14.4	15.2	15.7
Earnings Rev (%)		Nil	Nil	Nil
Consensus EPS (RMB)		1.14	1.35	1.52
Other Broker Recs:		B: 7	S: 0	H: 1

General Data

At A Glance

Issued Capital (m shrs)	1,107
Mkt. Cap (HK\$/US\$m)	15,722 / 2,021
Major Shareholders	
Chin Jong Hwa (%)	40.0
Matthews International Capital Mgt (%)	7.2
JPMorgan Chase & Co. (%)	7.0
The Capital Group Companies (%)	7.0
Commonwealth Bank of Australia (%)	7.0
Free Float (%)	31.8
Avg. Daily Vol.('000)	888

Income Statement (RMB m)

FY Dec	2014A	2015F	2016F	2017F
Turnover	6,684	7,884	9,242	10,733
Cost of Goods Sold	(4,599)	(5,440)	(6,377)	(7,406)
Gross Profit	2,085	2,444	2,865	3,327
Other Opg (Exp)/Inc	(836)	(970)	(1,143)	(1,345)
Operating Profit	1,249	1,474	1,722	1,982
Other Non Opg (Exp)/Inc	0	0	0	0
Associates & JV Inc	48	56	64	73
Net Interest (Exp)/Inc	59	40	33	31
Dividend Income	0	0	0	0
Exceptional Gain/(Loss)	0	0	0	0
Pre-tax Profit	1,356	1,570	1,819	2,086
Tax	(203)	(251)	(291)	(334)
Minority Interest	(35)	(66)	(76)	(88)
Preference Dividend	0	0	0	0
Net Profit	1,118	1,253	1,452	1,665
Net profit before Except.	1,118	1,253	1,452	1,665
EBITDA	1,559	1,731	2,006	2,315
Sales Gth (%)	21.3	18.0	17.2	16.1
EBITDA Gth (%)	12.7	11.0	15.9	15.4
Opg Profit Gth (%)	7.9	18.0	16.9	15.1
Effective Tax Rate (%)	15.0	16.0	16.0	16.0

Cash Flow Statement (RMB m)

FY Dec	2014A	2015F	2016F	2017F
Pre-Tax Profit	1,356	1,570	1,819	2,086
Dep. & Amort.	262	201	220	260
Tax Paid	(214)	(203)	(251)	(291)
Assoc. & JV Inc/(loss)	(48)	(56)	(64)	(73)
(Pft)/ Loss on disposal of FAs	0	0	0	0
Chg in Wkg.Cap.	(217)	(338)	(263)	(293)
Other Operating CF	(33)	(31)	0	0
Net Operating CF	1,031	1,134	1,428	1,658
Capital Exp.(net)	(1,099)	(800)	(800)	(800)
Other Invts.(net)	74	0	0	0
Invts in Assoc. & JV	0	0	0	0
Div from Assoc & JV	34	0	0	0
Other Investing CF	(461)	70	57	60
Net Investing CF	(1,453)	(730)	(743)	(740)
Div Paid	(394)	(447)	(501)	(581)
Chg in Gross Debt	319	0	0	0
Capital Issues	50	0	0	0
Other Financing CF	(76)	(60)	(54)	(60)
Net Financing CF	(102)	(507)	(555)	(640)
Currency Adjustments	(2)	0	0	0
Chg in Cash	(525)	(103)	130	278

Balance Sheet (RMB m)

FY Dec	2014A	2015F	2016F	2017F
Net Fixed Assets	3,449	4,061	4,654	5,208
Invts in Assocs & JVs	213	269	333	406
Other LT Assets	966	983	1,000	1,016
Cash & ST Invts	3,594	3,492	3,622	3,900
Inventory	1,129	1,355	1,491	1,640
Debtors	2,061	2,380	2,748	3,176
Other Current Assets	1,438	1,438	1,438	1,438
Total Assets	12,851	13,978	15,286	16,784
ST Debt	2,708	2,708	2,708	2,708
Other Current Liab	1,482	1,736	2,018	2,344
LT Debt	0	0	0	0
Other LT Liabilities	115	115	115	115
Shareholder's Equity	8,289	9,095	10,045	11,129
Minority Interests	257	323	399	487
Total Cap. & Liab.	12,851	13,978	15,286	16,784
Non-Cash Wkg. Cap	3,147	3,437	3,660	3,910
Net Cash/(Debt)	886	783	913	1,191

Segmental Breakdown (RMB m)

FY Dec	2014A	2015F	2016F	2017F
Revenues (RMB m)				
Trims	2,012	2,414	2,849	3,361
Decorative parts	2,099	2,434	2,824	3,248
Body structural parts	1,631	1,892	2,195	2,524
Car seat frame	194	252	328	393
Roof rack	341	443	554	665
Others	408	449	493	543
Total	6,684	7,884	9,242	10,733

Source: Company, DBS Vickers

Nexteer Automotive Group (1316 HK Equity, HK\$7.99, BUY, Target Price HK\$ 9.60)

Forecast & Valuation

FY Dec (US\$ m)	2014A	2015F	2016F	2017F
Turnover	2,978	3,503	4,171	4,865
EBITDA	355	452	534	594
Pre-tax Profit	215	277	342	406
Net Profit	161	210	258	307
Net Pft (Pre Ex.)	161	210	258	307
EPS (US\$)	0.06	0.08	0.10	0.12
EPS (HK\$)	0.50	0.65	0.81	0.96
EPS Gth (%)	10.5	30.0	23.2	18.8
Diluted EPS (HK\$)	0.50	0.65	0.81	0.96
DPS (HK\$)	0.10	0.13	0.16	0.19
BV Per Share (HK\$)	2.13	2.68	3.36	4.15
PE (X)	15.9	12.2	9.9	8.4
P/Cash Flow (X)	10.1	8.5	5.9	6.0
P/Free CF (X)	29.0	17.0	7.7	7.8
EV/EBITDA (X)	8.3	6.5	5.1	4.3
Net Div Yield (%)	1.3	1.6	2.0	2.4
P/Book Value (X)	3.8	3.0	2.4	1.9
Net Debt/Equity (X)	0.5	0.4	0.1	CASH
ROAE (%)	25.8	27.2	26.7	25.5

Earnings Rev (%)		Nil	Nil	Nil
Consensus EPS (US\$):		0.08	0.10	0.11
Other Broker Recs:		B: 8	S: 0	H: 0

Income Statement (US\$ m)

FY Dec	2014A	2015F	2016F	2017F
Turnover	2,978	3,503	4,171	4,865
Cost of Goods Sold	(2,558)	(2,964)	(3,525)	(4,101)
Gross Profit	420	539	647	764
Other Opg (Exp)/Inc	(183)	(232)	(274)	(326)
Operating Profit	237	307	372	438
Other Non Opg (Exp)/Inc	0	0	0	0
Associates & JV Inc	(1)	1	1	1
Net Interest (Exp)/Inc	(22)	(31)	(32)	(33)
Dividend Income	0	0	0	0
Exceptional Gain/(Loss)	0	0	0	0
Pre-tax Profit	215	277	342	406
Tax	(51)	(64)	(79)	(93)
Minority Interest	(2)	(4)	(4)	(5)
Preference Dividend	0	0	0	0
Net Profit	161	210	258	307
Net profit before Except.	161	210	258	307
EBITDA	355	452	534	594
Sales Gth (%)	24.8	17.6	19.1	16.6
EBITDA Gth (%)	53.8	27.2	18.3	11.3
Opg Profit Gth (%)	36.9	29.7	21.1	17.7
Effective Tax Rate (%)	23.9	23.0	23.0	23.0

Cash Flow Statement (US\$ m)

FY Dec	2014A	2015F	2016F	2017F
Pre-Tax Profit	215	277	342	406
Dep. & Amort.	119	143	161	156
Tax Paid	(51)	(51)	(64)	(79)
Assoc. & JV Inc/(loss)	0	0	0	0
(Pft)/ Loss on disposal of FAs	0	0	0	0
Chg in Wkg.Cap.	(45)	(100)	(40)	(88)
Other Operating CF	17	32	33	35
Net Operating CF	254	301	431	430
Capital Exp.(net)	(166)	(150)	(100)	(100)
Other Invt.(net)	(6)	0	0	0
Invt in Assoc. & JV	0	0	0	0
Div from Assoc & JV	0	0	0	0
Other Investing CF	(104)	(80)	(50)	(50)
Net Investing CF	(276)	(230)	(150)	(150)
Div Paid	(22)	(32)	(42)	(52)
Chg in Gross Debt	(133)	(33)	16	13
Capital Issues	0	0	0	0
Other Financing CF	246	0	0	0
Net Financing CF	91	(65)	(26)	(38)
Currency Adjustments	(3)	0	0	0
Chg in Cash	66	6	256	242

General Data

At A Glance

Issued Capital (m shrs)	2,498
Mkt. Cap (HK\$/US\$m)	19,963 / 2,566
Major Shareholders	
Aviation Industry Corporation of China (%)	67.3
Mondrian Investment Partners Limited (%)	7.0
Free Float (%)	25.8
Avg. Daily Vol.('000)	2,177

Balance Sheet (US\$ m)

FY Dec	2014A	2015F	2016F	2017F
Net Fixed Assets	626	683	683	700
Invt in Assocs & JVs	6	7	8	9
Other LT Assets	385	414	404	381
Cash & ST Invt	380	386	642	884
Inventory	226	277	302	327
Debtors	525	607	650	736
Other Current Assets	94	103	114	125
Total Assets	2,242	2,478	2,802	3,162
ST Debt	97	97	97	97
Other Current Liab	585	640	692	742
LT Debt	634	634	684	734
Other LT Liabilities	218	218	218	218
Shareholder's Equity	684	861	1,078	1,333
Minority Interests	24	28	33	38
Total Cap. & Liab.	2,242	2,478	2,802	3,162
Non-Cash Wkg. Cap	260	348	373	446
Net Cash/(Debt)	(351)	(345)	(139)	53

Segmental Breakdown (US\$ m) / Key Assumptions

FY Dec	2014A	2015F	2016F	2017F
Revenues (US\$ m)				
EPS	1,668	2,087	2,555	3,045
HPS	183	168	159	138
Steering column (CIS)	583	627	690	734
Driveline	544	621	767	948
Total	2,978	3,503	4,171	4,865
Key Assumptions				
Revenue (US\$m) - North	2,042.0	2,312.0	2,628.0	3,089.0
America				
Europe	363.2	350.3	542.3	632.4
China	468.1	770.7	917.7	1,070.2
Rest of World	104.8	70.1	83.4	73.0
Total	2,978.1	3,503.1	4,171.4	4,864.5

Source: Company, DBS Vickers

Industry Focus

China Auto Sector

Xinchen China Power Hldgs (1148 HK Equity, HK\$1.17, BUY, Target Price HK\$ 1.90)

Forecast & Valuation

FY Dec (RMB m)	2014A	2015F	2016F	2017F
Turnover	2,652	3,449	3,824	4,029
EBITDA	424	506	570	611
Pre-tax Profit	317	370	422	457
Net Profit	272	307	346	375
Net Pft (Pre Ex.)	272	307	346	375
EPS (RMB)	0.21	0.24	0.27	0.29
EPS (HK\$)	0.25	0.28	0.32	0.34
EPS Gth (%)	(5.1)	13.1	12.7	8.3
Diluted EPS (HK\$)	0.25	0.28	0.32	0.34
DPS (HK\$)	0.00	0.00	0.00	0.00
BV Per Share (HK\$)	2.26	2.54	2.86	3.21
PE (X)	4.7	4.1	3.7	3.4
P/Cash Flow (X)	5.6	2.1	1.6	1.4
P/Free CF (X)	nm	4.2	2.5	1.8
EV/EBITDA (X)	2.6	1.6	0.6	nm
Net Div Yield (%)	0.0	0.0	0.0	0.0
P/Book Value (X)	0.5	0.5	0.4	0.4
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
ROAE (%)	11.7	11.7	11.8	11.4
Earnings Rev (%)		(0.5)	(15)	New
Consensus EPS (RMB):		0.21	0.24	0.24
Other Broker Recs:		B: 3	S: 0	H: 1

Income Statement (RMB m)

FY Dec	2014A	2015F	2016F	2017F
Turnover	2,652	3,449	3,824	4,029
Cost of Goods Sold	(2,122)	(2,866)	(3,157)	(3,321)
Gross Profit	530	583	666	708
Other Opg (Exp)/Inc	(169)	(175)	(200)	(204)
Operating Profit	361	408	466	504
Other Non Opg (Exp)/Inc	0	0	0	0
Associates & JV Inc	(1)	2	2	3
Net Interest (Exp)/Inc	(44)	(40)	(47)	(49)
Dividend Income	0	0	0	0
Exceptional Gain/(Loss)	0	0	0	0
Pre-tax Profit	317	370	422	457
Tax	(45)	(63)	(76)	(82)
Minority Interest	0	0	0	0
Preference Dividend	0	0	0	0
Net Profit	272	307	346	375
Net profit before Except.	272	307	346	375
EBITDA	424	506	570	611
Sales Gth (%)	2.6	30.0	10.9	5.4
EBITDA Gth (%)	13.6	19.2	12.8	7.2
Opg Profit Gth (%)	4.5	12.9	14.3	8.0
Effective Tax Rate (%)	14.3	17.0	18.0	18.0

Cash Flow Statement (RMB m)

FY Dec	2014A	2015F	2016F	2017F
Pre-Tax Profit	317	370	422	457
Dep. & Amort.	64	96	102	105
Tax Paid	(88)	(32)	(44)	(53)
Assoc. & JV Inc/(loss)	0	(2)	(2)	(3)
(Pft)/ Loss on disposal of FAs	0	0	0	0
Chg in Wkg.Cap.	(116)	134	290	352
Other Operating CF	48	33	33	31
Net Operating CF	226	599	800	889
Capital Exp.(net)	(696)	(297)	(300)	(200)
Other Invt.(net)	0	0	0	0
Invt in Assoc. & JV	0	0	0	0
Div from Assoc & JV	0	0	0	0
Other Investing CF	(533)	7	13	18
Net Investing CF	(1,229)	(290)	(287)	(182)
Div Paid	0	0	0	0
Chg in Gross Debt	244	50	50	50
Capital Issues	0	0	0	0
Other Financing CF	(53)	(40)	(47)	(49)
Net Financing CF	191	10	3	1
Currency Adjustments	0	0	0	0
Chg in Cash	(812)	319	517	708

General Data

At A Glance

Issued Capital (m shrs)	1,283
Mkt. Cap (HK\$/US\$m)	1,501 / 193
Major Shareholders	
Xinhua Investment (%)	31.9
Brilliance Investment (%)	31.1
Templeton Asset Management Ltd. (%)	7.0
Free Float (%)	30.0
Avg. Daily Vol.('000)	1,362

Balance Sheet (RMB m)

FY Dec	2014A	2015F	2016F	2017F
Net Fixed Assets	952	1,165	1,376	1,485
Invt in Assocs & JVs	0	0	0	0
Other LT Assets	671	662	651	640
Cash & ST Invt	778	1,097	1,614	2,322
Inventory	572	631	695	731
Debtors	767	1,145	1,385	1,474
Other Current Assets	1,002	825	796	837
Total Assets	4,743	5,525	6,517	7,489
ST Debt	221	271	321	371
Other Current Liab	1,652	2,077	2,673	3,220
LT Debt	367	367	367	367
Other LT Liabilities	43	43	43	43
Shareholder's Equity	2,460	2,767	3,113	3,488
Minority Interests	0	0	0	0
Total Cap. & Liab.	4,743	5,525	6,517	7,489
Non-Cash Wkg. Cap	689	524	203	(178)
Net Cash/(Debt)	191	459	926	1,584

Segmental Breakdown (RMB m) / Key Assumptions

FY Dec	2014A	2015F	2016F	2017F
Revenues (RMB m)				
Light-duty gasoline engines	1,950	2,532	2,769	2,935
Light-duty diesel engines	423	362	322	293
Engine component & service income	279	555	732	801
Total	2,652	3,449	3,824	4,029
Gross Profit (RMB m)				
Light-duty gasoline engines	340	404	438	463
Light-duty diesel engines	92	79	70	64
Engine component & service income	41	42	42	43
Total	473	525	550	570
Gross Profit Margins (%)				
Light-duty gasoline engines	17.4	16.0	15.8	15.8
Light-duty diesel engines	21.8	21.8	21.8	21.8
Engine component & service income	14.6	7.5	5.8	5.4
Total	17.8	15.2	14.4	14.2
Key Assumptions				
Engine sales ('000)	234.2	241.1	255.1	266.9
Connection rods ('000)	1,047.8	1,260.0	1,448.0	1,624.8
Crankshaft ('000)	0.0	140.0	256.0	288.0

Source: Company, DBS Vickers

ZhongSheng Group (881 HK EQUITY, HK\$3.90, BUY, Target Price HK\$ 4.50)

Forecast & Valuation

FY Dec (RMB m)	2014A	2015F	2016F	2017F
Turnover	54,787	60,531	63,027	65,747
EBITDA	3,012	2,949	3,297	3,742
Pre-tax Profit	1,095	1,097	1,373	1,833
Net Profit	751	730	906	1,210
Net Pft (Pre Ex.)	751	730	906	1,210
EPS (RMB)	0.35	0.34	0.42	0.56
EPS (HK\$)	0.41	0.40	0.50	0.67
EPS Gth (%)	(33.9)	(2.8)	24.1	33.5
Diluted EPS (HK\$)	0.41	0.40	0.50	0.67
DPS (HK\$)	0.08	0.08	0.10	0.13
BV Per Share (HK\$)	6.13	6.45	6.87	7.43
PE (X)	9.4	9.7	7.8	5.8
P/Cash Flow (X)	7.6	5.5	2.7	2.5
P/Free CF (X)	nm	35.7	4.6	3.5
EV/EBITDA (X)	7.5	8.1	7.4	6.4
Net Div Yield (%)	2.1	2.1	2.6	3.4
P/Book Value (X)	0.6	0.6	0.6	0.5
Net Debt/Equity (X)	1.1	1.2	1.1	1.0
ROAE (%)	7.7	6.4	7.5	9.3

Earnings Rev (%)		Nil	Nil	Nil
Consensus EPS (RMB):		0.35	0.44	0.53
Other Broker Recs:		B: 8	S: 2	H: 5

Income Statement (RMB m)

FY Dec	2014A	2015F	2016F	2017F
Turnover	54,787	60,531	63,027	65,747
Cost of Goods Sold	(50,012)	(55,539)	(57,597)	(59,842)
Gross Profit	4,775	4,992	5,430	5,905
Other Opg (Exp)/Inc	(3,355)	(3,662)	(3,876)	(4,043)
Operating Profit	1,420	1,329	1,553	1,862
Other Non Opg (Exp)/Inc	890	1,027	1,115	1,220
Associates & JV Inc	4	4	4	5
Net Interest (Exp)/Inc	(1,218)	(1,263)	(1,299)	(1,253)
Dividend Income	0	0	0	0
Exceptional Gain/(Loss)	0	0	0	0
Pre-tax Profit	1,095	1,097	1,373	1,833
Tax	(315)	(274)	(343)	(458)
Minority Interest	(30)	(93)	(124)	(165)
Preference Dividend	0	0	0	0
Net Profit	751	730	906	1,210
Net profit before Except.	751	730	906	1,210
EBITDA	3,012	2,949	3,297	3,742
Sales Gth (%)	4.3	10.5	4.1	4.3
EBITDA Gth (%)	(0.2)	(2.1)	11.8	13.5
Opg Profit Gth (%)	(16.5)	(6.4)	16.8	19.8
Effective Tax Rate (%)	28.7	25.0	25.0	25.0

Cash Flow Statement (RMB m)

FY Dec	2014A	2015F	2016F	2017F
Pre-Tax Profit	1,095	1,097	1,373	1,833
Dep. & Amort.	698	589	625	655
Tax Paid	(377)	(638)	(274)	(343)
Assoc. & JV Inc/(loss)	(4)	(4)	(4)	(5)
(Pft)/ Loss on disposal of FAs	0	0	0	0
Chg in Wkq.Cap.	(1,748)	(1,009)	(388)	(569)
Other Operating CF	1,262	1,263	1,299	1,253
Net Operating CF	927	1,298	2,631	2,825
Capital Exp.(net)	(1,881)	(1,100)	(1,100)	(800)
Other Invt.(net)	0	0	0	0
Invt in Assoc. & JV	(901)	0	0	0
Div from Assoc & JV	0	0	0	0
Other Investing CF	71	(174)	(189)	(171)
Net Investing CF	(2,710)	(1,274)	(1,289)	(971)
Div Paid	0	0	0	0
Chg in Gross Debt	2,100	(1,000)	0	0
Capital Issues	2,020	0	0	0
Other Financing CF	(1,469)	(1,324)	(1,324)	(1,276)
Net Financing CF	2,651	(2,324)	(1,324)	(1,276)
Currency Adjustments	0	0	0	0
Chg in Cash	867	(2,299)	18	578

General Data

At A Glance

Issued Capital (m shrs)	2,146
Mkt. Cap (HK\$/US\$m)	8,371 / 1,076
Major Shareholders	
Li Guoqiang (%)	59.7
Jardine Strategic (%)	11.1
Free Float (%)	29.2
Avg. Daily Vol.('000)	4,353

Balance Sheet (RMB m)

FY Dec	2014A	2015F	2016F	2017F
Net Fixed Assets	7,508	8,196	8,845	9,162
Invt in Assocs & JVs	43	47	52	57
Other LT Assets	8,731	8,790	8,829	8,851
Cash & ST Invt	6,177	3,728	3,600	3,996
Inventory	8,319	9,314	9,495	9,864
Debtors	631	698	726	758
Other Current Assets	7,497	7,719	7,947	8,181
Total Assets	38,908	38,491	39,494	40,869
ST Debt	16,881	15,881	15,881	15,881
Other Current Liab	5,323	5,232	5,352	5,533
LT Debt	3,432	3,432	3,432	3,432
Other LT Liabilities	892	892	892	892
Shareholder's Equity	11,119	11,699	12,459	13,487
Minority Interests	1,262	1,355	1,479	1,644
Total Cap. & Liab.	38,908	38,491	39,494	40,869
Non-Cash Wkq. Cap	11,126	12,498	12,817	13,270
Net Cash/(Debt)	(14,135)	(15,585)	(15,713)	(15,316)

Segmental Breakdown (RMB m) / Key Assumptions

FY Dec	2014A	2015F	2016F	2017F
Revenues (RMB m)				
New car sales (after sales tax)	47,962	52,886	54,618	56,498
After-sales business	6,825	7,644	8,409	9,249
Total	54,787	60,531	63,027	65,747
Gross Profit (RMB m)				
New car sales (after sales tax)	1,575	1,475	1,595	1,687
After-sales business	3,200	3,516	3,834	4,218
Total	4,775	4,992	5,430	5,905
Gross Profit Margins (%)				
New car sales (after sales tax)	3.3	2.8	2.9	3.0
After-sales business	46.9	46.0	45.6	45.6
Total	8.7	8.2	8.6	9.0

Key Assumptions

New car sales vol - Mid-high end (unit)	127,232.0	132,321.3	137,614.1	143,118.7
New car sales vol - Luxury (unit)	80,057.0	94,467.3	100,135.3	106,143.4

Source: Company, DBS Vickers

Industry Focus

China Auto Sector

DBSV recommendations are based on an 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

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