Guangzhou Automobile Group - H

A moderate miss

Underweight

2238.HK, 2238 HK
Price: HK$7.00

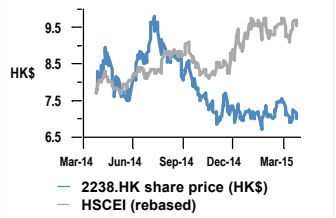
Price Target: HK$6.60

GAC's FY14 results reported today were in line with our estimate but missed consensus moderately by 5%. We retain our Underweight on GAC and our top picks in China are **Geely Auto**, **Brilliance China** and **Great Wall Motor**.

- **We have reservations on GAC although we are optimistic on its coming new models:** 1) Consensus forecast is still subject to downside revision (we are 11%/17% above current consensus estimates in FY15/16), 2) Comparably rich valuation which arguably has priced in a lot of upside in terms of GAC's strong model cycles in 2015-16. 3) Fundamentally, as China's auto industry is inevitably facing deceleration due to a high base and underlying economic challenge. We see GAC as a proxy to a broader passenger vehicle market, given its wide product portfolio. However, we believe investors should focus on niche sub-segment seeing superior growth in China such as SUV, A-segment and premium cars.
- **Key observations of FY14 result:** Net profit was up 20% YoY on the back of: 1) Revenue grew 19% YoY driven by solid volume growth in GAC's own brand *Trumpchi* (24% YoY) while partially offset by GAC Gonow and GAC Bus (volume was down 29%/11% YoY, respectively). Solid volume growth from *Trumpchi* also helped boost its gross margin to 11.4% from 10.6% in FY13. 2) On the JV side, investment income increased 4% YoY driven by GAC-Toyota, GAC-Honda and to a lesser extent GAC-Mitsubishi, whilst GAC-Fiat remained in net loss in FY14.
- **Rating, risk:** We retain our Underweight on GAC and extend our GAC-H PT to Dec-15 at HK$6.6/shr on the same methodology 9x PER (vs. previous Jun-15 HK$6.6). Our UW is a relative call as we see GAC's valuation relatively expensive compared with its peers in China. Risks: Better-than-expected sales and margins among JVs and its own brand business.

China
Head of Asia Auto Research
Nick Lai AC
(852) 2800 8543
nick.yc.lai@jpmorgan.com
Bloomberg JPMA LAI <GO>
Rebecca Y Wen
(852) 2800-8505
rebecca.y.wen@jpmorgan.com
J.P. Morgan Securities (Asia Pacific) Limited

Price Performance



	YTD	1m	3m	12m
Abs	-2.2%	-6.8%	-3.0%	-9.3%
Rel	0.1%	-6.0%	-6.6%	-32.8%

Guangzhou Automobile Group - H (Reuters: 2238.HK, Bloomberg: 2238 HK)

Rmb in mn, year-end Dec	FY12A	FY13A	FY14E	FY15E	FY16E
Revenue (Rmb mn)	12,964	18,824	22,376	22,041	24,231
EBIT (Rmb mn)	(1,108)	(746)	(384)	332	420
Net Profit (Rmb mn)	1,134	2,653	3,185	3,793	4,424
EPS (Rmb)	0.18	0.41	0.49	0.59	0.69
DPS (Rmb)	0.08	0.08	0.16	0.16	0.19
Revenue growth (%)	18.0%	45.2%	18.9%	(1.5%)	9.9%
EPS growth (%)	(74.4%)	131.3%	20.1%	19.1%	16.6%
ROE	3.8%	8.2%	9.3%	10.3%	11.1%
P/E (x)	31.4	13.6	11.3	9.5	8.1
P/BV (x)	1.1	1.1	1.0	0.9	0.9
Dividend Yield	1.4%	1.4%	2.9%	2.9%	3.4%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Company Data	
52-week Range (HK$)	9.87-6.58
Shares O/S (mn)	6,435
Market Cap (Rmb mn)	36,039
Market Cap ($ mn)	5,807
Price (HK$)	7.00
Date Of Price	25 Mar 15
Free Float(%)	100.0%
3M - Avg daily vol (mn)	6.30
3M - Avg daily val ($ mn)	5.8
HSCEI	1,1968.91
Exchange Rate	7.76
Price Target End Date	31-Dec-15
Price Target (HK$)	6.60

See page 7 for analyst certification and important disclosures, including non-US analyst disclosures.
J.P. Morgan does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

Nick Lai
(852) 2800 8543
nick.yc.lai@jpmorgan.com

J.P.Morgan

Key catalysts for the stock price:	Upside risks to our view:	Downside risks to our view:
• New model launches from major JVs in 2014-15E.	• Better-than-expected sales volume from major JVs. • Faster-than-anticipated model launches in 2014/15E • Lower-than-expected loss from Fiat JV.	• Worse-than-expected sales volume from major JVs. • Slower-than-anticipated new model launches in • Higher-than-expected loss from Fiat JV

Key financial metrics	FY13	FY14E	FY15E	FY16E
Revenues (LC)	18,824	22,376	22,041	24,231
Revenue growth (%)	45%	19%	-1%	10%
EBITDA (LC)	(216)	154	878	935
EBITDA margin (%)	-1%	1%	4%	4%
Tax rate (%)	4%	4%	7%	8%
Net profit (LC)	2,653	3,185	3,793	4,424
EPS (LC)	0.41	0.49	0.59	0.69
EPS growth (%)	131%	20%	19%	17%
DPS (LC)	0.08	0.16	0.16	0.19
BVPS (LC)	5.18	5.50	5.94	6.44
Operating cash flow (LC mn)	548	348	874	848
Free cash flow (LC mn)	(736)	(5,296)	(945)	(924)
Interest cover (X)	(0.3)	0.2	1.2	1.2
Net margin (%)	14%	14%	17%	18%
Sales/assets (X)	0.4	0.4	0.3	0.3
Debt/equity (%)	14%	14%	14%	14%
Net debt/equity (%)	-42%	-28%	-37%	-14%
ROE (%)	8%	9%	10%	11%

Key model assumptions	FY13A	FY14E	FY15E	FY16E
GAC Honda sales growth	38%	10%	10%	8%
GAC Toyota sales growth	21%	23%	18%	10%

Source: Company data, J.P. Morgan estimates.

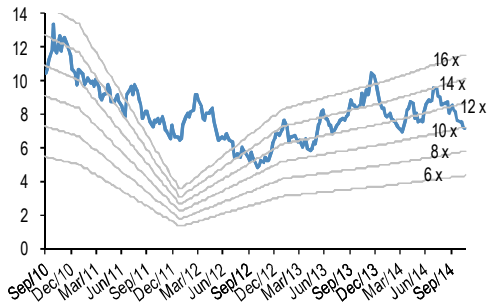
Sensitivity analysis	Impact on EBIT		Impact on EPS	
Sensitivity to	FY14E	FY15E	FY14E	FY15E
1% decrease in revenue	-0.7%	-0.7%	-0.8%	-0.8%
1% decrease in investment income	-1.0%	-0.9%	-1.2%	-1.1%

Source: J.P. Morgan estimates.

Valuation and price target basis

We retain our Underweight on GAC and extend our GAC-H PT to Dec-15 at HK$6.6/shr on the same methodology 9x PER (vs. previous Jun-15 HK$6.6).

GAC forward P/E band



Source: Bloomberg, J.P. Morgan estimates.

JPMe vs. consensus, change in estimates		
Net profits	**FY15E**	**FY16E**
JPMe	3,793	4,424
Consensus	4,277	5,301
% difference	-11%	-17%

Source: Bloomberg, J.P. Morgan estimates.

Nick Lai
(852) 2800 8543
nick.yc.lai@jpmorgan.com

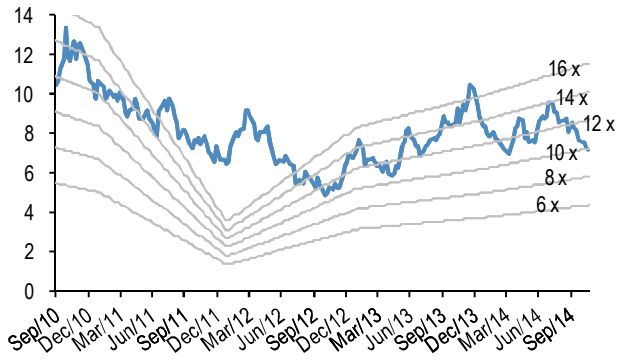
J.P.Morgan

China auto valuation summary

Company	Code	Rec	Price (LC) 25-Mar	Mkt cap (US$ M)	P/E (x) 15E	P/E (x) 16E	P/B (x) 15E	P/B (x) 16E	ROE 15E	ROE 16E	Div. yield 15E	Div. yield 16E
Brilliance	1114 HK	OW	14.40	9,332	9.2	8.0	2.8	2.1	35%	30%	0.7%	0.9%
ZhengTong Auto	1728 HK	OW	3.85	1,097	5.4	4.6	0.7	0.6	14%	14%	3.0%	3.7%
DongFeng Motor	489 HK	OW	11.80	13,110	5.4	4.9	1.0	0.9	19%	20%	2.8%	3.1%
Great Wall Motor	2333 HK	OW	53.25	24,181	11.5	9.4	3.0	2.5	30%	29%	1.9%	2.6%
Geely	175 HK	OW	3.97	4,506	11.4	7.4	1.4	1.2	13%	18%	0.6%	0.9%
GAC-H	2238 HK	UW	7.00	8,789	9.5	8.1	0.9	0.9	10%	11%	2.9%	3.4%
Minth Group	425 HK	OW	14.08	1,996	9.2	7.5	1.3	1.1	15%	16%	3.7%	4.3%
Baoxin Auto	1293 HK	N	4.34	1,431	7.2	6.4	1.3	1.1	19%	18%	3.6%	4.2%
Zhongsheng	881 HK	UW	5.39	1,492	6.8	6.2	0.9	0.8	13%	13%	2.2%	2.7%
Sinotruk	3808 HK	UW	4.52	1,609	15.2	12.8	0.5	0.5	3%	4%	1.4%	2.0%
Nexteer	1316 HK	N	7.99	2,574	12.5	10.7	3.0	2.4	27%	25%	0.8%	1.3%
Sunfonda	1771 HK	UW	3.20	248	5.9	4.6	0.8	0.7	14%	16%	0.0%	0.0%
SAIC Motor	600104 CH	OW	24.79	44,013	8.7	7.8	1.6	1.5	20%	20%	5.5%	6.1%
Weichai Power (1)	2338 HK	OW	28.55	9,112	9.0	7.9	1.3	1.1	15%	15%	1.6%	1.8%
BYD (2)	1211 HK	OW	37.40	17,532	28.5	15.1	2.3	2.0	10%	16%	0.0%	0.0%
Average (3)					**10.2**	**8.7**	**1.4**	**1.2**	**17%**	**17%**	**2.1%**	**2.5%**
Average exclude BYD(3)					**9.2**	**8.0**	**1.3**	**1.1**	**18%**	**18%**	**2.2%**	**2.6%**

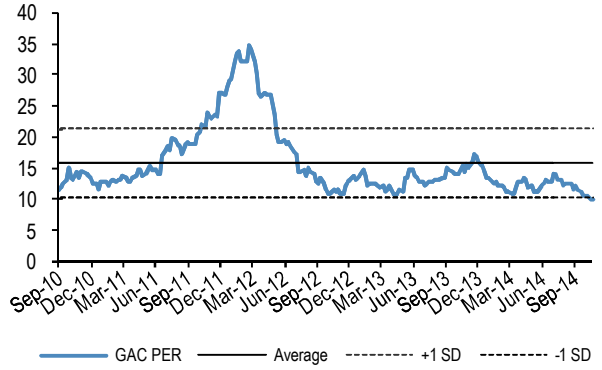
Source: J.P. Morgan estimates, Bloomberg. Notes: (1) Weichai Power is covered by Karen Li. (2) BYD covered by Alvin Kwock. (3) Average P/E is calculated as aggregated sector market cap divided by FY14/15E aggregated sector earnings; averages of P/B, ROE and dividend yield are simple average of the companies listed above.

Figure 1: GAC-H forward PER band



Source: Bloomberg, J.P. Morgan.

Figure 2: GAC-H forward PER with +/-1.0 standard deviation



Source: Bloomberg, J.P. Morgan.

Nick Lai
(852) 2800 8543
nick.yc.lai@jpmorgan.com

J.P.Morgan

Investment Thesis, Valuation and Risks

Guangzhou Automobile Group - H *(Underweight; Price Target: HK$6.60)*

Investment Thesis

We believe China autos will continue to encounter several macro and policy headwinds in 2015, including slowing auto sales (due to a high base), intensifying competition and pricing pressure driven not only by competition, but also by ongoing antitrust investigations. Our UW recommendation on GAC is a reflection of our more conservative view on its earnings and valuation.

Valuation

We remain Underweight on GAC and extend our GAC-H PT to Dec-15 at HK$6.6/shr on the same methodology 9x PER (vs. previous Jun-15 HK$6.6), which we consider reasonable after taking into account the company's strong model pipeline in a competitive environment. This is at the low end of GAC's historical trading band, as we believe the entire sector's multiple could be under pressure in 2015.

Risks to Rating and Price Target

Upside risks include: better-than-expected sales volume from major JVs, faster-than-anticipated model launches in 2015 and a lower-than-expected loss from the Fiat JV.

Nick Lai
(852) 2800 8543
nick.yc.lai@jpmorgan.com

J.P.Morgan

Guangzhou Automobile Group - H: Summary of Financials

Income Statement					
Rmb in millions, year end Dec	FY12	FY13	FY14E	FY15E	FY16E
Revenues	12,964	18,824	22,376	22,041	24,231
% change Y/Y	18.0%	45.2%	18.9%	(1.5%)	9.9%
Gross Profit	690	1,994	2,547	3,216	3,606
% change Y/Y	62.7%	188.9%	27.7%	26.3%	12.1%
Gross margin	5.3%	10.6%	11.4%	14.6%	14.9%
Operating Profit	(1,108)	(746)	(384)	332	420
% change Y/Y	564.1%	(32.7%)	(48.5%)	(186.3%)	26.7%
Operating Margin	(8.6%)	(4.0%)	(1.7%)	1.5%	1.7%
Net Interest	(529)	(645)	(745)	(732)	(792)
Earnings before tax	1,000	2,629	3,051	4,018	4,761
% change Y/Y	(75.4%)	162.9%	16.1%	31.7%	18.5%
Tax	65	(101)	(126)	(281)	(381)
Net income (reported)	1,134	2,653	3,185	3,793	4,424
% change Y/Y	(73.5%)	133.9%	20.1%	19.1%	16.6%
Net margin	8.7%	14.1%	14.2%	17.2%	18.3%
Wt. Avg. Shares (MM)	6,363	6,435	6,435	6,435	6,435
Wt. Avg. EPS (Rmb)	0.18	0.41	0.49	0.59	0.69

Balance sheet					
Rmb in millions, year end Dec	FY12	FY13	FY14E	FY15E	FY16E
Cash and cash equivalents	15,542	19,040	15,225	20,201	11,800
ST investments	31	713	713	713	713
Accounts receivable	1,095	1,287	2,141	2,794	3,336
Inventories	1,397	2,036	2,599	2,837	3,108
Others	2,208	3,438	6,296	5,540	17,160
Current assets	20,274	26,514	26,974	32,084	36,117
LT investments	17,128	18,770	18,780	18,790	18,800
Net fixed assets				-	-
Intangibles	4,141	4,234	4,234	4,234	4,234
Other LT assets	7,891	8,325	12,383	13,241	15,225
Total Assets	49,434	57,843	62,372	68,350	74,377
Short-term loans	0	0	0	0	0
Payables	3,928	4,568	5,974	7,343	8,673
Others	5,102	13,491	14,248	15,491	16,491
Total current liabilities	9,030	18,059	20,222	22,834	25,163
Long term debt	7,776	4,775	5,088	5,588	6,088
Other LT liabilities	564	893	893	893	893
Total non-current liabilities	8,340	5,668	5,981	6,481	6,981
Total Liabilities	17,370	23,727	26,203	29,315	32,144
Shareholders' equity	31,142	33,311	35,364	38,230	41,428
Minorities	922	805	805	805	805

Cash flow statement					
Rmb in millions, year end Dec	FY12	FY13	FY14E	FY15E	FY16E
Profit before tax	1,000	2,629	3,051	4,018	4,761
Depreciation & amortization	409	530	538	546	515
Change in working capital	1,582	308	552	716	788
Others	(2,505)	(2,920)	(3,793)	(4,406)	(5,216)
Cash flow from operations	485	548	348	874	848
Purchase of fixed assets	(2,948)	(1,904)	(6,358)	(2,500)	(2,500)
Others	5,277	2,612	3,106	3,111	3,116
Cash flow from investment	2,329	708	(3,252)	611	616
Equity raised/(repaid)	-	-	-	-	-
Debt raised/(repaid)	38	4,041	500	500	500
Other	(31)	9	(321)	0	0
Dividends paid	(1,757)	(538)	(1,088)	(1,104)	(1,314)
Cash flow from financing	(1,749)	3,512	(909)	(604)	(814)
Beginning cash	14,488	14,272	19,036	19,319	11,150
Ending cash	15,542	19,040	15,225	20,201	11,800

Ratio Analysis					
Rmb in millions, year end Dec	FY12	FY13	FY14E	FY15E	FY16E
Gross margin	5.3%	10.6%	11.4%	14.6%	14.9%
Operating margin	(8.6%)	(4.0%)	(1.7%)	1.5%	1.7%
Net margin	8.7%	14.1%	14.2%	17.2%	18.3%
Sales growth	18.0%	45.2%	18.9%	(1.5%)	9.9%
Net profit growth	(73.5%)	133.9%	20.1%	19.1%	16.6%
Gross profit growth	62.7%	188.9%	27.7%	26.3%	12.1%
Operating profit growth	564.1%	(32.7%)	(48.5%)	(186.3%)	26.7%
ROE	3.8%	8.2%	9.3%	10.3%	11.1%

Source: Company reports and J.P. Morgan estimates.

Nick Lai
(852) 2800 8543
nick.yc.lai@jpmorgan.com

J.P.Morgan

JPM Q-Profile

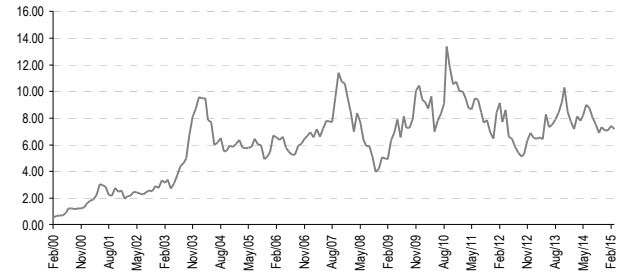
Guangzhou Automobile Group Co., Ltd. Class H (CHINA / Consumer Discretionary)

As Of: 23-Mar-2015

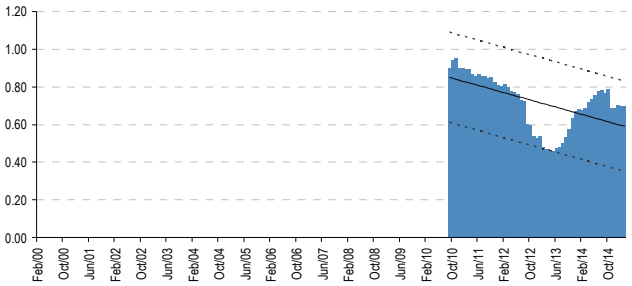
Global Equity Quantitative Analysis

Quant_Strategy@jpmorgan.com

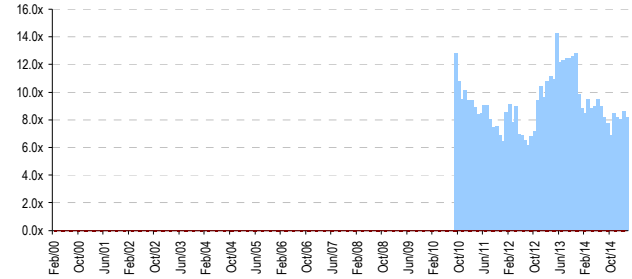
Local Share Price Current: 7.19



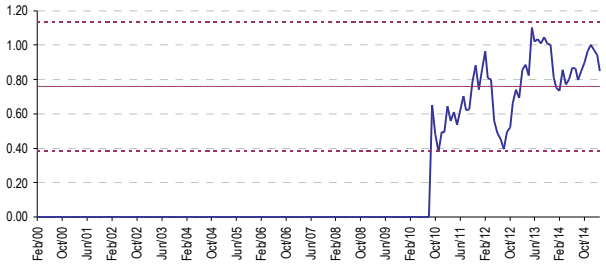
12 Mth Forward EPS Current: 0.70



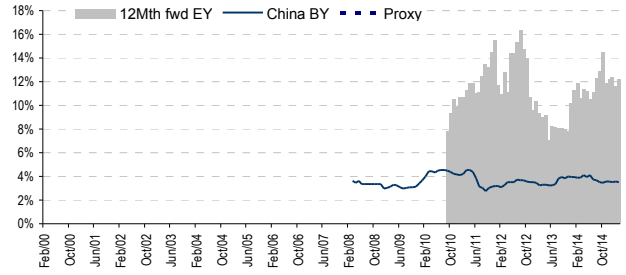
PE (1Yr Forward) Current: 8.2x



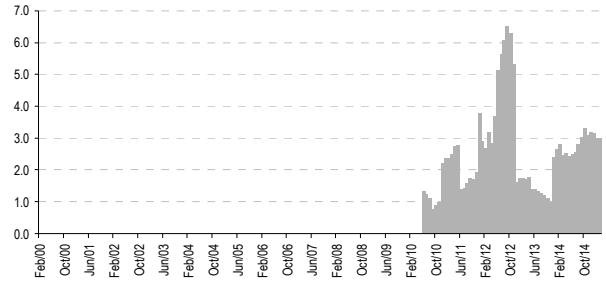
P/E Relative to China Index Current: 0.85



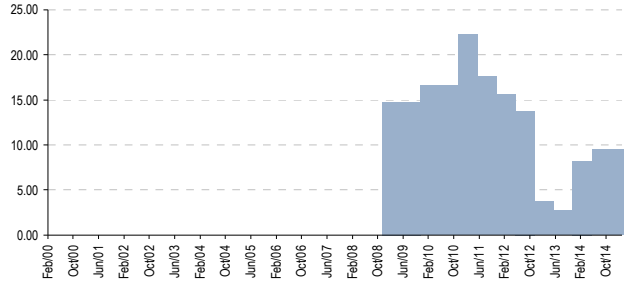
Earnings Yield (& Local Bond Yield) Current: 12%



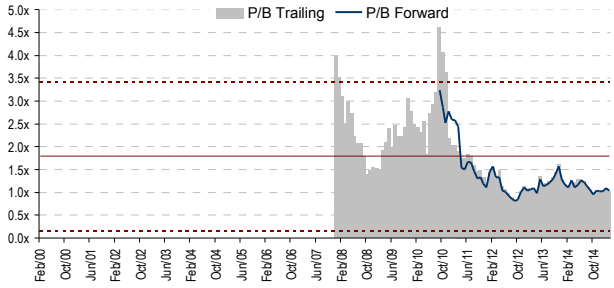
Dividend Yield (Trailing) Current: 2.99



ROE (Trailing) Current: 9.48



Price/Book (Value) Current: 1.0x



Summary

Guangzhou Automobile Group Co., Ltd. (									**As Of:**		23-Mar-15
CHINA	**TICKER**	**2238 HK**							**Local Price:**		7.19
Consumer Discretionary									**EPS:**		0.70
	Latest	**Min**	**Max**	**Median**	**Average**	**2 S.D.+**	**2 S.D. -**	**% to Min**	**% to Max**	**% to Med**	**% to Avg**
12mth Forward PE	**8.21x**										
P/BV (Trailing)	**1.02**	0.83	4.61	1.50	1.80	3.42	0.18	-19%	350%	47%	76%
Dividend Yield (Trailing)	**2.99x**	0.00	6.54	1.41	1.68	4.97	-1.61	-100%	119%	-53%	-44%
ROE (Trailing)	**9.48**	2.72	22.21	14.75	12.82	23.85	1.80	-71%	134%	56%	35%

Source: Bloomberg, Reuters Global Fundamentals, IBES CONSENSUS, JPMorgan Quantitative & Derivative Strategy

Other Companies Discussed in This Report (all prices in this report as of market close on 25 March 2015)
Brilliance China Automotive (1114.HK/HK$14.40/Overweight), Geely Automobile Holdings Ltd. (0175.HK/HK$3.97/Overweight), Great Wall Motor - H (2333.HK/HK$53.25/Overweight)

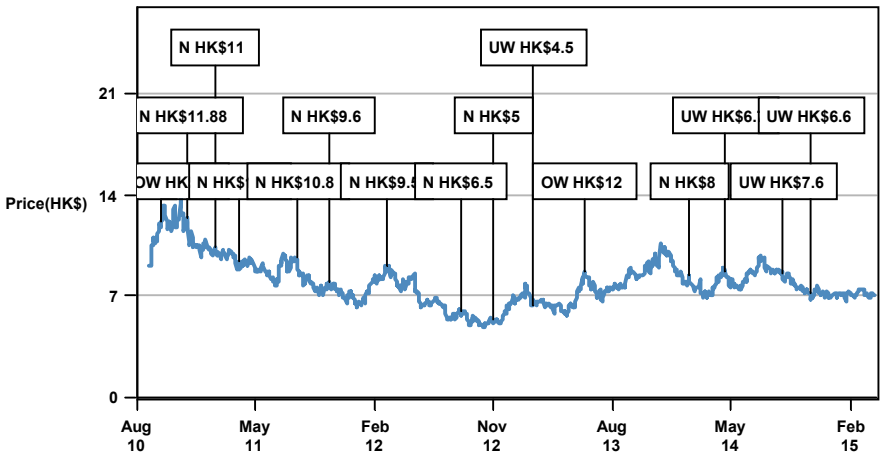
Analyst Certification: The research analyst(s) denoted by an "AC" on the cover of this report certifies (or, where multiple research analysts are primarily responsible for this report, the research analyst denoted by an "AC" on the cover or within the document individually certifies, with respect to each security or issuer that the research analyst covers in this research) that: (1) all of the views expressed in this report accurately reflect his or her personal views about any and all of the subject securities or issuers; and (2) no part of any of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report. For all Korea-based research analysts listed on the front cover, they also certify, as per KOFIA requirements, that their analysis was made in good faith and that the views reflect their own opinion, without undue influence or intervention.

Important Disclosures

- **Lead or Co-manager:** J.P. Morgan acted as lead or co-manager in a public offering of equity and/or debt securities for Geely Automobile Holdings Ltd. within the past 12 months.
- **Client:** J.P. Morgan currently has, or had within the past 12 months, the following company(ies) as clients: Geely Automobile Holdings Ltd., Great Wall Motor - H.
- **Client/Investment Banking:** J.P. Morgan currently has, or had within the past 12 months, the following company(ies) as investment banking clients: Geely Automobile Holdings Ltd..
- **Investment Banking (past 12 months):** J.P. Morgan received in the past 12 months compensation from investment banking Geely Automobile Holdings Ltd..
- **Investment Banking (next 3 months):** J.P. Morgan expects to receive, or intends to seek, compensation for investment banking services in the next three months from Geely Automobile Holdings Ltd..

Company-Specific Disclosures: Important disclosures, including price charts and credit opinion history tables, are available for compendium reports and all J.P. Morgan–covered companies by visiting https://jpmm.com/research/disclosures, calling 1-800-477-0406, or e-mailing research.disclosure.inquiries@jpmorgan.com with your request. J.P. Morgan's Strategy, Technical, and Quantitative Research teams may screen companies not covered by J.P. Morgan. For important disclosures for these companies, please call 1-800-477-0406 or e-mail research.disclosure.inquiries@jpmorgan.com.

Guangzhou Automobile Group - H (2238.HK, 2238 HK) Price Chart

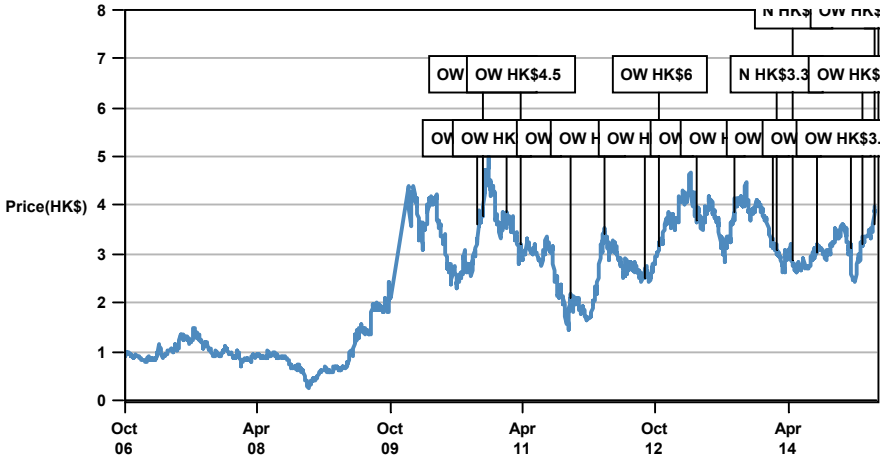


Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Sep 26, 2010.

Date	Rating	Share Price (HK$)	Price Target (HK$)
26-Sep-10	OW	12.16	14.00
26-Nov-10	N	12.48	11.88
28-Jan-11	N	10.32	11.00
23-Mar-11	N	9.46	11.10
02-Aug-11	N	9.76	10.80
18-Oct-11	N	8.00	9.60
29-Feb-12	N	9.15	9.50
14-Aug-12	N	5.91	6.50
26-Oct-12	N	5.37	5.00
27-Jan-13	UW	6.38	4.50
27-May-13	OW	8.67	12.00
24-Jan-14	N	8.45	8.00
15-Apr-14	UW	8.73	6.70
26-Aug-14	UW	8.65	7.60
29-Oct-14	UW	7.22	6.60

Nick Lai
(852) 2800 8543
nick.yc.lai@jpmorgan.com

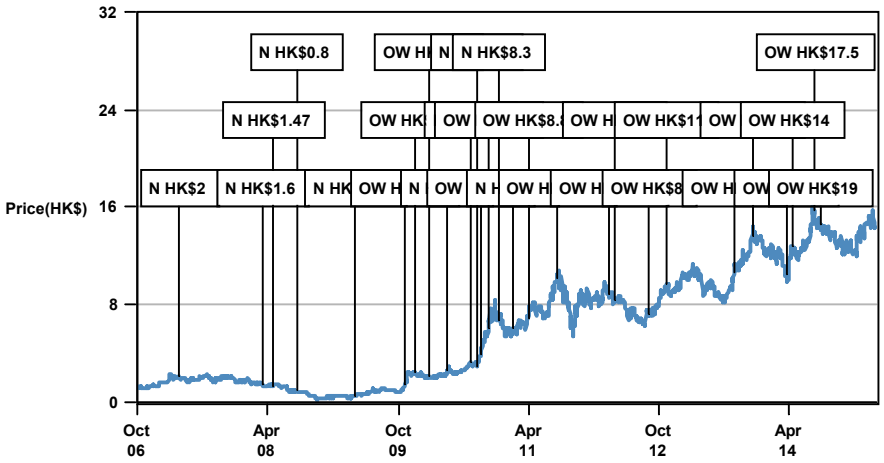
Geely Automobile Holdings Ltd. (0175.HK, 175 HK) Price Chart



Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Sep 26, 2010.

Date	Rating	Share Price (HK$)	Price Target (HK$)
26-Sep-10	OW	3.59	4.30
15-Oct-10	OW	3.79	6.20
28-Jan-11	OW	3.84	5.40
24-Mar-11	OW	3.18	4.50
18-Oct-11	OW	2.11	3.30
29-Feb-12	OW	3.41	5.10
14-Aug-12	OW	2.51	4.00
13-Oct-12	OW	3.16	6.00
21-Mar-13	OW	3.71	7.00
23-Aug-13	OW	3.86	7.50
24-Jan-14	OW	3.30	5.00
14-Feb-14	N	3.06	3.30
15-Apr-14	N	2.86	3.00
24-Jul-14	OW	3.02	3.70
16-Dec-14	OW	3.12	3.50
02-Feb-15	OW	3.19	4.30
19-Mar-15	OW	3.60	4.80

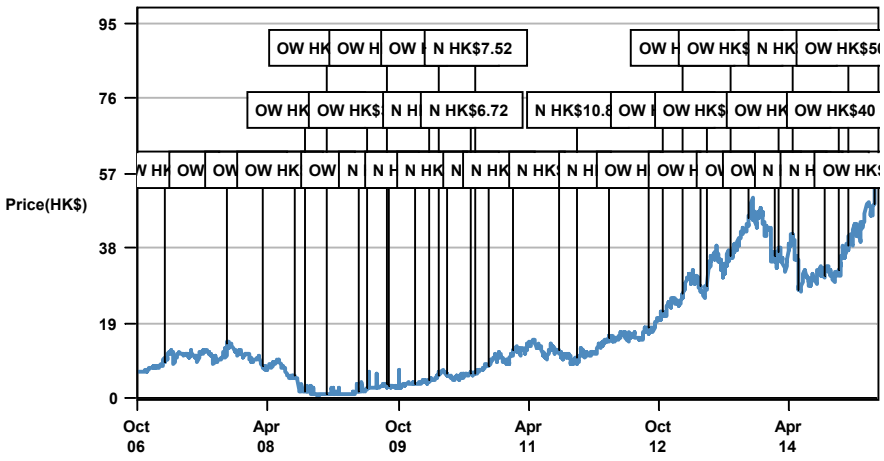
Brilliance China Automotive (1114.HK, 1114 HK) Price Chart



Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Mar 27, 2007.

Date	Rating	Share Price (HK$)	Price Target (HK$)
27-Mar-07	N	2.13	2.00
11-Mar-08	N	1.54	1.60
22-Apr-08	N	1.38	1.47
29-Jul-08	N	0.92	0.80
05-Apr-09	N	0.56	0.75
30-Oct-09	OW	1.45	1.80
09-Dec-09	OW	2.40	2.80
03-Feb-10	OW	2.10	2.80
21-Apr-10	N	2.61	2.80
30-Jul-10	N	3.26	3.30
27-Aug-10	N	3.02	3.50
14-Sep-10	OW	3.99	5.20
15-Oct-10	OW	6.00	9.60
26-Nov-10	N	6.71	8.30
28-Jan-11	N	6.00	7.50
29-Mar-11	OW	6.97	8.80
29-Jul-11	OW	10.18	12.50
29-Feb-12	OW	8.93	11.60
29-Mar-12	OW	8.32	11.00
14-Aug-12	OW	7.15	8.00
02-Nov-12	OW	9.62	11.00
13-Aug-13	OW	10.66	13.00
24-Oct-13	OW	13.66	20.00
20-Mar-14	OW	10.50	13.00
15-Apr-14	OW	12.76	14.00
11-Jul-14	OW	15.70	17.50
05-Aug-14	OW	14.56	19.00

Great Wall Motor - H (2333.HK, 2333 HK) Price Chart



Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Jan 26, 2007.

Date	Rating	Share Price (HK$)	Price Target (HK$)
26-Jan-07	OW	9.13	6.20
16-Oct-07	OW	13.94	8.32
12-Mar-08	OW	8.00	6.56
25-Jul-08	OW	5.49	3.76
05-Sep-08	OW	1.34	3.04
02-Dec-08	OW	0.98	1.56
19-Apr-09	OW	1.64	2.12
25-May-09	OW	2.30	3.32
12-Aug-09	OW	3.38	3.52
25-Aug-09	N	2.92	3.52
09-Dec-09	N	3.78	3.64
03-Feb-10	N	4.50	4.40
17-Mar-10	OW	5.56	6.84
21-Apr-10	N	5.97	6.24
30-Jul-10	N	6.27	6.72
21-Aug-10	N	6.32	7.52
15-Oct-10	N	7.94	9.50
28-Jan-11	N	12.12	10.90
02-Aug-11	N	12.14	12.70
18-Oct-11	N	10.22	10.80
29-Feb-12	N	15.06	12.80
14-Aug-12	OW	17.54	20.00
13-Oct-12	OW	21.75	24.00
09-Jan-13	OW	26.30	32.00
21-Mar-13	OW	28.40	37.00
19-Apr-13	OW	28.40	40.00
23-Jul-13	OW	36.15	46.00
14-Oct-13	OW	45.85	65.00
24-Jan-14	OW	36.10	50.00
14-Feb-14	OW	37.25	46.00
15-Apr-14	N	41.55	41.00
10-May-14	N	27.25	25.00
25-Aug-14	N	30.85	35.00
24-Oct-14	OW	32.50	40.00
02-Dec-14	OW	38.35	50.00
21-Mar-15	OW	49.30	60.00

The chart(s) show J.P. Morgan's continuing coverage of the stocks; the current analysts may or may not have covered it over the entire period.
J.P. Morgan ratings or designations: OW = Overweight, N= Neutral, UW = Underweight, NR = Not Rated

Explanation of Equity Research Ratings, Designations and Analyst(s) Coverage Universe:
J.P. Morgan uses the following rating system: Overweight [Over the next six to twelve months, we expect this stock will outperform the average total return of the stocks in the analyst's (or the analyst's team's) coverage universe.] Neutral [Over the next six to twelve months, we expect this stock will perform in line with the average total return of the stocks in the analyst's (or the analyst's team's) coverage universe.] Underweight [Over the next six to twelve months, we expect this stock will underperform the average total return of the stocks in the analyst's (or the analyst's team's) coverage universe.] Not Rated (NR): J.P. Morgan has removed the rating and, if applicable, the price target, for this stock because of either a lack of a sufficient fundamental basis or for legal, regulatory or policy reasons. The previous rating and, if applicable, the price target, no longer should be relied upon. An NR designation is not a recommendation or a rating. In our Asia (ex-Australia) and U.K. small- and mid-cap equity research, each stock's expected total return is compared to the expected total return of a benchmark country market index, not to those analysts' coverage universe. If it does not appear in the Important Disclosures section of this report, the certifying analyst's coverage universe can be found on J.P. Morgan's research website, www.jpmorganmarkets.com.

Coverage Universe: Lai, Nick YC: Baoxin Auto Group Limited (1293.HK), Brilliance China Automotive (1114.HK), China Resources Cement (1313.HK), China ZhengTong Auto Service Holding Limited (1728.HK), DongFeng Motor Co., Ltd. (0489.HK), Geely

Automobile Holdings Ltd. (0175.HK), Great Wall Motor - A (601633.SS), Great Wall Motor - H (2333.HK), Guangzhou Automobile Group - A (601238.SS), Guangzhou Automobile Group - H (2238.HK), Minth Group (0425.HK), Nexteer Automotive Group Limited (1316.HK), SAIC Motor Corp - A (600104.SS), Sinotruk (3808.HK), Sunfonda Group Holdings Limited (1771.HK), Zhongsheng Group Holdings (0881.HK)

J.P. Morgan Equity Research Ratings Distribution, as of January 1, 2015

	Overweight (buy)	Neutral (hold)	Underweight (sell)
J.P. Morgan Global Equity Research Coverage	45%	43%	12%
IB clients*	56%	49%	33%
JPMS Equity Research Coverage	45%	48%	7%
IB clients*	75%	67%	52%

*Percentage of investment banking clients in each rating category.
For purposes only of FINRA/NYSE ratings distribution rules, our Overweight rating falls into a buy rating category; our Neutral rating falls into a hold rating category; and our Underweight rating falls into a sell rating category. Please note that stocks with an NR designation are not included in the table above.

Equity Valuation and Risks: For valuation methodology and risks associated with covered companies or price targets for covered companies, please see the most recent company-specific research report at http://www.jpmorganmarkets.com, contact the primary analyst or your J.P. Morgan representative, or email research.disclosure.inquiries@jpmorgan.com.

Equity Analysts' Compensation: The equity research analysts responsible for the preparation of this report receive compensation based upon various factors, including the quality and accuracy of research, client feedback, competitive factors, and overall firm revenues.

Registration of non-US Analysts: Unless otherwise noted, the non-US analysts listed on the front of this report are employees of non-US affiliates of JPMS, are not registered/qualified as research analysts under NASD/NYSE rules, may not be associated persons of JPMS, and may not be subject to FINRA Rule 2711 and NYSE Rule 472 restrictions on communications with covered companies, public appearances, and trading securities held by a research analyst account.

Other Disclosures

J.P. Morgan ("JPM") is the global brand name for J.P. Morgan Securities LLC ("JPMS") and its affiliates worldwide. J.P. Morgan Cazenove is a marketing name for the U.K. investment banking businesses and EMEA cash equities and equity research businesses of JPMorgan Chase & Co. and its subsidiaries.

All research reports made available to clients are simultaneously available on our client website, J.P. Morgan Markets. Not all research content is redistributed, e-mailed or made available to third-party aggregators. For all research reports available on a particular stock, please contact your sales representative.

Options related research: If the information contained herein regards options related research, such information is available only to persons who have received the proper option risk disclosure documents. For a copy of the Option Clearing Corporation's Characteristics and Risks of Standardized Options, please contact your J.P. Morgan Representative or visit the OCC's website at http://www.optionsclearing.com/publications/risks/riskstoc.pdf

Legal Entities Disclosures
U.S.: JPMS is a member of NYSE, FINRA, SIPC and the NFA. JPMorgan Chase Bank, N.A. is a member of FDIC. **U.K**.: JPMorgan Chase N.A., London Branch, is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and to limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from J.P. Morgan on request. J.P. Morgan Securities plc (JPMS plc) is a member of the London Stock Exchange and is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Registered in England & Wales No. 2711006. Registered Office 25 Bank Street, London, E14 5JP. **South Africa**: J.P. Morgan Equities South Africa Proprietary Limited is a member of the Johannesburg Securities Exchange and is regulated by the Financial Services Board. **Hong Kong**: J.P. Morgan Securities (Asia Pacific) Limited (CE number AAJ321) is regulated by the Hong Kong Monetary Authority and the Securities and Futures Commission in Hong Kong and/or J.P. Morgan Broking (Hong Kong) Limited (CE number AAB027) is regulated by the Securities and Futures Commission in Hong Kong. **Korea**: J.P. Morgan Securities (Far East) Ltd, Seoul Branch, is regulated by the Korea Financial Supervisory Service. **Australia**: J.P. Morgan Australia Limited (JPMAL) (ABN 52 002 888 011/AFS Licence No: 238188) is regulated by ASIC and J.P. Morgan Securities Australia Limited (JPMSAL) (ABN 61 003 245 234/AFS Licence No: 238066) is regulated by ASIC and is a Market, Clearing and Settlement Participant of ASX Limited and CHI-X. **Taiwan**: J.P.Morgan Securities (Taiwan) Limited is a participant of the Taiwan Stock Exchange (company-type) and regulated by the Taiwan Securities and Futures Bureau. **India:** J.P. Morgan India Private Limited (Corporate Identity Number - U67120MH1992FTC068724), having its registered office at J.P. Morgan Tower, Off. C.S.T. Road, Kalina, Santacruz - East, Mumbai – 400098, is a member of the National Stock Exchange of India Limited (SEBI Registration Number - INB 230675231/INF 230675231/INE 230675231) and Bombay Stock Exchange Limited (SEBI Registration Number - INB 010675237/INF 010675237) and is regulated by Securities and Exchange Board of India. Telephone: 91-22-6157 3000, Facsimile: 91-22-6157 3990 and Website: www.jpmipl.com. For non local research reports, this material is not distributed in India by J.P. Morgan India Private Limited. **Thailand**: This material is issued and distributed in Thailand by JPMorgan Securities (Thailand) Ltd., which is a member of the Stock Exchange of Thailand and is regulated by the Ministry of Finance and the Securities and Exchange Commission and its registered address is 3rd Floor, 20 North Sathorn Road, Silom, Bangrak, Bangkok 10500. **Indonesia**: PT J.P. Morgan Securities Indonesia is a member of the Indonesia Stock Exchange and is regulated by the OJK a.k.a. BAPEPAM LK. **Philippines**: J.P. Morgan Securities Philippines Inc. is a Trading Participant of the Philippine Stock Exchange and a member of the Securities Clearing Corporation of the Philippines and the

Securities Investor Protection Fund. It is regulated by the Securities and Exchange Commission. **Brazil**: Banco J.P. Morgan S.A. is regulated by the Comissao de Valores Mobiliarios (CVM) and by the Central Bank of Brazil. **Mexico**: J.P. Morgan Casa de Bolsa, S.A. de C.V., J.P. Morgan Grupo Financiero is a member of the Mexican Stock Exchange and authorized to act as a broker dealer by the National Banking and Securities Exchange Commission. **Singapore**: This material is issued and distributed in Singapore by or through J.P. Morgan Securities Singapore Private Limited (JPMSS) [MCI (P) 199/03/2014 and Co. Reg. No.: 199405335R] which is a member of the Singapore Exchange Securities Trading Limited and is regulated by the Monetary Authority of Singapore (MAS) and/or JPMorgan Chase Bank, N.A., Singapore branch (JPMCB Singapore) which is regulated by the MAS. This material is provided in Singapore only to accredited investors, expert investors and institutional investors, as defined in Section 4A of the Securities and Futures Act, Cap. 289. Recipients of this document are to contact JPMSS or JPMCB Singapore in respect of any matters arising from, or in connection with, the document. **Japan**: JPMorgan Securities Japan Co., Ltd. is regulated by the Financial Services Agency in Japan. **Malaysia**: This material is issued and distributed in Malaysia by JPMorgan Securities (Malaysia) Sdn Bhd (18146-X) which is a Participating Organization of Bursa Malaysia Berhad and a holder of Capital Markets Services License issued by the Securities Commission in Malaysia. **Pakistan**: J. P. Morgan Pakistan Broking (Pvt.) Ltd is a member of the Karachi Stock Exchange and regulated by the Securities and Exchange Commission of Pakistan. **Saudi Arabia**: J.P. Morgan Saudi Arabia Ltd. is authorized by the Capital Market Authority of the Kingdom of Saudi Arabia (CMA) to carry out dealing as an agent, arranging, advising and custody, with respect to securities business under licence number 35-07079 and its registered address is at 8th Floor, Al-Faisaliyah Tower, King Fahad Road, P.O. Box 51907, Riyadh 11553, Kingdom of Saudi Arabia. **Dubai**: JPMorgan Chase Bank, N.A., Dubai Branch is regulated by the Dubai Financial Services Authority (DFSA) and its registered address is Dubai International Financial Centre - Building 3, Level 7, PO Box 506551, Dubai, UAE.

Country and Region Specific Disclosures
U.K. and European Economic Area (EEA): Unless specified to the contrary, issued and approved for distribution in the U.K. and the EEA by JPMS plc. Investment research issued by JPMS plc has been prepared in accordance with JPMS plc's policies for managing conflicts of interest arising as a result of publication and distribution of investment research. Many European regulators require a firm to establish, implement and maintain such a policy. This report has been issued in the U.K. only to persons of a kind described in Article 19 (5), 38, 47 and 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (all such persons being referred to as "relevant persons"). This document must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is only available to relevant persons and will be engaged in only with relevant persons. In other EEA countries, the report has been issued to persons regarded as professional investors (or equivalent) in their home jurisdiction. **Australia:** This material is issued and distributed by JPMSAL in Australia to "wholesale clients" only. This material does not take into account the specific investment objectives, financial situation or particular needs of the recipient. The recipient of this material must not distribute it to any third party or outside Australia without the prior written consent of JPMSAL. For the purposes of this paragraph the term "wholesale client" has the meaning given in section 761G of the Corporations Act 2001. **Germany:** This material is distributed in Germany by J.P. Morgan Securities plc, Frankfurt Branch and J.P.Morgan Chase Bank, N.A., Frankfurt Branch which are regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht. **Hong Kong:** The 1% ownership disclosure as of the previous month end satisfies the requirements under Paragraph 16.5(a) of the Hong Kong Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission. (For research published within the first ten days of the month, the disclosure may be based on the month end data from two months prior.) J.P. Morgan Broking (Hong Kong) Limited is the liquidity provider/market maker for derivative warrants, callable bull bear contracts and stock options listed on the Stock Exchange of Hong Kong Limited. An updated list can be found on HKEx website: http://www.hkex.com.hk. **Japan:** There is a risk that a loss may occur due to a change in the price of the shares in the case of share trading, and that a loss may occur due to the exchange rate in the case of foreign share trading. In the case of share trading, JPMorgan Securities Japan Co., Ltd., will be receiving a brokerage fee and consumption tax (shouhizei) calculated by multiplying the executed price by the commission rate which was individually agreed between JPMorgan Securities Japan Co., Ltd., and the customer in advance. Financial Instruments Firms: JPMorgan Securities Japan Co., Ltd., Kanto Local Finance Bureau (kinsho) No. 82 Participating Association / Japan Securities Dealers Association, The Financial Futures Association of Japan, Type II Financial Instruments Firms Association and Japan Investment Advisers Association. **Korea:** This report may have been edited or contributed to from time to time by affiliates of J.P. Morgan Securities (Far East) Ltd, Seoul Branch. **Singapore:** JPMSS and/or its affiliates may have a holding in any of the securities discussed in this report; for securities where the holding is 1% or greater, the specific holding is disclosed in the Important Disclosures section above. **Taiwan**: This material is issued and distributed in Taiwan by J.P. Morgan Securities (Taiwan Limited). **India:** For private circulation only, not for sale. **Pakistan:** For private circulation only, not for sale. **New Zealand:** This material is issued and distributed by JPMSAL in New Zealand only to persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money. JPMSAL does not issue or distribute this material to members of "the public" as determined in accordance with section 3 of the Securities Act 1978. The recipient of this material must not distribute it to any third party or outside New Zealand without the prior written consent of JPMSAL. **Canada:** The information contained herein is not, and under no circumstances is to be construed as, a prospectus, an advertisement, a public offering, an offer to sell securities described herein, or solicitation of an offer to buy securities described herein, in Canada or any province or territory thereof. Any offer or sale of the securities described herein in Canada will be made only under an exemption from the requirements to file a prospectus with the relevant Canadian securities regulators and only by a dealer properly registered under applicable securities laws or, alternatively, pursuant to an exemption from the dealer registration requirement in the relevant province or territory of Canada in which such offer or sale is made. The information contained herein is under no circumstances to be construed as investment advice in any province or territory of Canada and is not tailored to the needs of the recipient. To the extent that the information contained herein references securities of an issuer incorporated, formed or created under the laws of Canada or a province or territory of Canada, any trades in such securities must be conducted through a dealer registered in Canada. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed judgment upon these materials, the information contained herein or the merits of the securities described herein, and any representation to the contrary is an offence. **Dubai:** This report has been issued to persons regarded as professional clients as defined under the DFSA rules. **Brazil**: Ombudsman J.P. Morgan: 0800-7700847 / ouvidoria.jp.morgan@jpmorgan.com.

General: Additional information is available upon request. Information has been obtained from sources believed to be reliable but JPMorgan Chase & Co. or its affiliates and/or subsidiaries (collectively J.P. Morgan) do not warrant its completeness or accuracy except with respect to any disclosures relative to JPMS and/or its affiliates and the analyst's involvement with the issuer that is the subject of the research. All pricing is as of the close of market for the securities discussed, unless otherwise stated. Opinions and estimates constitute our judgment as of the date of this material and are subject to change without notice. Past performance is not indicative of future results. This material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The opinions and recommendations herein do not take into account individual client circumstances, objectives, or needs and are not intended as recommendations of particular securities, financial instruments or strategies to particular clients. The recipient of this report must make its own independent decisions regarding any securities or financial instruments mentioned herein. JPMS distributes in the U.S. research published by non-U.S. affiliates and accepts responsibility for its contents. Periodic updates may be provided on companies/industries based on company specific developments or

announcements, market conditions or any other publicly available information. Clients should contact analysts and execute transactions through a J.P. Morgan subsidiary or affiliate in their home jurisdiction unless governing law permits otherwise.

"Other Disclosures" last revised November 29, 2014.

Copyright 2015 JPMorgan Chase & Co. All rights reserved. This report or any portion hereof may not be reprinted, sold or redistributed without the written consent of J.P. Morgan.