



Kirin Securities: Huazhong In-Vehicle Rated “Buy”, Target Price at HKD1.18

Benefitted from the continuous growth of Chinese automobile market, the number of privately owned vehicles in China increased to 141 million units in 2015 from 88.39 million units in 2012, while the total production volume and sales volume of Chinese automobiles are expected to increase to 28.12 million units and 28.03 million units in 2016 from 19.27 million units and 19.31 million units respectively in 2012, with a CAGR of 9.9% and 9.8% respectively. We hold an optimistic view on the Chinese automobile industry scale due to: (1) continuous growth of the number of privately owned vehicles, (2) the top ranking of Chinese automobile production volume and sales volume, (3) support from national policy of "Transport information Thirteen Five" development plan.

Continuous growth of the number of privately owned vehicles: the number of privately owned vehicles in China is expected to increase to RMB248 million in 2020, with a CAGR of 12.0% from 2017 to 2020.

Continuous growth of the scale of Chinese automobile market: Chinese automobile production volume and sales volume are expected to reach 36.71 million units and 36.67 million units respectively in 2020, with a CAGR of 6.9% and 7.0% from 2017 to 2020 respectively.

Support from national policy: "Transport information Thirteen Five" development plan will push forward the development of automobile industry.

Growth potential of the Group's new business of Internet of Vehicles: the software and hardware businesses of the Group are expected to bring new business opportunities to the Group, driving the Group's overall business to a new height. The Group's total revenue is expected to reach RMB2.9 billion, with a CAGR of 13.6% from 2017 to 2020.

Valuation and risk: We forecast a target price of HKD1.18, and EPS to be 13.8x in 2017.

The biggest downside risks include the slow development of Group's Internet of Vehicles business and increasing market competition.