

Company Update

Auto & Parts

RESEARCH

ACCUMULATE

Dong ZHENG, CFA SFC CE Ref: ALB404 zhengd@cicc.com.cn

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Pengyang CHEN

chenpy@cicc.com.cn

Hanyi ZHANG

zhanghy2@cicc.com.cn

(HKD Mn) 2012E 2008A 2009A 2010E 2011E Revenue 3.894 3.958 6.364 10.271 14.258 (+/-)40.4% 1.6% 60.8% 61.4% 38.8% EBIT 768 832 2.947 3,969 1.896 (+/-) 5.7% 8.4% 127.9% 55.4% 34.7% 3,276 Net income 709 774 1,571 2,486 EPS(HK\$) 0.20 0.22 0.44 0.70 0.92 (+/-) 5.7% 9.1% 103.1% 58.2% 31.8% PE 46.11 42.28 20.81 13.15 9.98 PB 7.43 6.00 4.97 4.13 3.39 EV/EBITDA 16.22 15.02 15.06 9.98 7.71 ROE 16.2% 14.3% 24.0% 31.7% 34.2% ROCE 14.5% 13.0% 17.7% 24.4% 27.4% Dividend Yield 2 2% 2.3% 2.3% 3.6% 47% P/OCFPS 13.91 11.99 18.22 10.09 10.24

Share information

			H share
Bloomberg code			868 HK
Share price		ł	HK\$9.16
Target price		ł	HK\$10.5
Daily turnover (mn shs)			25.4
52wk high/low		9	.18/2.64
Issued shares (mn)			3,517
Free float (mn)			3,517
Market cap (HK\$ mn)			32,217
Major shareholders (%)		Realbest (19.97%)
Recent price performance			
Last week	1m	3m	YTD

+42.24

+8.43

+0.65

+12.25

+6.45

+9.30

+43.13

+7.62

+0.49

[868.HK] +11.84[CICC H-share Index] [CICC Auto&Parts Index]



+0.93

+1.87

Xinyi Glass (00868.HK)

TP Lifted on Solid Fundamentals

What's new:

We raise Xinyi Glass ("XYG") TP to HK\$10.5 and maintain ACCUMULATE rating.

Strong glass price trend. According to the NDRC, flat glass and float glass prices increased by 5.9% YoY and 4.9% YoY in 1Q2011 (figure 1), suggesting strong downstream demand and solid fundamental support for XYG's float glass capacity expansion (up 75% YoY in 2011).

Japanese earthquake and consequent cautious view on nuclear power plants could further boost solar glass business. XYG's aggressive capacity expansion on solar glass (up 150% YoY in 2011) could continue to provide earning upside surprise in 2011.

High penetration upside on Low-E construction glass in China. China only has a Low E construction glass penetration rate of 8%, compared with Germany's 92% and 50%~80% in most developed countries (Figure 3). While the Chinese government continues to promote energy saving policy in the construction industry, Low E glass is getting cheaper and is a relatively low cost proportion of total construction costs, Low E construction glass could have a bright growth outlook.

Spin-off of solar glass business could provide short term momentum: 1). Expected higher PE valuation in view of high growth of solar glass business; 2). More detailed information disclosure as management is communicating more frequently with investors before the spin-off.

Valuation and recommendation:

We raise our earning forecast by 17.0% for 2011 and 17.3% for 2012 due to our more bullish view on the counter's outlook. New TP of HK\$10.5 implies 15x targeted 2011 PE. Current stock price still has 14.6% upside to our TP. ACCUMULATE reiterated.

Risks:

Demand uncertainty due to macro-economic turbulence



1: Flat and float glass price performance



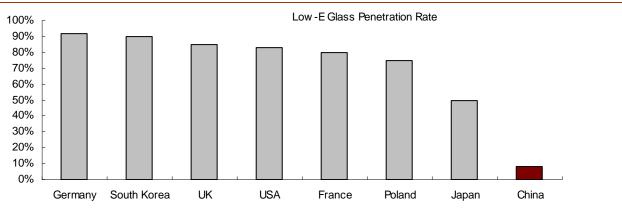
Source: NDRC, CICC Research

Figure 2: Xinyi Glass capacity expansion

Segment	Unit	2009	2010	2011
Auto Glass - aftermarket	000 pcs	10500	11000	12000
YoY			5%	9%
Auto Glass - OEM	000 sets	700	1700	2400
YoY			143%	41%
Low-E Coated Constrution Glass	000 sq.m.	9000	12000	16330
YoY			33%	36%
Float Glass	000 melting tons	1119	1489	2600
YoY			33%	75%
Solar Glass	000 melting tons	125	292	730
YoY			134%	150%

Source: Company data, CICC Research





Source: ResearchInChina



4: Earning forecast revision

	HK\$ MN	2010A		2011E			2012E	
	HK\$ WIN	Actual	Before	After	Change	Before	After	Change
Re	evenue	6,364	8,939	10,271	14.9%	12,258	14,258	16.3%
CC	DGS	3,809	5,491	6,264	14.1%	7,649	8,873	16.0%
Gr	oss profit	2,555	3,449	4,008	16.2%	4,609	5,385	16.8%
Ot	ther income	85	119	137	14.9%	164	191	16.3%
Se	elling expenses	365	495	569	14.9%	654	761	16.3%
G8	&Α	406	552	629	14.0%	733	845	15.3%
Fir	nancial expenses	4	20	20	0.0%	20	20	0.0%
PB	BT	1,893	2,502	2,927	17.0%	3,366	3,949	17.3%
In	come tax	321	375	439	17.0%	572	671	17.3%
Mi	nority interests	-1	-2	-2	17.0%	-2	-3	17.3%
Ne	et income	1,571	2,125	2,486	17.0%	2,792	3,276	17.3%
EP	PS (HK\$)	0.45	0.60	0.71	17.0%	0.78	0.92	17.3%

Source: Company data, CICC Research

Figure 5: Historical and forecasted financial data

Turnover 2,775 3,894 3,958 6,364 10,271 14,258 Cost of goods sold -1,702 -2,683 -2,496 -3,809 -6,264 -8,873 Gross profit 1,072 1,211 1,462 2,555 4,008 5,385 Selling & distribution costs -286 -318 -268 -365 -569 -761 General & admin expenses -135 -209 -323 -406 -629 -845 Net interest income/(expense) -25 -15 -8 -4 -20 -20 Profit before taxation 703 753 824 1,893 2,927 3,949 Taxation -30 -42 -47 -321 -439 -671 Net profit 0.39 0.42 0.44 0.45 0.71 0.92 DPS (HK\$) 0.39 0.42 0.44 0.45 0.71 2.035 3,028 Inventories 511 612 678 820 1,644							
Cost of goods sold -1,702 -2,683 -2,496 -3,809 -6,264 -9,873 Gross profit 1,072 1,211 1,462 2,555 4,008 5,385 Selling & distribution costs -286 -318 -268 -365 -569 -761 General & admin expenses -135 -209 -323 -406 -629 -845 Net interest income/(expense) -25 -15 -8 -4 -20 -20 Profit before taxation 703 753 824 1,893 2,927 3,949 Taxation -30 -42 -47 -321 -439 -671 Net profit 671 709 774 1,571 2,486 3,276 Weighted EPS (HK\$) 0.39 0.42 0.44 0.45 0.71 0.92 DPS (HK\$) 0.13 0.20 0.21 0.33 0.43 Balance Sheet(HK\$mn) 2007A 2008A 2009A 2010A 2011E 2012E </th <th>Income Statement(HK\$ mn)</th> <th>2007A</th> <th>2008A</th> <th>2009A</th> <th>2010A</th> <th>2011E</th> <th>2012E</th>	Income Statement(HK\$ mn)	2007A	2008A	2009A	2010A	2011E	2012E
Gross profit 1,072 1,211 1,462 2,555 4,008 5,385 Selling & distribution costs -286 -318 -268 -365 -569 -761 General & admin expenses -135 -209 -323 -406 -629 -845 Net interest income/(expense) -25 -15 -8 -4 -20 -20 Profit before taxation 703 753 824 1,893 2,927 3,949 Taxation -30 -42 -47 -321 -439 -671 Net profit 671 709 774 1,571 2,486 3,276 Weighted EPS (HK\$) 0.13 0.20 0.21 0.21 0.31 0.43 Balance Sheet(HK\$mn) 2007A 208A 209A 2010A 2011E 2012E Cash & cash equivalents 310 436 532 660 587 120 Inventories 511 612 678 820 1,644 1,847 Total current assets 3,718 4,627 5,794 7,865		2,775	3,894	3,958	6,364	10,271	14,258
Selling & distribution costs -286 -318 -268 -365 -569 -761 General & admin expenses -135 -209 -323 -406 -629 -845 Net interest income/(expense) -25 -15 -8 -4 -20 -20 Profit before taxation 703 753 824 1,893 2,927 3,949 Taxation -30 -42 -47 -321 -439 -671 Net profit 671 709 774 1,571 2,486 3,276 Weighted EPS (HK\$) 0.39 0.42 0.44 0.45 0.71 0.92 DPS (HK\$) 0.13 0.20 0.21 0.33 0.43 Balance Sheet(HK\$ mn) 2007A 2008A 2009A 201A 201E 2012E Cash & cash equivalents 310 436 532 660 587 120 Trade & other receivables 675 661 844 1,537 2,305 3,028	Cost of goods sold	-1,702	-2,683	-2,496	-3,809	-6,264	-8,873
General & admin expenses -135 -209 -323 -406 -629 -845 Net interest income/(expense) -25 -15 -8 -4 -20 -20 Profit before taxation 703 753 824 1,893 2,927 3,949 Taxation -30 -42 -47 -321 -439 -671 Net profit 671 709 774 1,571 2,486 3,276 Weighted EPS (HK\$) 0.39 0.42 0.44 0.45 0.71 0.92 DPS (HK\$) 0.13 0.20 0.21 0.21 0.33 0.43 Balance Sheet(HK\$ mn) 2007A 2008A 2009A 2010A 201E 20120 Trade & other receivables 675 661 844 1,537 2,305 3,028 Inventories 511 612 678 820 1,644 1,847 Total current assets 3,511 4,733 5,903 8,017 9,4583 5,016	Gross profit	1,072	1,211	1,462	2,555	4,008	5,385
Net interest income/(expense) -25 -15 -8 -4 -20 -20 Profit before taxation 703 753 824 1,893 2,927 3,949 Taxation -30 -42 -47 -321 -439 -671 Net profit 671 709 774 1,571 2,486 3,276 Weighted EPS (HK\$) 0.13 0.20 0.21 0.21 0.33 0.43 DPS (HK\$) 0.13 0.20 0.21 0.21 0.33 0.43 Balance Sheet(HK\$ mn) 2007A 2008A 2009A 2010A 2011E 2012E Cash & cash equivalents 310 436 532 660 587 120 Trade & other receivables 675 661 844 1,537 2,305 3,028 Inventories 511 612 678 820 1,644 1,847 Total current assets 3,718 4,627 5,794 7,865 9,463 10.947 <	Selling & distribution costs	-286	-318	-268	-365	-569	-761
Profit before taxation 703 753 824 1,893 2,927 3,949 Taxation -30 -42 -47 -321 -439 -671 Net profit 671 709 774 1,571 2,486 3,276 Weighted EPS (HK\$) 0.39 0.42 0.44 0.45 0.71 0.92 DPS (HK\$) 0.13 0.20 0.21 0.21 0.33 0.43 Balance Sheet(HK\$ mn) 2007A 2008A 2009A 2010A 2011E 2012 Cash & cash equivalents 310 436 532 660 587 120 Trade & other receivables 675 661 844 1,537 2,305 3,028 Inventories 511 612 678 820 1,644 1,847 Total current assets 3,811 4,733 5,903 8,017 9,594 11,078 Trade and other payables 626 879 1,447 1,508 3,513 3,532	General & admin expenses	-135	-209	-323	-406	-629	-845
Taxation-30-42-47-321-439-671Net profit6717097741,5712,4863,276Weighted EPS (HK\$)0.390.420.440.450.710.92DPS (HK\$)0.130.200.210.210.330.43Balance Sheet(HK\$mn)2007A2008A2009A2010A2011E2012ECash & cash equivalents310436532660587120Trade & other receivables6756618441,5372,3053,028Inventories5116126788201,6441,847Total current assets1,5591,7652,1062,9994,5835,016Net fixed assets3,7184,6275,7947,8659,46310,947Non-current assets3,8114,7335,9038,0179,59411,078Trade and other payables6268791,4471,5083,3513,532ST loans4,0454,3695,4116,5367,8519,582Cashflow Statement(HK\$mn)2007A2008A2009A2010A2011E2012EOperating cashflow1,107-621371,136-1,174-1,545Cash & cash equivalent EB310436532660587120Ratios2007A2008A2009A2010A2011E2012EOperating cashflow1,107-621371,136-1	Net interest income/(expense)	-25	-15	-8	-4	-20	-20
Net profit 671 709 774 1,571 2,486 3,276 Weighted EPS (HK\$) 0.39 0.42 0.44 0.45 0.71 0.92 DPS (HK\$) 0.13 0.20 0.21 0.21 0.33 0.43 Balance Sheet(HK\$ mn) 2007A 2008A 2009A 2010A 2011E 2012E Cash & cash equivalents 310 436 532 660 587 120 Trade & other receivables 675 661 844 1,537 2,305 3,028 Inventories 511 612 678 820 1,644 1,847 Total current assets 3,718 4,627 5,794 7,865 9,463 10,947 Non-current assets 3,811 4,733 5,903 8,017 9,594 11,078 Trade and other payables 626 879 1,447 1,508 3,512 3,532 Shareholder's funds 4,045 4,369 5,411 6,536 7,851	Profit before taxation	703	753	824	1,893	2,927	3,949
Weighted EPS (HK\$) 0.39 0.42 0.44 0.45 0.71 0.92 DPS (HK\$) 0.13 0.20 0.21 0.21 0.33 0.43 Balance Sheet(HK\$ mn) 2007A 2008A 2009A 2010A 2011E 2012E Cash & cash equivalents 310 436 532 660 587 120 Trade & other receivables 675 661 844 1,537 2,305 3,028 Inventories 511 612 678 820 1,644 1,847 Total current assets 3,718 4,627 5,794 7,865 9,463 10,947 Non-current assets 3,811 4,733 5,903 8,017 9,594 11,078 Trade and other payables 626 879 1,447 1,508 3,351 3,532 Sh loans 4,045 4,369 5,411 6,536 7,851 9,582 Cashflow Statement(HK\$ mn) 2007A 2008A 2009A 2010A	Taxation	-30	-42	-47	-321	-439	-671
DPS (HK\$) 0.13 0.20 0.21 0.21 0.33 0.43 Balance Sheet(HK\$ mn) 2007A 2008A 2009A 2010A 2011E 2012E Cash & cash equivalents 310 436 532 660 587 120 Trade & other receivables 675 661 844 1,537 2,305 3,028 Inventories 511 612 678 820 1,644 1,847 Total current assets 1,559 1,765 2,106 2,999 4,583 5,016 Net fixed assets 3,718 4,627 5,794 7,865 9,463 10,947 Non-current assets 3,811 4,733 5,903 8,017 9,594 11,078 Trade and other payables 626 879 1,447 1,508 3,351 3,532 Shareholder's funds 4,045 4,369 5,411 6,536 7,851 9,582 Cashflow Statement(HK\$ mn) 2007A 2008A 209A 2010A <td>Net profit</td> <td>671</td> <td>709</td> <td>774</td> <td>1,571</td> <td>2,486</td> <td>3,276</td>	Net profit	671	709	774	1,571	2,486	3,276
Balance Sheet(HK\$ mn)2007A2008A2009A2010A2011E2012ECash & cash equivalents310436532660587120Trade & other receivables6756618441,5372,3053,028Inventories5116126788201,6441,847Total current assets1,5591,7652,1062,9994,5835,016Net fixed assets3,7184,6275,7947,8659,46310,947Non-current assets3,8114,7335,9038,0179,59411,078Trade and other payables6268791,4471,5083,3513,532ST loans424722580471471471Current liabilities1,0651,6232,0522,1283,9724,155Shareholder's funds4,0454,3695,4116,5367,8519,582Cashflow Statement(HK\$ mn)2007A2008A2009A2010A2011E2012EOperating cashflow-1,430-927-1,359-2,337-2,092-2,092Financing cashflow1,107-621371,136-1,174-1,545Cash & cash equivalent EB310436532660587120Ratios2007A2008A2009A2010A2011E2012EGross margin39%31%37%40%39%38%ROE17%16%14%1	Weighted EPS (HK\$)	0.39	0.42	0.44	0.45	0.71	0.92
Cash & cash equivalents 310 436 532 660 587 120 Trade & other receivables 675 661 844 1,537 2,305 3,028 Inventories 511 612 678 820 1,644 1,847 Total current assets 1,559 1,765 2,106 2,999 4,583 5,016 Net fixed assets 3,718 4,627 5,794 7,865 9,463 10,947 Non-current assets 3,811 4,733 5,903 8,017 9,594 11,078 Trade and other payables 626 879 1,447 1,508 3,351 3,532 ST loans 424 722 580 471 471 471 Current liabilities 1,065 1,623 2,052 2,128 3,972 4,155 Shareholder's funds 4,045 4,369 5,411 6,536 7,851 9,582 Cashflow Statement(HK\$mn) 2007A 2008A 2009A 2010A	DPS (HK\$)	0.13	0.20	0.21	0.21	0.33	0.43
Trade & other receivables 675 661 844 1,537 2,305 3,028 Inventories 511 612 678 820 1,644 1,847 Total current assets 1,559 1,765 2,106 2,999 4,583 5,016 Net fixed assets 3,718 4,627 5,794 7,865 9,463 10,947 Non-current assets 3,811 4,733 5,903 8,017 9,594 11,078 Trade and other payables 626 879 1,447 1,508 3,351 3,532 ST loans 424 722 580 471 471 471 Current liabilities 1,065 1,623 2,052 2,128 3,972 4,155 Shareholder's funds 4,045 4,369 5,411 6,536 7,851 9,582 Cashflow Statement(HK\$mn) 2007A 2008A 2009A 2010A 2011E 2012E Operating cashflow -1,430 -927 -1,359 -2,337 -2,092 -2,092 Financing cashflow 1,107 -62	Balance Sheet(HK\$ mn)	2007A	2008A	2009A	2010A	2011E	2012E
Inventories 511 612 678 820 1,644 1,847 Total current assets 1,559 1,765 2,106 2,999 4,583 5,016 Net fixed assets 3,718 4,627 5,794 7,865 9,463 10,947 Non-current assets 3,811 4,733 5,903 8,017 9,594 11,078 Trade and other payables 626 879 1,447 1,508 3,351 3,532 ST loans 424 722 580 471 471 471 Current liabilities 1,065 1,623 2,052 2,128 3,972 4,155 Shareholder's funds 4,045 4,369 5,411 6,536 7,851 9,582 Cashflow Statement(HK\$ mn) 2007A 2008A 2009A 2010A 2011E 2012E Operating cashflow 1,107 -62 137 1,136 -1,174 -1,545 Cash & cash equivalent EB 310 436 532 660	Cash & cash equivalents	310	436	532	660	587	120
Total current assets1,5591,7652,1062,9994,5835,016Net fixed assets3,7184,6275,7947,8659,46310,947Non-current assets3,8114,7335,9038,0179,59411,078Trade and other payables6268791,4471,5083,3513,532ST loans424722580471471471Current liabilities1,0651,6232,0522,1283,9724,155Shareholder's funds4,0454,3695,4116,5367,8519,582Cashflow Statement(HK\$ mn)2007A2008A2009A2010A2011E2012EOperating cashflow4401,1241,3231,3303,1923,169Investment cashflow-1,430-927-1,359-2,337-2,092-2,092Financing cashflow1,107-621371,136-1,174-1,545Cash & cash equivalent EB310436532660587120Ratios2007A2008A2009A2010A2011E2012EGross margin39%31%37%40%39%38%ROE17%16%14%24%32%34%ROA12%11%10%14%18%20%ROCE16%15%13%18%24%27%Debt/Equity0.190.130.380.330.330.00Curre	Trade & other receivables	675	661	844	1,537	2,305	3,028
Net fixed assets 3,718 4,627 5,794 7,865 9,463 10,947 Non-current assets 3,811 4,733 5,903 8,017 9,594 11,078 Trade and other payables 626 879 1,447 1,508 3,351 3,532 ST loans 424 722 580 471 471 471 Current liabilities 1,065 1,623 2,052 2,128 3,972 4,155 Shareholder's funds 4,045 4,369 5,411 6,536 7,851 9,582 Cashflow Statement(HK\$ mn) 2007A 2008A 2009A 2010A 2011E 2012E Operating cashflow -1,430 -927 -1,359 -2,337 -2,092 -2,092 Financing cashflow 1,107 -62 137 1,136 -1,174 -1,545 Cash & cash equivalent EB 310 436 532 660 587 120 Ratios 2007A 2008A 2009A 2010A	Inventories	511	612	678	820	1,644	1,847
Non-current assets3,8114,7335,9038,0179,59411,078Trade and other payables6268791,4471,5083,3513,532ST loans424722580471471471Current liabilities1,0651,6232,0522,1283,9724,155Shareholder's funds4,0454,3695,4116,5367,8519,582Cashflow Statement(HK\$ mn)2007A2008A2009A2010A2011E2012EOperating cashflow4401,1241,3231,3303,1923,169Investment cashflow-1,430-927-1,359-2,337-2,092-2,092Financing cashflow1,107-621371,136-1,174-1,545Cash & cash equivalent EB310436532660587120Ratios2007A2008A2009A2010A2011E2012EGross margin39%31%37%40%39%38%ROE17%16%14%24%32%34%ROA12%11%10%14%18%20%ROCE16%15%13%18%24%27%Debt/Equity0.190.130.380.330.330.00Current ratio1.51.11.01.41.21.2Quick ratio1.00.70.71.00.70.8	Total current assets	1,559	1,765	2,106	2,999	4,583	5,016
Trade and other payables6268791,4471,5083,3513,532ST loans424722580471471471Current liabilities1,0651,6232,0522,1283,9724,155Shareholder's funds4,0454,3695,4116,5367,8519,582Cashflow Statement(HK\$ mn)2007A2008A2009A2010A2011E2012EOperating cashflow4401,1241,3231,3303,1923,169Investment cashflow-1,430-927-1,359-2,337-2,092-2,092Financing cashflow1,107-621371,136-1,174-1,545Cash & cash equivalent EB310436532660587120Ratios2007A2008A2009A2010A2011E2012EGross margin39%31%37%40%39%38%ROE17%16%14%24%32%34%ROCE16%15%13%18%24%27%Debt/Equity0.190.130.380.330.330.00Current ratio1.51.11.01.41.21.2Quick ratio1.00.70.71.00.70.8	Net fixed assets	3,718	4,627	5,794	7,865	9,463	10,947
ST loans424722580471471471Current liabilities1,0651,6232,0522,1283,9724,155Shareholder's funds4,0454,3695,4116,5367,8519,582Cashflow Statement(HK\$ mn)2007A2008A2009A2010A2011E2012EOperating cashflow4401,1241,3231,3303,1923,169Investment cashflow-1,430-927-1,359-2,337-2,092-2,092Financing cashflow1,107-621371,136-1,174-1,545Cash & cash equivalent EB310436532660587120Ratios2007A2008A2009A2010A2011E2012EGross margin39%31%37%40%39%38%ROE17%16%14%24%32%34%ROCE16%15%13%18%24%27%Debt/Equity0.190.130.380.330.330.00Current ratio1.51.11.01.41.21.2Quick ratio1.00.70.71.00.70.8	Non-current assets	3,811	4,733	5,903	8,017	9,594	11,078
Current liabilities1,0651,6232,0522,1283,9724,155Shareholder's funds4,0454,3695,4116,5367,8519,582Cashflow Statement(HK\$ mn)2007A2008A2009A2010A2011E2012EOperating cashflow4401,1241,3231,3303,1923,169Investment cashflow-1,430-927-1,359-2,337-2,092-2,092Financing cashflow1,107-621371,136-1,174-1,545Cash & cash equivalent EB310436532660587120Ratios2007A2008A2009A2010A2011E2012EGross margin39%31%37%40%39%38%ROE17%16%14%24%32%34%ROCE16%15%13%18%24%27%Debt/Equity0.190.130.380.330.330.00Current ratio1.51.11.01.41.21.2Quick ratio1.00.70.71.00.70.8	Trade and other payables	626	879	1,447	1,508	3,351	3,532
Shareholder's funds4,0454,3695,4116,5367,8519,582Cashflow Statement(HK\$ mn)2007A2008A2009A2010A2011E2012EOperating cashflow4401,1241,3231,3303,1923,169Investment cashflow-1,430-927-1,359-2,337-2,092-2,092Financing cashflow1,107-621371,136-1,174-1,545Cash & cash equivalent EB310436532660587120Ratios2007A2008A2009A2010A2011E2012EGross margin39%31%37%40%39%38%ROE17%16%14%24%32%34%ROA12%11%10%14%18%20%ROCE16%15%13%18%24%27%Debt/Equity0.190.130.380.330.330.00Current ratio1.51.11.01.41.21.2Quick ratio1.00.70.71.00.70.8	ST loans	424	722	580	471	471	471
Cashflow Statement(HK\$ mn)2007A2008A2009A2010A2011E2012EOperating cashflow4401,1241,3231,3303,1923,169Investment cashflow-1,430-927-1,359-2,337-2,092-2,092Financing cashflow1,107-621371,136-1,174-1,545Cash & cash equivalent EB310436532660587120Ratios2007A2008A2009A2010A2011E2012EGross margin39%31%37%40%39%38%ROE17%16%14%24%32%34%ROA12%11%10%14%18%20%ROCE16%15%13%18%24%27%Debt/Equity0.190.130.380.330.330.00Current ratio1.51.11.01.41.21.2Quick ratio1.00.70.71.00.70.8	Current liabilities	1,065	1,623	2,052	2,128	3,972	4,155
Operating cashflow 440 1,124 1,323 1,330 3,192 3,169 Investment cashflow -1,430 -927 -1,359 -2,337 -2,092 -2,092 Financing cashflow 1,107 -62 137 1,136 -1,174 -1,545 Cash & cash equivalent EB 310 436 532 660 587 120 Ratios 2007A 2008A 2009A 2010A 2011E 2012E Gross margin 39% 31% 37% 40% 39% 38% ROE 17% 16% 14% 24% 32% 34% ROA 12% 11% 10% 14% 18% 20% ROCE 16% 15% 13% 18% 24% 27% Debt/Equity 0.19 0.13 0.38 0.33 0.33 0.00 Current ratio 1.5 1.1 1.0 1.4 1.2 1.2 Quick ratio 1.0	Shareholder's funds	4,045	4,369	5,411	6,536	7,851	9,582
Investment cashflow -1,430 -927 -1,359 -2,337 -2,092 -2,092 Financing cashflow 1,107 -62 137 1,136 -1,174 -1,545 Cash & cash equivalent EB 310 436 532 660 587 120 Ratios 2007A 2008A 2009A 2010A 2011E 2012E Gross margin 39% 31% 37% 40% 39% 38% ROE 17% 16% 14% 24% 32% 34% ROA 12% 11% 10% 14% 18% 20% ROCE 16% 15% 13% 18% 24% 27% Debt/Equity 0.19 0.13 0.38 0.33 0.33 0.00 Current ratio 1.5 1.1 1.0 1.4 1.2 1.2 Quick ratio 1.0 0.7 0.7 1.0 0.7 0.8	Cashflow Statement(HK\$ mn)	2007A	2008A	2009A	2010A	2011E	2012E
Financing cashflow 1,107 -62 137 1,136 -1,174 -1,545 Cash & cash equivalent EB 310 436 532 660 587 120 Ratios 2007A 2008A 2009A 2010A 2011E 2012E Gross margin 39% 31% 37% 40% 39% 38% ROE 17% 16% 14% 24% 32% 34% ROA 12% 11% 10% 14% 24% 20% ROCE 16% 15% 13% 18% 24% 27% Debt/Equity 0.19 0.13 0.38 0.33 0.33 0.00 Current ratio 1.5 1.1 1.0 1.4 1.2 1.2 Quick ratio 1.0 0.7 0.7 1.0 0.7 0.8		-		,			
Cash & cash equivalent EB310436532660587120Ratios2007A2008A2009A2010A2011E2012EGross margin39%31%37%40%39%38%ROE17%16%14%24%32%34%ROA12%11%10%14%18%20%ROCE16%15%13%18%24%27%Debt/Equity0.190.130.380.330.330.00Current ratio1.51.11.01.41.21.2Quick ratio1.00.70.71.00.70.8			-		•	•	
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Debt/Equity0.190.130.380.330.330.00Current ratio1.51.11.01.41.21.2Quick ratio1.00.70.71.00.70.8							
Current ratio1.51.11.01.41.21.2Quick ratio1.00.70.71.00.70.8							
Quick ratio 1.0 0.7 0.7 1.0 0.7 0.8							
	Current ratio						
Receivables turnover days 81.8 62.6 69.4 68.3 68.3 68.3							
	Receivables turnover days	81.8	62.6	69.4	68.3	68.3	68.3

Source: Company data, CICC Research



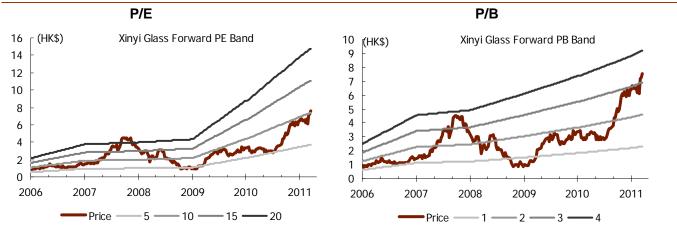
6: Comparable valuations

Company	Category Price Market Cap P/E P/B				EV/EBITDA							EPS Growth %				CAGR											
	2 /	2011-4-25	MN USD	06A	07A	08A	09A	10E	11E	06A	07A	08A	09A	10E	11E	06A	07A	08A	09A	10E	11E	07A	08A	09A	10E	11E	07-11
China A-Share Listcos Weichai Power A	CV	52.50	13,304	132.1	43.3	45.3	25.7	12.9	10.6	29.3	13.7	10.9	7.4	4.7	3.1	76.9	21.9	22.8	14.2	11.2	10.2	205%	-4%	76%	99%	21%	42%
CNHTC Jinan Truck	CV	23.02	1,484	43.0	13.5	20.4	22.6	14.4	12.1	7.3	4.8	3.9	3.4	2.8	2.5	13.3	6.6	10.8	10.1	7.3	6.4	2203 %	-34%	-10%	57%	19%	3%
Yutong Bus	CV	23.22	1,855	54.7	32.0	22.7	21.4	14.0	11.4	9.7	4.5	7.2	5.6	4.9	4.0	30.6	17.3	20.1	14.1	12.7	11.0	71%	41%	6%	53%	24%	30%
Beqi Foton Motor	CV	21.58	3,498	n.a.	51.1	57.2	19.1	13.8	11.5	13.2	10.3	6.6	4.9	2.8	2.3	98.7	30.7	40.6	14.0	9.6	8.5	n.m.	-11%	200%	38%	20%	45%
Jiangling Motor	CV	30.56	4,054	43.7	34.7	33.6	25.0	15.4	12.5	8.7	7.5	6.5	5.4	4.3	3.5	27.6	25.8	28.6	18.3	15.5	13.6	26%	3%	35%	62%	23%	29%
Dongfeng Automobile	CV	5.28 11.81	1,623	21.0 37.0	21.6 46.3	33.5 266.6	33.2 45.3	18.5 13.1	12.3 11.3	2.1 5.0	2.0 3.8	2.0 3.8	1.9 3.5	1.8 2.8	1.7 2.4	11.9 21.6	10.1 20.9	39.7 28.5	41.0 12.8	18.1 9.0	11.7 8.0	-3%	-36%	1%	80%	51%	15%
Jianghuai Auto Chang'an Auto A	CV/PV PV	10.00	2,339 4,127	51.7	40.3	1.101.6	24.0	13.3	13.1	2.3	2.6	3.1	2.7	2.0	1.7	24.6	n.a.	n.a.	45.4	19.1	15.8	-20% 28%	-83% -96%	488% 4497%	246% 81%	16% 1%	42% 32%
FAW Car	PV	15.86	3,967	74.3	46.7	23.7	15.8	11.1	9.7	4.8	4.5	3.9	3.4	2.8	2.3	35.4	18.3	17.1	10.3	8.9	8.1	59%	97%	50%	43%	14%	48%
SAIC Motor	PV	18.09	25,693	117.3	36.1	254.8	25.4	12.2	9.6	3.7	3.2	3.4	2.8	2.5	2.2	69.3	44.1	131.4	40.0	8.8	7.7	71%	-86%	905%	108%	26%	39%
Zhejiang Zhongda	Dealer	18.98	1,281	117.8	56.9	39.6	30.4	16.3	14.6	7.1	4.9	3.9	3.4	2.9	2.5	93.7	39.6	15.3	13.6	8.6	7.4	71%	44%	30%	87%	11%	40%
Dongan Auto Engine	Parts	10.86	771	140.1	33.3	31.3	21.4	13.6	11.4	3.1	2.8	2.6	2.3	2.0	1.7	52.1	45.5	421.1	38.3	42.3	42.9	71%	6%	46%	57%	19%	31%
Zhongding Sealing Parts	Parts	20.20 11.29	1,321 4,482	n.a. 49.8	71.5 25.3	64.4 28.3	43.0 19.1	27.7 11.6	19.2 9.3	n.a. 5.3	16.9 2.6	17.9 4.0	10.3 2.4	8.1 2.0	5.8 1.8	n.a. 264.0	50.5 157.5	35.5 38.3	23.4 13.1	16.3 9.8	13.8 8.5	n.m.	11%	50%	55%	44%	39%
Huayu Automotive FAWAY	Parts Parts	30.43	4,482	49.8 n.m.	25.3 134.2	26.3	18.1	11.6	9.3 9.5	5.9	2.6	4.0	2.4 3.9	2.0	2.3	204.0 n.a.	n.a.	36.3 n.a.	n.a.	9.6 n.a.	o.o n.a.	97% n.m.	-11% 295%	49% 87%	64% 61%	24% 18%	28% 94%
Fuyao Glass	Parts	10.73	3.303	34.9	23.4	87.4	19.2	12.0	9.8	7.6	6.1	6.6	4.9	3.7	3.2	22.5	17.0	17.7	11.9	10.3	8.6	49%	-73%	355%	60%	23%	24%
Zhejiang Yinlun	Parts	29.18	448	93.1	81.4	67.0	54.1	22.3	18.2	11.2	6.5	6.2	5.7	4.6	3.7	31.9	28.8	23.7	15.8	12.6	10.5	14%	21%	24%	142%	23%	54%
Median				53.2	36.1	45.3	24.0	14.2	12.3	5.1	4.5	3.9	3.4	2.8	2.4	31.9	21.4	26.1	14.0	9.8	8.7	71%	-11%	50%	57%	19%	30%
Median-CV				43.0	33.4	33.6	25.3	14.2	11.8	8.0	4.7	5.2	4.2	2.8	2.4	24.6	19.1	25.7	14.0	10.4	9.3	71%	-19%	20%	60%	21%	29%
Median-PV				63.0	43.5	187.5	24.7	12.7	11.4	3.7	3.4	3.5	3.1	2.7	2.3	52.4	31.2	74.3	40.0	8.9	8.1	44%	-64%	491%	62%	14%	36%
Median-Parts				91.3	33.4	59.6	19.1	15.0	13.2	5.3	4.6	4.4	3.3	2.6	2.1	37.8	28.8	35.5	13.1	10.3	9.1	84%	-2%	51%	56%	19%	27%
HK Listcos																											
Weichai Power H	CV	56.40	13,304	118.9	39.0	40.7	23.1	11.6	9.6	26.4	12.3	9.8	6.7	4.3	2.8	20.5	5.9	6.1	4.0	3.7	3.3	205%	-4%	76%	99%	21%	42%
Qingling	CV	2.63	840	84.0	43.8	37.6	26.3	21.9	17.2	1.0	1.0	0.9	0.9	0.9	0.9	1.1	0.8	1.0	0.7	0.7	0.6	92%	17%	43%	20%	28%	26%
Brilliance Auto	PV	8.08 3.26	5,193	n.m. 54.3	304.9 45.1	365.6 20.2	n.m. 16.0	31.7 17.4	24.2 14.3	5.0 23.1	4.9 9.7	4.9 5.7	8.0 3.7	5.0 3.0	4.0 2.5	227.6 n.m.	43.1 n.m.	49.0 37.7	25.6 10.9	54.5 8.1	34.6 7.1	n.m.	-17%	n.m.	n.m.	31%	88%
Geely Auto GAC group	PV PV	9.51	3,124 7,524	n.m.	9.7	20.2	17.6	10.3	14.3	23.1 n.m.	9.7 n.m.	n.m.	n.m.	2.0	2.5	n.m.	7.0	8.8	7.7	5.3	4.8	20% n.m.	124% -54%	26% 21%	-8% 70%	22% -9%	33% -4%
Great Wall Motor	CV/PV	14.88	5.243	16.7	36.4	66.5	33.4	12.6	9.5	3.3	5.3	5.1	4.5	3.4	2.6	42.8	30.0	49.1	28.2	10.1	3.2	-54%	-45%	99%	164%	33%	40%
Dongfeng Motor	PV	12.82	14,215	44.5	24.5	23.4	14.8	8.4	7.9	6.5	5.2	4.2	3.4	2.5	2.0	13.0	10.7	8.7	6.0	5.4	4.5	81%	5%	58%	76%	7%	33%
Sinotruk	CV	6.76	2,402	24.5	14.1	17.7	16.2	10.6	8.6	16.6	1.4	1.4	0.9	0.9	0.8	15.5	11.1	15.0	10.3	8.2	6.9	74%	-21%	10%	54%	23%	13%
Zhongsheng Holdings	Dealer	14.70	3,610	159.1	82.6	107.4	49.9	22.8	14.1	4.2	3.4	2.8	2.4	2.0	1.6	115.8	53.9	55.4	32.2	16.3	8.9	93%	-23%	115%	119%	62%	56%
DCH Holdings	Dealer	9.41	2,203	52.4	33.6	30.1	23.9	12.0	12.0	4.6	4.0	3.5	3.1	2.5	2.2	63.0	39.9	19.9	16.8	11.0	8.5	56%	12%	26%	99%	0%	29%
Xinyi Glass Holding Minth Group	Parts Parts	9.16 12.06	4,149 1.669	83.7 40.2	48.4 30.0	45.8 25.5	42.0 17.4	20.8 13.3	13.2 10.6	14.4 9.1	8.0 3.7	7.4 3.3	6.1 2.8	5.0 2.0	4.1 1.7	71.3 26.6	41.9 17.9	36.6 14.7	32.5 11.1	15.4 n.m.	12.1 7.0	73% 34%	6% 18%	9% 47%	102% 31%	58% 26%	39% 30%
Median	Falls	12.00	1,009	53.3	37.7	33.8	23.1	13.0	11.7	6.5	4.9	4.2	3.4	2.5	2.1	34.7	17.9	17.4	11.0	8.2	7.0	73%	0%	47 %	76%	25%	30%
Median-CV				84.0	39.0	37.6	23.1	11.6	9.6	16.6	1.4	1.4	0.9	0.9	0.9	15.5	5.9	6.1	4.0	3.7	3.3	92%	-4%	43%	54%	23%	26%
Median-PV				44.5	36.4	23.4	16.8	12.6	11.4	5.8	5.3	5.0	4.1	3.0	2.5	42.8	20.4	37.7	10.9	8.1	4.8	20%	-17%	42%	73%	22%	33%
Median-Parts				61.9	39.2	35.6	29.7	17.1	11.9	11.8	5.8	5.4	4.5	3.5	2.9	48.9	29.9	25.7	21.8	15.4	9.5	53%	12%	28%	66%	42%	34%
Europe & US Listcos																											
Man AG	CV	91.80	19,453	14.7	11.1	10.9	n.m.	18.9	14.5	3.6	2.6	2.5	2.7	2.0	1.8	11.0	7.7	8.4	15.6	12.7	8.0	33%	1%	n.m.	n.m.	31%	-6%
Scania	CV	146.10	19,241	19.7	13.7	13.2	103.6	12.8	11.9	4.5	4.7	5.3	5.0	3.3	2.8	10.0	7.2	6.8	13.4	7.2	8.8	44%	4%	-87%	707%	8%	4%
Volvo Paccar	CV	112.70 53.27	39,264	14.0 13.4	15.3 16.1	23.0 19.1	n.m. 171.8	21.0 42.6	13.7 20.2	2.6 4.5	2.8 3.9	2.7 4.0	3.4 3.8	2.7 3.2	2.3 2.9	9.4 6.7	9.8 7.8	11.3 8.4	n.m. 16.7	10.4 13.3	8.3 10.4	-8% -17%	-34%	n.m.	n.m.	53%	3%
Daimler AG	CV CV/PV	51.14	19,461 79,353	14.0	13.4	36.3	n.m.	11.9	9.7	1.4	1.4	1.5	1.7	1.4	1.3	6.2	6.8	9.2	35.6	10.3	8.4	5%	-16% -63%	-89% n.m.	303% n.m.	110% 23%	-6% 8%
FIAT	CV/PV	6.87	12,350	8.2	4.4	5.3	n.m.	16.3	22.1	0.9	0.8	0.8	0.8	0.9	0.8	2.5	2.0	1.9	4.4	3.7	3.4	85%	-16%	n.m.	n.m.	-26%	-33%
Renault	PV	38.40	16,533	3.4	3.7	17.2	n.m.	3.0	5.7	0.5	0.5	0.6	0.7	0.5	0.4	8.8	8.0	11.6	14.4	8.9	8.4	-8%	-78%	n.m.	n.m.	-47%	-10%
Peugeot	PV	29.19	9,946	37.9	7.5	n.m.	n.m.	5.8	5.4	0.5	0.5	0.5	0.5	0.5	0.4	6.8	5.8	7.8	11.9	6.0	5.7	404%	n.m.	n.m.	n.m.	9%	9%
BMW	PV	60.80	56,399	6.9	6.4	124.1	196.1	12.4	10.5	2.1	1.8	2.0	2.0	1.5	1.3	8.2	7.3	8.1	9.7	6.3	8.0	9%	-95%	-37%	1484%	18%	-12%
VW	PV	110.75	76,958	15.7	10.7	9.3	46.8	7.3	7.9	1.6	1.4	1.3	1.3	1.0	0.9	9.2	7.2	7.3	10.0	6.5	6.3	47%	14%	-80%	541%	-8%	8%
Ford	CV/PV CV/PV	15.43 30.95	58,367	n.m. n.m.	n.m. n.m.	n.m. n.m.	17.0 n.m.	8.1 10.0	8.5 8.2	n.m. n.m.	9.4 n.m.	n.m. n.m.	n.m. n.m.	8.4 1.4	4.1	234.4 n.m.	9.7 n.m.	1,981.5 n.m.	19.7 n.m.	8.2 3.7	10.0 3.2	n.m.	n.m.	n.m.	109%	-5%	n.m.
GM Magna	Parts	48.82	48,305 11,909	20.1	16.4	155.0	n.m.	11.5	10.5	1.5	1.3	1.5	1.5	1.3	1.2	6.2	5.0	7.1	24.4	5.4	4.8	n.m. 22%	n.m. -89%	n.m. n.m.	n.m. n.m.	21% 10%	n.m. 12%
Borgwarner	Parts	76.94	8,597	41.7	30.9	n.m.	334.5	23.2	18.5	4.7	3.8	4.4	4.1	3.5	2.8	15.2	13.6	16.0	25.9	12.4	9.0	35%	n.m.	n.m.	1339%	26%	14%
Autoliv	Parts	78.00	6,955	15.9	21.1	34.1	650.0	11.5	11.5	2.6	2.5	2.6	2.8	2.1	1.8	8.6	8.6	10.9	18.6	6.2	5.8	-24%	-38%	-95%	5542%	0%	16%
Elringklinger	Parts	22.81	2,104	22.7	17.3	33.1	39.3	20.5	16.4	6.1	4.9	4.8	4.3	2.6	2.3	10.9	9.0	11.2	11.5	7.8	6.9	31%	-48%	-16%	91%	25%	1%
Valeo	Parts	41.69	4,773	19.9	39.3	n.m.	n.m.	8.6	7.8	1.9	1.8	2.4	2.6	1.6	1.3	4.2	4.1	7.3	6.1	3.3	3.1	-50%	n.m.	n.m.	n.m.	10%	50%
Median				15.8	14.5	21.0	137.7	11.9	11.0	2.3	2.5	2.5	2.6	1.8	1.6	8.8	7.7	8.4	13.9	7.0	7.5	17%	-36%	-84%	624%	10%	3%
Median-CV				14.4	14.5	16.1	137.7	20.0	14.1	4.0	3.3	3.4	3.6	3.0	2.6	9.7	7.7	8.4	15.6	11.6	8.5	12%	-7%	-88%	505% 541%	42%	-1%
Median-PV Median-Parts				11.1 21.4	6.9 26.0	17.2 34.1	46.8 334.5	9.0 11.5	8.4 13.9	1.2 3.7	1.4 3.1	1.0 3.5	1.0 3.4	1.2 2.3	1.0 2.0	8.2 9.1	7.2 8.8	8.1 10.5	11.9 15.0	6.4 6.4	7.2 5.9	28% 17%	-63% -48%	-58% -55%	541% 1339%	2% 10%	-1% 13%
Japan Listcos Isuzu	CV	341	7,067	5.3	7.6	n.m.	68.8	10.2	13.2	1.9	1.6	2.1	1.9	1.7	1.6	5.5	5.0	12.2	14.8	6.0	7.1	-31%	n.m.	n.m.	576%	-23%	-13%
Hino Motors	CV	402	2,821	11.5	10.4	n.m.	n.m.	24.3	25.5	0.8	0.8	1.1	1.1	1.1	1.1	5.3	4.4	12.3	7.9	5.7	6.7	11%	n.m.	n.m.	n.m.	-5%	-20%
Nissan	PV	773	42,682	6.9	6.6	n.m.	74.3	10.1	13.6	0.9	0.9	1.2	1.2	1.1	1.0	4.5	4.3	10.9	7.1	7.1	8.0	5%	n.m.	n.m.	636%	-26%	-17%
Toyota	CV/PV	3,295	138,765	6.4	6.1	n.m.	49.3	21.4	20.9	0.9	0.9	1.0	1.0	1.0	1.0	5.6	5.4	19.8	13.1	14.1	14.2	6%	n.m.	n.m.	131%	2%	-27%
Mazda	PV	189	4,110	3.6	2.9	n.m.	n.m.		112.4	0.6	0.5	0.6	0.7	0.7	0.7	3.7	3.7	3.7	3.7	8.6	10.0	24%	n.m.	n.m.	n.m.	23%	-60%
Honda	PV	3,145	69,582	9.7	9.5	41.7	21.3	10.0	12.7	1.3	1.3	1.4	1.3	1.2	1.2	7.1	6.4	10.5	8.8	8.2	9.1	2%	-77%	96%	113%	-21%	-7%
Suzuki	PV Borto	1,861 2,765	12,753	11.0 11.1	10.5 9.2	30.2 n.m.	29.7 30.3	21.0 15.4	20.8 16.8	1.1 1.0	1.1 1.0	1.3 1.2	1.1 1.2	1.1 1.1	1.0 1.1	3.4 4.0	3.1 3.4	4.4 8.6	4.4 5.5	3.9 5.2	4.1 5.9	5%	-65%	2%	41%	1%	-16%
Denso Aisin Seiki	Parts Parts	2,765	29,857 10,085	12.0	9.2 8.7	n.m.	30.3 47.5	15.4	10.0	1.0	1.0	1.2	1.2	1.1	1.1	3.9	3.4	6.0	5.5 4.2	3.7	5.9 4.3	20% 38%	n.m.	n.m. n.m.	97% 300%	-8% -14%	-14% -11%
A NORT ODINI		1,209	2,771	7.5	5.6	n.m.	32.7	16.9	13.0	1.4	1.2	1.4	1.4	1.3	1.2	3.3	2.6	5.6	4.2	3.8	3.9	36%	n.m. n.m.	n.m. n.m.	300% 94%	-14%	-11%
Tovota Boshoku	Parts													-								50 /0			5-170	2070	
		1,041	4,351	7.4	7.7	n.m.	n.m.	17.9	12.8	1.0	0.9	1.1	1.1	1.2	1.1	4.2	3.6	5.9	9.2	5.3	4.9	-4%	n.m.	n.m.	n.m.	40%	-12%
Toyota Boshoku Jtekt Median	Parts Parts			7.4 7.5	7.7 7.7	n.m. 35.9	n.m. 40.1	17.9 16.9	12.8 13.8	1.0 1.0	0.9 1.0	1.1 1.2	1.1 1.2	1.2 1.1	1.1 1.1	4.2 4.2	3.6 3.7	5.9 8.6	9.2 7.1	5.3 5.7	4.9 6.7	-4% 6%	n.m. -71%	n.m. 49%	n.m. 122%	40% -5%	-12% -16%
Jtekt																											
Jtekt Median				7.5	7.7	35.9	40.1	16.9	13.8	1.0	1.0	1.2	1.2	1.1	1.1	4.2	3.7	8.6	7.1	5.7	6.7	6%	-71%	49%	122%	-5%	-16%

Source: Bloomberg, CICC Research



7: Historical P/E and P/B bands



Source: Bloomberg, CICC Research



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Beijing

China International Capital Corporation Limited

28th Floor, China World Office 2 1 Jianguomenwai Avenue Beijing 100004, P.R. China Tel: (86-10) 6505-1166 Fax: (86-10) 6505-1156

Singapore

China International Capital Corporation (Singapore) Pte. Limited #39-04, 6 Battery Road Singapore 049909 Tel: (65) 6572-1999 Fax: (65) 6327-1278

Beijing Jianguomenwai Avenue Branch

Ist Floor, Capital Tower 6A Jianguomenwai Avenue Beijing 100022, P. R. China Tel: (86-10) 8567-9238 Fax: (86-10) 8567-9235

Hangzhou Jiaogong Road Branch

1st Floor, Euro American Center 18 Jiaogong Road Hangzhou 310012, P.R. China Tel: (86-571) 8849-8000 Fax: (86-571) 8735-7743

Chengdu Binjiang Road (East) Branch

1st & 16th Floors, Shangri-La Center 9B Binjiang Road (East) Chengdu 610021, P.R. China Tel: (86-28) 8612-8188 Fax: (86-28) 8444-7010

Wuhan Jiefang Road Branch

4th Floor, New World Centre Tower 634 Jiefang Road Qiaokou District, Wuhan 430032, P.R. China Tel: (86-27) 8334-3099 Fax: (86-27) 8359-0535

Shanghai

China International Capital Corporation Limited – Shanghai Branch 32nd Floor, Azia Center 1233 Lujiazui Ring Road Shanghai 200120, P.R. China Tel: (86-21) 5879-6226 Fax: (86-21) 5888-8976

United Kingdom

China International Capital Corporation (UK) Limited Level 25, 125 Old Broad Street London EC2N 1AR, United Kingdom Tel: (44-20) 7367-5718 Fax: (44-20) 7367-5719

Shanghai Middle Huaihai Road Branch 398 Middle Huaihai Road

Shanghai 200020, P.R.China Tel: (86-21) 6386-1195 Fax: (86-21) 6386-1180

Nanjing Zhongshan Road (North) Branch

2nd Floor, Greenland Plaza, 1 Zhongshan Road (North) Nanjing 210008, P.R. China Tel: (86-25) 8316-8988 Fax: (86-25) 8316-8397

Xiamen Lianyue Road Branch

4th Floor, Office Building Paragon Center 1 Lianyue Road Siming District, Xiamen 361012, P.R. China Tel: (86-592) 515-7000 Fax: (86-592) 511-5527

Chongqing Honghu Road (West) Branch

1st & 10th Floors, Ourui Lanjue Center 9 Honghu Road (W) New North District, Chongqing 401120, P.R. China Tel: (86-23) 6307-7088 Fax: (86-23) 6739-6636

Hong Kong

China International Capital Corporation (Hong Kong) Limited 29th Floor, One International Finance Centre 1 Harbour View Street Central, Hong Kong Tel: (852) 2872-2000 Fax: (852) 2872-2100

Shenzhen Fuhuayilu Branch

Rooms 107 & 201, Annex Building Shenzhen Duty Free Commercial Tower 6 Fuhua 1st Road Futian District, Shenzhen 518048, P.R. China Tel: (86-755) 8832-2388 Fax: (86-755) 8254-8243

Guangzhou Tianhe Road Branch

40th Floor, Teemtower 208 Tianhe Road Guangzhou 510620, P.R. China Tel: (86-20) 8396-3968 Fax: (86-20) 8516-8198

Qingdao Middle Hongkong Road Branch

11th Floor, Shangri-La Center 9 Hongkong Road (M) South District, Qingdao 266071, P.R. China Tel: (86-532) 6670-6789 Fax: (86-532) 6887-7018

