



Xinyi Glass Holdings (868 HK)

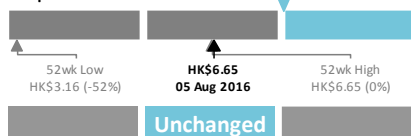
H2 FY16 Outlook Remains Solid

Automobiles & Components

Hong Kong

5 Aug 2016

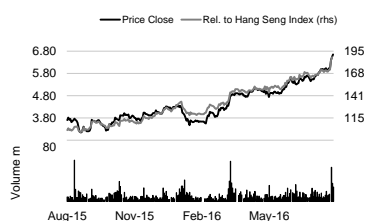
BUY

Target: HK\$7.70
% Upside: 16%

Basic Share Information

Market cap	HK\$25.81b / US\$3.33b
Daily volume (3mth)	US\$7.21m
Shares outstanding	3,935m
Free float	55%
Net debt-to-equity	37.2%
1 yr high	HK\$6.65
1 yr low	HK\$3.16
Major shareholding	21.3%
Last HTI contact w/ Co	02 Aug 16

Price/Volume



Source: Bloomberg

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Good H1 FY16 Results; Momentum Should Continue in 2H

Summary: Xinyi Glass (XYG) reported H1 FY16 results on 2 August 2016. Net profit was up 44.9% YoY to HK\$1.369bn, 4.4% higher than the Bloomberg consensus estimate. We believe that this set of results confirms our investment thesis that XYG should benefit from lower natural gas costs in 2016 and from industry consolidation. Management remains upbeat on the H2 FY16 outlook and expects further increases in float glass prices during the September and October peak season. We increase our target price from HK\$6.30 to HK\$7.70 and maintain our BUY rating.

Target Price and Catalyst: The jump in H1 FY16 net profit was driven mainly by a fall in natural gas costs, a profit rebound in XYG's float glass division and an increased contribution from XYG's associate company Xinyi Solar (968 HK). The float glass division saw revenue up 22.7% YoY and gross margin jumping from 8.7% in H1 FY15 to 22.3% in H1 FY16. Management remains upbeat on the H2 FY16 outlook, as it expects prices to increase further for float glass in September and October's peak season. The soda ash price has also been trending down recently. With higher product prices and lower costs, we think that the H2 FY16 outlook remains solid. We believe that a potential price hike for float glass in China in September and October could be a catalyst for the shares.

Earnings: We cut our FY16 and FY17 revenue assumptions by 2% on our reduced construction glass division revenue growth assumptions. However, we increase our FY16 and FY17 EPS estimates by 5% and 11%, respectively, following a better-than-expected gross margin reported for H1 FY16.

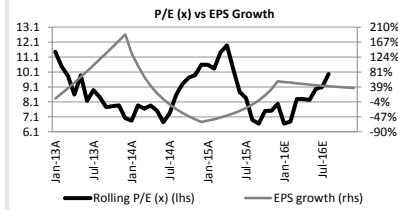
Valuation: XYG's shares trade on a PER of 9.1x against our FY16 estimates. In view of the strong H1 FY16 results, we increase our target price from HK\$6.30 to HK\$7.70. This is set based on 10x forward target PER (up from 9x previously), which we believe is an appropriate mid-cycle valuation for the company. For EPS, we apply the average of our estimated FY16 and FY17 EPS after the reporting of XYG's interim result. Major risks to our target price and rating include: any slowdown in construction-related demand in China; raw material cost volatility; or adverse weather conditions that affect construction activity in China.

	Dec-14A	Dec-15A	Dec-16E	Dec-17E	Dec-18E	Trend
Total turnover (HK\$m)	10,861	11,460	12,698	13,472	14,350	— — — — —
Operating profit (HK\$m)	1,494	2,113	2,858	3,153	3,162	— — — — —
Pre-tax profit (HK\$m)	1,593	2,380	3,344	3,784	3,945	— — — — —
Net income to ord equity (HK\$m)	1,364	2,113	2,875	3,214	3,312	— — — — —
Net profit growth	(61.3%)	55.0%	36.0%	11.8%	3.0%	— — — — —
P/E (x)	19.12	12.34	9.10	8.30	8.18	— — — — —
Adj EV/EBITDA (x)	11.70	8.52	7.01	6.18	5.98	— — — — —
P/B (x)	2.16	2.05	1.83	1.59	1.46	— — — — —
ROE	11.5%	17.0%	21.3%	20.7%	18.7%	— — — — —
Dividend yield	2.3%	3.9%	5.1%	5.5%	5.6%	— — — — —
EPS HTI old (HK\$)	0.35	0.54	0.69	0.72	0.72	— — — — —
EPS HTI New (HK\$)	0.35	0.54	0.73	0.80	0.81	— — — — —
Consensus EPS (HK\$)	0.32	0.51	0.62	0.72	0.82	— — — — —
HTI EPS vs Consensus	7.7%	5.7%	18.2%	10.8%	(0.7%)	— — — — —

Source: Company data, Bloomberg, HTI estimates

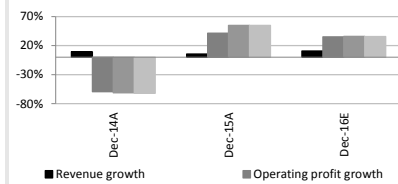
Click [here](#) to download the working model

Valuation



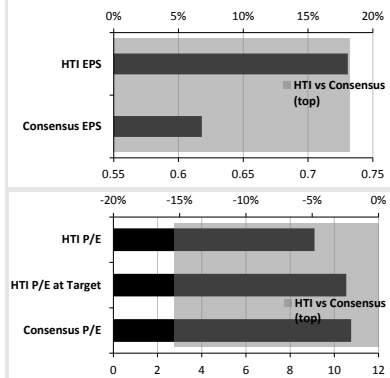
Source: Company data, Bloomberg, HTI estimates

Earnings Trends



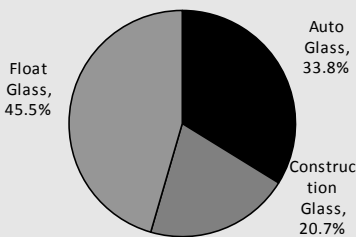
Source: Company data, Bloomberg, HTI estimates

Earnings: HTI vs Consensus



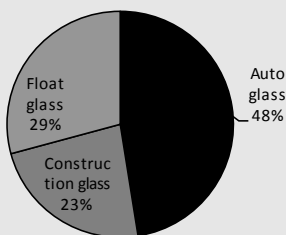
Source: Company data, Bloomberg, HTI estimates

Sales Breakdown, H1 FY16



Source: Company data

Gross Profit Breakdown, H1 FY16



Source: Company data

Investment Thesis

BUY

- ▶ Despite improved industry profitability, we believe that the risk of smaller players restarting their float glass production lines is limited. According to statistics from Wind Financial, total industry production capacity in operation is about 921mn weight boxes as of 29 July 2016, up 6% versus end-2015 figures.
- ▶ So far in FY16, XYG continues to benefit from reduced natural gas prices, as the Chinese government has cut pipeline natural gas prices by Rmb0.7 per cubic meter since 20 November 2015.
- ▶ The price of soda ash (another of XYG’s major cost items) has also been trending down recently. According to Wind Financial, China’s soda ash price has dropped from Rmb1,750 per ton in March 2016 to Rmb1,350 per ton currently. Soda ash is one of the major cost components for float glass manufacturing, with each ton of float glass using about 0.2 tons of soda ash.
- ▶ Despite the recent share-price rally, XYG has a dividend yield of 5.1% for FY16, based on the current share price of HK\$6.55 and our DPS forecast of HK\$0.34 for FY16. We assume a dividend payout ratio of 46% for FY16, consistent with that in the past three years of 43–47%. XYG’s net gearing was 36% at the end of H1 FY16, and the company’s dividend payout should be sustainable in our view.

Company Snapshot

XYG is one of the largest glass manufacturers in China. It has three major business lines, auto glass, construction glass and float glass. For auto glass, it is the largest supplier of auto replacement glass globally, with a market share of around 20%. For construction glass, the company is the second largest supplier of low-emissivity glass in China. For float glass, it is the largest float glass manufacturer in China, with 5.4mn tons of annual melting capacity and production lines in Guangdong, Anhui, Tianjin, Liaoning and Sichuan. XYG is one of the three companies in China capable of producing ultra-thin electronic glass, used in touch panels.

XYG has a 29.6% equity interest in associate company Xinyi Solar, which is the largest solar glass manufacturer in China.

Key Investment Metrics

– Revenue Growth

Low Medium High

We expect steady revenue growth of 10.8% YoY in FY16, driven by 19.5% YoY revenue growth in the float glass division and steady growth in the auto glass and construction glass divisions.

– Profit Margins

Low Medium High

We expect gross margin to improve from 27.3% in FY15 to 34.4% in FY16. This should mainly be driven by increased average selling prices (ASPs), reduced energy costs and lower soda ash prices. The Chinese government implemented a price cut for pipeline natural gas on 20 November 2015, and we expect the benefit to be fully reflected in FY16 for XYG.

– Shareholder Returns

Low Medium High

XYG has maintained double-digit ROE over the past seven years, despite weak demand in FY08, FY11–12, and FY14–15. XYG has consistently paid out 40–50% of its net profit as dividends. The dividend yield is 5.1% on our FY16 forecasts.

– Balance Sheet Risks

High Medium Low

Despite XYG operating in a capital-intensive industry, it has maintained a healthy balance sheet with net gearing of 36% at the end of H1 FY16.

Barriers to Entry

Low Medium High

Glass manufacturing is energy intensive and regulated heavily in China, where it is difficult to get a permit to build new float-glass production lines. Nonetheless, industry utilization is only about 73% and some companies could restart operations should market conditions improve. In auto-glass manufacturing, XYG and Fuyao Glass Industry (3606 HK) have a combined market share of about 70% in China.

International Exposure/Breakdown

Low Medium High

XYG generates 30% of its revenue from overseas sales, as most of its auto glass is for export. Its float glass and construction glass are mainly sold in China. Export revenue is denominated in USD, which helps hedge the company's HKD loan exposure and partly offsets its risk from CNY depreciation.

FX Exposure

Low Medium High

The balance sheet is denominated in HKD, as are most of XYG's bank borrowings. The main forex risk is CNY depreciation against the HKD and USD, as 70% of sales are domestic. The mismatch of HKD loans and CNY sales on the balance sheet is mitigated in part by exports, which contribute 30% of sales and are denominated in USD.

Corporate Governance

Low Medium High

Major shareholders have frequently bought back the company's shares when the share price has dropped to low levels. The dividend payout ratio has also been consistent. There have been no instances of share placements at large discounts. However, XYG has historically issued new shares during share price rallies.

Our Model Assumptions

We expect revenue to grow by 10.8% YoY in FY16, driven by what we expect to be 19.5% YoY growth in XYG's float glass division

We expect H2 FY16 net profit of HK\$1,506m

✓ **Key P/L Takeaway**

We expect full-year FY16 revenue growth to be driven by a rebound in float glass division performance

Profit & Loss (HK\$m)	Dec-14A	Dec-15A	Dec-16E	Dec-17E	Dec-18E
Total turnover	10,861	11,460	12,698	13,472	14,350
Cost of sales	(8,128)	(8,328)	(8,326)	(8,877)	(9,624)
Gross profit	2,733	3,133	4,372	4,595	4,726
Total operating costs	(1,638)	(1,615)	(1,832)	(1,886)	(2,009)
Net other operating income	398	594	317	445	445
Operating profit	1,494	2,113	2,858	3,153	3,162
Operating EBITDA	2,138	2,908	3,591	3,948	4,006
Depreciation and amortisation	(644)	(795)	(733)	(795)	(844)
Operating EBIT	1,494	2,113	2,858	3,153	3,162
Net income from investments	138	317	576	751	884
Interest income	53	40	32	5	11
Interest expense	(91)	(90)	(122)	(126)	(111)
Pre-tax profit	1,593	2,380	3,344	3,784	3,945
Taxation	(228)	(266)	(468)	(568)	(631)
Minority interests	(1)	(0)	(1)	(2)	(2)
Net income to ord equity	1,364	2,113	2,875	3,214	3,312

Source: Company, HTI estimates

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We expect revenue growth of 10.8% YoY in FY16, driven by steady growth in XYG's auto glass division and a rebound in the company's float glass division. We expect float glass revenue growth of 19.5% YoY in FY16, with auto glass and construction glass revenue growth of 5% YoY and 2.7% YoY, respectively.

Our Model Assumptions

Inventory turnover days remained stable at 62 days in H1 FY16

Net gearing improved to 36.2% in H1 FY16 from 37.2% at the end of FY15

✓ **Key B/S Takeaway**
XYG appears to have a healthy balance sheet with limited refinancing risk

Balance Sheet (HK\$m)	Dec-14A	Dec-15A	Dec-16E	Dec-17E	Dec-18E
Total cash and equivalents	831	1,298	250	532	601
Inventories	1,478	1,223	1,457	1,554	1,684
Accounts receivable	2,487	2,381	2,781	2,950	3,143
Other current assets	9	93	93	93	93
Total current assets	4,805	4,995	4,581	5,129	5,521
Tangible fixed assets	13,205	13,350	14,319	15,027	15,686
Intangible assets	79	75	72	70	67
Total investments	2,946	3,002	3,578	4,329	5,213
Total non-current assets	16,229	16,426	17,970	19,426	20,966
Total assets	21,034	21,422	22,551	24,555	26,487
Short-term debt	2,529	2,514	1,501	1,501	1,471
Accounts payable	1,978	2,112	2,081	2,219	2,406
Other current liabilities	294	333	248	301	335
Total current liabilities	4,801	4,959	3,831	4,021	4,211
Total long-term debt	3,483	3,514	3,503	3,502	3,432
Other liabilities	414	223	932	223	223
Total non-current liabilities	3,898	3,737	4,435	3,725	3,654
Total liabilities	8,699	8,696	8,266	7,746	7,865
Common stocks	392	392	395	408	408
Retained earnings reserve	2,116	1,061	13,881	16,391	18,202
Other reserves	9,589	11,266	-	-	-
Shareholders' equity	12,098	12,718	14,276	16,799	18,610
Minority interests	2	7	9	10	12
Other equity	235	(0)	(0)	(0)	0
Total equity	12,335	12,726	14,284	16,809	18,622
Total liabilities & shareholders' equity	21,034	21,422	22,551	24,555	26,487

Source: Company, HTI estimates

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As a glass manufacturer, XYG has a fairly low net gearing level. Net gearing improved to 37.2% at the end of FY15 from 42.0% at the end of FY14, and improved further to 36.2% at the end of H1 FY16.

Our Model Assumptions

H1 FY16 operating cash flow was HK\$1.46bn, in line with our full-year estimate

Dividend payout ratio was 48.2% in H1 FY16

Cash Flow (HK\$m)	Dec-14A	Dec-15A	Dec-16E	Dec-17E	Dec-18E
Operating profit	1,494	2,113	2,858	3,153	3,162
Depreciation and amortisation	644	795	733	795	844
Changes in working capital	(202)	375	(750)	(76)	(102)
Other operating cash flow	(220)	(308)	0	(0)	0
Operating cash flow	1,716	2,974	2,841	3,873	3,903
Interest received	53	40	32	5	11
Interest paid	(107)	(115)	(122)	(126)	(111)
Tax paid	(154)	(223)	(468)	(568)	(631)
Cash flow from operations	1,508	2,677	2,283	3,184	3,171
Capex	(1,715)	(1,914)	(1,700)	(1,500)	(1,500)
Other new investments	(59)	(54)	-	-	-
Other investing cash flow	195	448	32	5	11
Cash flow from investing activities	(1,578)	(1,520)	(1,668)	(1,495)	(1,489)
Dividends paid to ordinary shareholders	(902)	(608)	(1,318)	(1,400)	(1,501)
Shares repurchased	(8)	1	-	-	-
Proceeds from issue of shares	5	-	-	-	-
Increase in debt	833	(18)	(314)	(1)	(101)
Other financing cash flow	-	-	-	-	(0)
Cash flow from financing activities	(72)	(625)	(1,632)	(1,402)	(1,602)
Cash at beginning of period	1,042	831	1,298	250	532
Total cash generated	(195)	492	(1,048)	282	70
Forex effects	(17)	(25)	-	-	-
Implied cash at end of period	831	1,298	250	532	602
Free cash flow	(207)	762	583	1,684	1,671

Source: Company, HTI estimates

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✓ **Key Cash Flow Takeaway**
We expect a dividend payout ratio of 46% for FY16

XYG has typically maintained healthy operating cash flows. In H1 FY16, XYG generated an operating cash flow of HK\$1.46bn. According to management, the peak capex cycle has passed and the company currently has no production lines under construction in China. Management expects a decline in capex in FY16 and we forecast positive free cash flow for the year.

We expect a dividend payout ratio of 46% for FY16.

Our Model Assumptions

Per Share Data	Dec-14A	Dec-15A	Dec-16E	Dec-17E	Dec-18E
EPS (HK\$)	0.35	0.54	0.73	0.80	0.81
FDEPS (HK\$)	0.35	0.53	0.71	0.80	0.82
Revenue per share (HK\$)	2.77	2.92	3.23	3.36	3.52
Operating EBITDA per share (HK\$)	0.55	0.74	0.91	0.98	0.98
BVPS (HK\$)	3.09	3.24	3.63	4.19	4.57
DPS (HK\$)	0.15	0.26	0.34	0.37	0.37
Recurrent cash flow per share (HK\$)	0.38	0.68	0.58	0.79	0.78
Shares in issue (million)	3,922	3,922	3,947	4,077	4,077
Year end adjusted shares in issue (m)	3,921	3,922	3,935	4,012	4,077
Key Ratios	Dec-14A	Dec-15A	Dec-16E	Dec-17E	Dec-18E
Valuation Measures					
P/Sales (x)	2.40	2.28	2.06	1.98	1.89
P/E (x)	19.12	12.34	9.10	8.30	8.18
P/CF (x)	17.29	9.74	11.46	8.38	8.55
P/B (x)	2.16	2.05	1.83	1.59	1.46
Adj EV/EBITDA (x)	11.70	8.52	7.01	6.18	5.98
Dividend yield	2.3%	3.9%	5.1%	5.5%	5.6%
Growth					
Revenue growth	9.3%	5.5%	10.8%	6.1%	6.5%
Operating profit growth	(59.2%)	41.4%	35.3%	10.3%	0.3%
Net profit growth	(61.3%)	55.0%	36.0%	11.8%	3.0%
Margins					
Gross margin	25.2%	27.3%	34.4%	34.1%	32.9%
Operating EBITDA margin	19.7%	25.4%	28.3%	29.3%	27.9%
Operating margin	13.8%	18.4%	22.5%	23.4%	22.0%
Pretax profit margin	14.7%	20.8%	26.3%	28.1%	27.5%
Tax rate	14.3%	11.2%	14.0%	15.0%	16.0%
Net profit margin	12.6%	18.4%	22.6%	23.9%	23.1%
Key Ratios					
ROE	11.5%	17.0%	21.3%	20.7%	18.7%
ROA	6.7%	10.0%	13.1%	13.6%	13.0%
Capex/revenue	15.8%	16.7%	13.4%	11.1%	10.5%
Current ratio (x)	1.00	1.01	1.20	1.28	1.31
Creditor days	88.84	92.59	91.50	91.25	91.25
Debtor days	83.58	75.84	80.15	79.94	79.94
Inventory days	66.38	53.59	64.05	63.88	63.88
Sales/avg assets	0.53	0.54	0.58	0.57	0.56
Credit analysis					
EBITDA/interest paid (x)	20.02	25.36	29.37	31.36	35.95
OCF/interest paid (x)	14.12	23.35	18.67	25.29	28.46
Debt/EBITDA (x)	2.81	2.07	1.39	1.27	1.22
Debt/equity	48.7%	47.4%	35.0%	29.8%	26.3%
Net debt to equity	42.0%	37.2%	38.3%	26.6%	23.1%

Source: Company, HTI estimates

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We expect the company's net margin to improve from 18.4% in FY15 to 22.6% in FY16, due to reduced natural gas and soda ash costs and increased ASPs as a result of industry consolidation and smaller players shutting down.

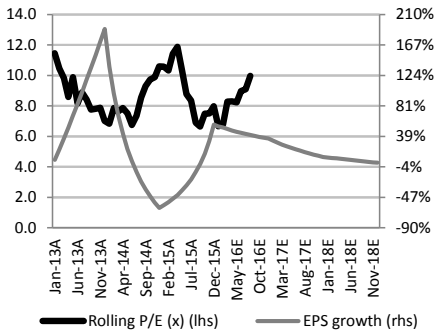
We expect ROE to improve to 21.3% in FY16 based on average equity outstanding.

XYG reported an H1 FY16 gross margin of 34.7%

We expect ROE to improve to 21.3% in FY16

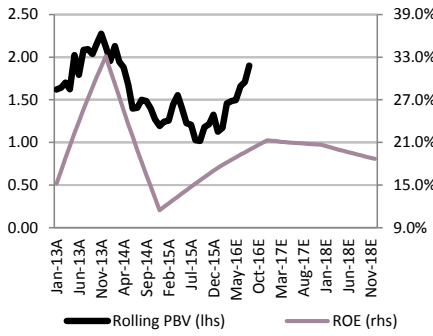
Key Driver Takeaway
With 5% higher float glass ASPs and reduced production costs due to natural gas price cuts, we expect XYG's margins to improve in FY16

P/E (x) vs EPS Growth (%)



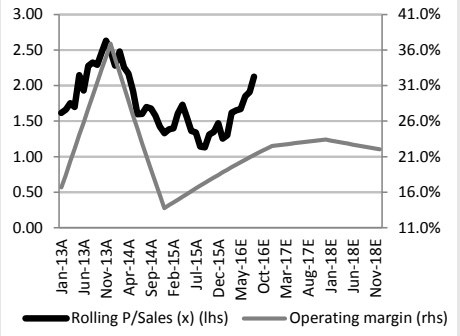
Source: Company data, Bloomberg, HTI estimates

P/B (x) vs ROE



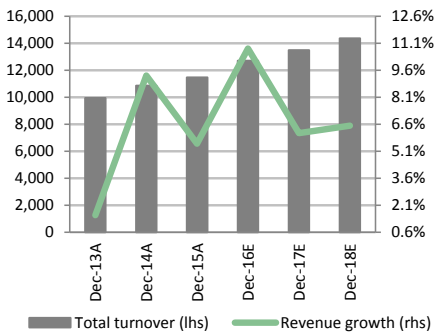
Source: Company data, Bloomberg, HTI estimates

PSR (x) vs OPM (%)



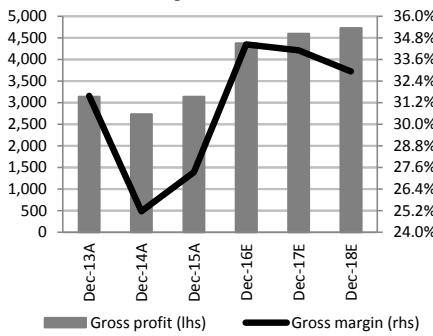
Source: Company data, Bloomberg, HTI estimates

Turnover and Growth



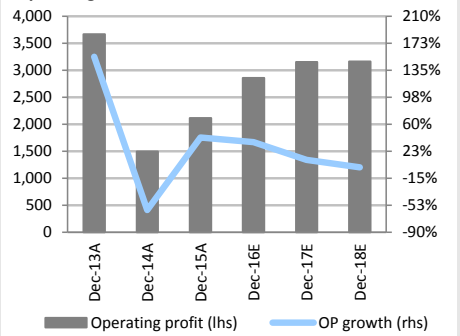
Source: Company data, Bloomberg, HTI estimates

Gross Profit and Margin



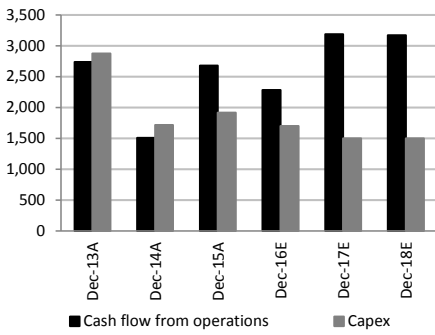
Source: Company data, Bloomberg, HTI estimates

Operating Profit and OP Growth



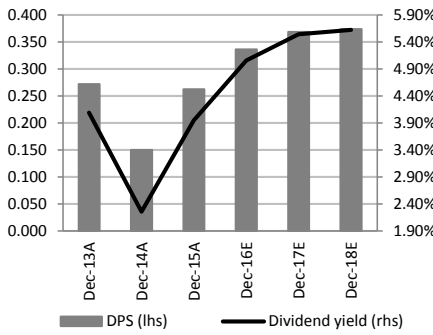
Source: Company data, Bloomberg, HTI estimates

CF from operations vs Capex (HK\$m)



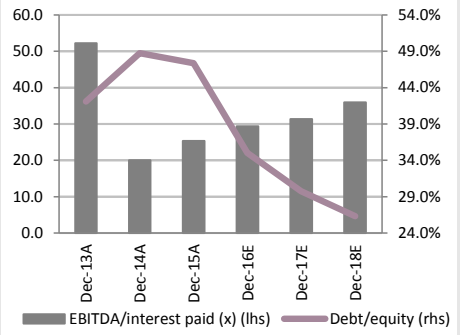
Source: Company data, Bloomberg, HTI estimates

Dividend Payout and Yield (HK\$)



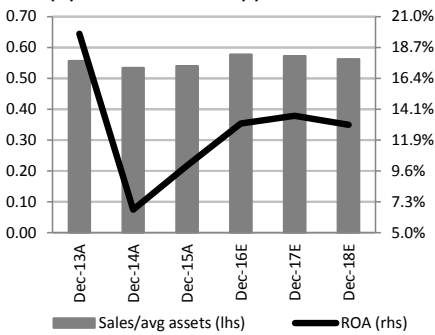
Source: Company data, Bloomberg, HTI estimates

Debt to Equity (%) and Interest Cover (x)



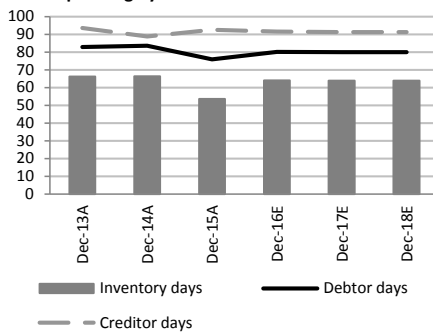
Source: Company data, Bloomberg, HTI estimates

ROA (%) and Asset Turnover (x)



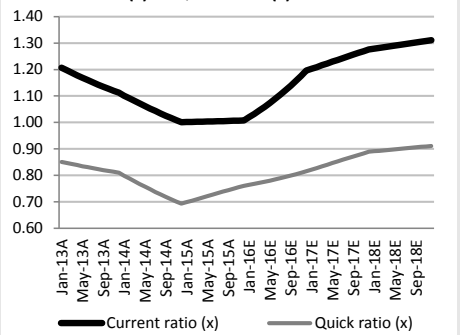
Source: Company data, Bloomberg, HTI estimates

Cash Operating Cycle



Source: Company data, Bloomberg, HTI estimates

Current Ratio (x) vs Quick Ratio (x)



Source: Company data, Bloomberg, HTI estimates

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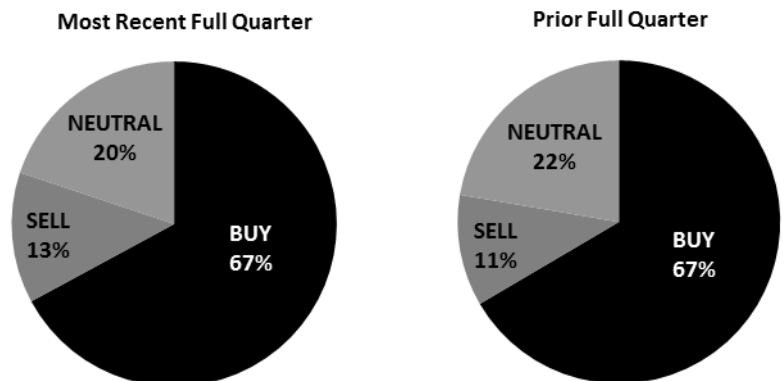
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BUY> 15% absolute upside performance expected within the next 12 months

SELL> 15% absolute downside performance expected within the next 12 months

NEUTRAL: A stock under coverage with insufficient upside or downside to justify a BUY or SELL rating. For purposes only of FINRA/NYSE ratings distribution rules, our Neutral rating falls into a hold rating category.

Rating Distribution



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- Hold: Target price within 0% to +15% of the current price
- Sell: Target price below the current price

Haitong International Equity Research Ratings Distribution, as of June 30, 2016

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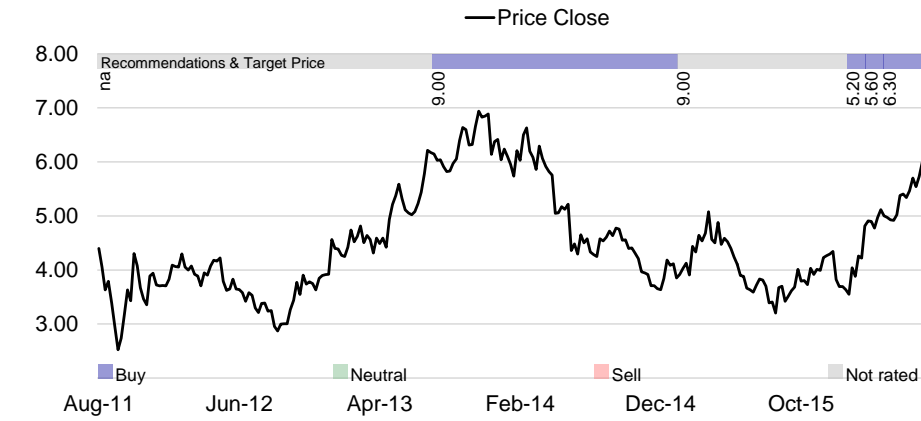
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Recommendation Chart



Date	Recommendation	Target (HK\$)	Price (HK\$)
2016-04-25	Buy	6.30	5.05
2016-03-16	Buy	5.60	4.53
2016-02-05	Buy	5.20	3.64
2015-01-30	Not rated	-	3.85
2013-08-12	Buy	9.00	6.17

Source: Company data Bloomberg, HTI estimates

Definitions for Key Investment Metrics

Business Growth

This is the metric which matches the top line in our report.

Business profit

This is the metric which best represents operating profit in our report

Shareholder Returns

Return on Equity

Balance Sheet Risk

Net Debt to Equity

Haitong International Coverage as of 1 Jul 2016

Pan Asia Resources

Core Coverage Universe	Non-Coverage Universe
Sam Thawley (Team Leader)	CGN New Energy Holdings (1811 HK)
Angang Steel (347 HK)	Dowa Holdings (5714 JP)
Anhui Conch Cement (600585 CH)	GCL New Energy Holdings (451 HK)
China Petroleum & Chemical (386 HK)	Iino Kaiun Kaisha (9119 JP)
China Shenhua Energy (1088 HK)	Marubishi Steel Tube (5463 JP)
CNOOC (883 HK)	Mie Holdings (1555 HK)
Daido Steel (5471 JP)	Nippon Coke & Engineering (3315 JP)
Hanwa (8078 JP)	NS United Kaiun Kaisha (9110 JP)
Kawasaki Kisen (9107 JP)	Osaka Steel (5449 JP)
Kunlun Energy (135 HK)	Sino Oil and Gas Holdings (702 HK)
Kyoei Steel (5440 JP)	
Mitsui O.S.K. Lines (9104 JP)	
PetroChina (857 HK)	
Sanyo Special Steel (5481 JP)	
Shanghai International Airport (600009 CH)	
Tokyo Steel Mfg. (5423 JP)	
Fook Tat Cho	
Anton Oilfield Services (3337 HK)	
China Datang (1798 HK)	
China Longyuan Power (916 HK)	
China Singyes (750 HK)	
China Sunten (956 HK)	
CLMC Enric (3899 HK)	
CLP Holdings (2 HK)	
GCL-Poly (3800 HK)	
Hilong (1623 HK)	
Hong Kong and China Gas (3 HK)	
Honghua Group (196 HK)	
Huadian Fuxin Energy (816 HK)	
Huaneng Renewables (958 HK)	
Nari Technology (600406 CH)	
Xinjiang Goldwind (2208 HK)	
Xinyi Solar Holdings (968 HK)	

Pan Asia TMT

Core Coverage Universe	Non-Coverage Universe
Neil Juggins (Team Leader)	China Fiber Optic Network System (3777 HK)
China Mobile (941 HK)	ChipMOS Technologies (8150 TT)
China Telecom (728 HK)	DTS (9682 JP)
China Unicom Hong Kong (762 HK)	Eva Precision Industrial Holdings (838 HK)
Chungwha Telecom (2412 TT)	Ferrotec (6890 JP)
Far EastTone Telecommunications (4904 TT)	GMO Internet (9449 JP)
KDDI (9433 JP)	Hikari Tsushin (9435 JP)
Nippon Telegraph & Telephone (9432 JP)	Internet Initiative Japan (3774 JP)
NTT DoCoMo (9437 JP)	Itochu Techno-Solutions (4739 JP)
Softbank (9984 JP)	Megachips (6875 JP)
Taiwan Mobile (3045 TT)	Micro-Star International (2377 TT)
Steve Myers	Shindengen Electric Mfg. (6844 JP)
Canon (7751 JP)	Taiwan Chelic (4555 TT)
Fujitsu (6702 JP)	Trigiant Group (1300 HK)
Hon Hai Precision Industry (2317 TT)	Truly International Holdings (732 HK)
Keyence (6861 JP)	Unity Opto Technology (2499 TT)
Konica Minolta Holdings (4902 JP)	Yangtze Optical Fibre & Cable (6869 HK)
LG Electronics (066570 KS)	
Mediatek (2454 TT)	
Nikon (7731 JP)	
Samsung Electronics (005930 KS)	
Taiwan Semiconductor Mfg. Co. (2330 TT)	
Toshiba (6502 JP)	
Jones Ku	
AAC Technologies (2018 HK)	
BYD Electronic (285 HK)	
China Communications (552 HK)	
Coolpad Group (2369 HK)	
Kingsoft (3888 HK)	
Sunny Optical (2382 HK)	
TCL Communication (2618 HK)	
Tongda Group (698 HK)	
ZTE (763 HK)	
Jean-Louis Lafayeedney	
Advanced Semiconductor Engineering (2311 TT)	
ASM Pacific Technology (522 HK)	
Asustek Computer (2357 TT)	
Casatek Holdings (5264 TT)	
Catcher Technology (2474 TT)	
Largan Precision (3008 TT)	
Lenovo (992 HK)	
Nidec (6594 JP)	
Siliconware Precision Industries (2325 TT)	
Skyworth Digital Holdings (751 HK)	
Sony (6758 JP)	
Billy Leung	
Alibaba Group Holdings (BABA US)	
Baidu (BIDU US)	
Ctrip.com International (CTRP US)	
JD.com (JD US)	
NetEase (NTES US)	
Tencent Holdings (700 HK)	
Zhejiang Daily Media Group (600633 CH)	
Yushi Kawamoto	
Cookpad (2193 JP)	
CyberAgent (4751 JP)	
Monotaro (3064 JP)	
Start Today (3092 JP)	
Yahoo Japan (4689 JP)	

Pan Asia Autos, Machinery & Industrial

Core Coverage Universe	Non-Coverage Universe
Ole Hui (Team Leader)	BeijingWest Industries International (2339 HK)
BAIC Motor (1958 HK)	Calsonic Kansei (7248 JP)
China Communications Construction (1800 HK)	China Harmony New Energy Auto (3836 HK)
China Railway Construction (1186 HK)	China Yongda Automobiles Services (2558 HK)
China Railway Group (390 HK)	DMG Mori (6141 JP)
China Railway Signal & Communication (3969 HK)	Frontier Services Group (500 HK)
China State Construction Engineering (601688 CH)	Hitachi Koki (6581 JP)
CRRC (1766 HK)	Kato Works (6390 JP)
Dongfeng Motor (489 HK)	Keihin (7251 JP)
Guangzhou Automobile (2238 HK)	Makino Milling Maching (6135 JP)
Hongfa Technology (600885 CH)	Mitsui Engineering & Shipbuilding (7003 JP)
Shenzhen International (152 HK)	Okuma (6103 JP)
Shuzhou CRRC Times Electric (3898 HK)	Press Kogyo (7246 JP)
Steve Usher	Roland DG (6789 JP)
Brilliance China (1114 HK)	Shanghai Prime Machinery (2345 HK)
BYD (1211 HK)	Takeuchi Mfg. (6432 JP)
China Yongda Automobile Services (3669 HK)	TS Tech (7313 JP)
Geely Automobile (175 HK)	West China Cement (2233 HK)
Great Wall Motor (2333 HK)	Xingda International Holdings (1899 HK)
Honda Motor (7267 JP)	Yasukawa Electric (6506 JP)
Hyundai Mobis (012330 KS)	
Hyundai Motor (005380 KS)	
Kia Motors (000270 KS)	
Nissan Motor (7201 JP)	
Toyota Motor (7203 JP)	
Yamaha Motor (7272 JP)	
Tsutomu Kijima	
Amada Holdings (6113 JP)	
Daikin Industries (6367 JP)	
Fanuc (6954 JP)	
Hitachi Construction Machinery (6305 JP)	
Komatsu (6301 JP)	
Kubota (6326 JP)	
Makita (6586 JP)	
SMC (6273 JP)	
THK (6481 JP)	
Gary Cheung	
Adlink Technology (6166 TT)	
Advantech (2395 TT)	
Airtac International Group (1590 TT)	
Bizlink Holding (3665 TT)	
Delta Electronics (2308 TT)	
First Tractor (38 HK)	
Giant Manufacturing (9921 TT)	
Hiwin Technologies (2049 TT)	
Merida (9914 TT)	
Techron Industries (669 HK)	
Teco Electric and Machinery (1504 TT)	
Weichai Power (2338 HK)	
Kosuke Matsuda	
Aisin Seiki (7259 JP)	
Bridgestone (5108 JP)	
Denso (6902 JP) — Kosuke Matsuda	
Fuji Heavy Industries (7270 HK)	
Isuzu Motors (7202 JP)	
Mazda (7261 JP)	
Mitsubishi Motors (7211 JP)	
Nesteer (1316 HK)	
Suzuki Motor (7269 JP)	
Lily Li	
Mintch (425 HK)	

Japan Real Estate

Core Coverage Universe	Non-Coverage Universe
Mark Brown (Team Leader)	Daibiru (8806 JP)
Daito Trust Construction (1878 JP)	Daiiky (8840 JP)
Daiwa House Industry (1925 JP)	Haseko (1808 JP)
Lixil Group (5938 JP)	Hulic (3003 JP)
Mitsubishi Estate (8802 JP)	Kenedix (4321 JP)
Mitsui Fudosan (8801 JP)	Leopace21 (8848 JP)
Noritz (5943 JP)	Sanwa Holdings (5929 JP)
Obayashi (1802 JP)	Sumitomo Real Estate Sales (8870 JP)
Sekisui House (1928 JP)	
Sumitomo Realty & Development (8830 JP)	
Taisei (1801 JP)	
Tokyo Tatemono (8804 JP)	

China Real Estate

Core Coverage Universe	Non-Coverage Universe
Andy So (Team Leader)	Times Property Holdings (1233 HK)
Agile Property (3383 HK)	Yuzhou Properties (1628 HK)
China Fortune Land Development (600340 CH)	
China Overseas Land & Investment (688 HK)	
China Resources Land (1109 HK)	
China Vanke (2202 HK)	
China World Trade Center (600007 CH)	
CIFI Holdings Group (884 HK)	
CMST Development (600787 CH)	
Country Garden Holdings (2007 HK)	
Dalian Wanda Commercial Properties (3699 HK)	
Greentown China Holdings (3900 HK)	
Guangzhou R&P Properties (2777 HK)	
Huafa Industrial (600325 CH)	
KWG Property Holding (1813 HK)	
Longfor Properties (960 HK)	
Nanjing Gaoko (600064 CH)	
Shimao Property Holdings (813 HK)	
SOHO China (410 HK)	
Peter Yang	
China South City Holdings (1668 HK)	
Greenland Hong Kong Holdings (337 HK)	
Shenzhen Investment (604 HK)	
Soufun Holdings (SFUN US)	

Haitong International Coverage as of 1 Jul 2016

<i>China Consumer</i>	
Core Coverage Universe	Non-Coverage Universe
Nicolas Wang (Team Leader)	China Huiyuan Juice Group (1886 HK)
China Medical System (867 HK)	China LotSynergy Holdings (1371 HK)
China Mengniu Dairy (2319 HK)	China Shinyway Pharmaceutical Group (2877 HK)
China Resources Enterprise (291 HK)	Dynam Japan Holdings (6889 HK)
China Traditional Chinese Medicine (570 HK)	Shanghai Fudan-Zhangjiang Bio-Pharm (1349 HK)
Chongqing Brewery (600132 CH)	Tenwong International (1219 HK)
CSPC Pharmaceutical Group (1093 HK)	
Hengan International (1044 HK)	
Inner Mongolia Yili Industrial Group (600887 CH)	
liangsu Hengrui Medicine (600276 CH)	
Kweichow Moutai (600519 CH)	
Laobaijing Pharmacy Chain (603883 CH)	
Luye Pharma Group (2186 HK)	
Shanghai Pharmaceuticals (2607 HK)	
Sinopharm Group (1099 HK)	
Tingyi Cayman Islands Holding (322 HK)	
Tsingtao Brewery (168 HK)	
Uni-President China (220 HK)	
Want Want China Holdings (151 HK)	
Xinjiang Yili Industry (600197 CH)	
Zhangzhou Pientzhuang Pharmaceutical (600436 CH)	
Zhejiang Huahai Pharmaceutical (600521 CH)	
Jessica Hong	
Chongqing Department Store (600729 CH)	
GOME Electrical Appliances Holding (493 HK)	
Li & Fung (494 HK)	
L'Occitane International (973 HK)	
Prada SpA (1913 HK)	
Samsontite International (1310 HK)	
Yonghui Superstores (601933 CH)	
Donald Cheng	
Galaxy Entertainment (27 HK)	
MGM China (2282 HK)	
Sands China (1928 HK)	
SJM Holdings (880 HK)	
Wynn Macau (1128 HK)	

<i>Japan Consumer</i>	
Core Coverage Universe	Non-Coverage Universe
James Moon (Team Leader)	Aeon Mall (8905 JP)
Aoyama Trading (8219 JP)	Avex Group Holdings (7860 JP)
Asics (7936 JP)	DCM Holdings (3050 JP)
Don Quijote Holdings (7532 JP)	H2O Retailing (8242 JP)
FamilyMart (8028 JP)	Honeys (2792 JP)
Fast Retailing (9983 JP)	Parco (8251 JP)
HIS (9603 JP)	
Japan Tobacco (2914 JP)	
Laox (8202 JP)	
Oriental Land (4661 JP)	
Seven & I Holdings (3382 JP)	
Unicharm (8113 JP)	

<i>Pan Asia Financials</i>	
Core Coverage Universe	Non-Coverage Universe
Steven Chan	
Agricultural Bank of China (1288 HK)	
Bank of China (3988 HK)	
Bank of Communications (3328 HK)	
China CITIC Bank (998 HK)	
China Construction Bank (939 HK)	
China Merchants Bank (3968 HK)	
China Minsheng Bank (1988 HK)	
Industrial and Commercial Bank of China (1398 HK)	
Michael Makdad	
Mitsubishi UFJ Financial Group (8306 JP)	
Mizuho Financial Group (8411 JP)	
Sumitomo Mitsui Financial Group (8316 JP)	
Tony Tanaka	
Centruy Tokyo Leasing (8439 JP)	
China Galaxy Securities (6881 HK)	
Digital Garage (4819 JP)	
Fuyo General Lease (8424 JP)	
GCA Savvian (2174 JP)	
GF Securities (1776 HK)	
Glory (6457 JP)	
GMO Payment Gateway (3769 JP)	
Hitachi Capital (8586 JP)	
Hong Kong Exchanges and Clearing (388 HK)	
Huatai Securities (6886 HK)	
Mitsubishi UFJ Lease & Finance (8593 JP)	
Nihon M&A Center (2127 JP)	
Zenkoku Hosho (7164 JP)	
Latest Additions to Coverage	
China CITIC Bank (998 HK) — Steven Chan	
China Minsheng Bank (1988 HK) — Steven Chan	
Bizlink Holding (3665 TT) — Gary Cheung	
Nari Technology (600406 CH) — Fook Tat Cho	
Xinyi Solar Holdings (968 HK) — Fook Tat Cho	
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Mizuho Financial Group (8411 JP) — Michael Makdad	
Inner Mongolia Yili Industrial Group (600887 CH) — Nicolas Wang	
Zhangzhou Pientzhuang Pharmaceutical (600436 CH) — Nicolas Wang	
Lee & Man Paper Manufacturing (2314 HK) — Walden Shing	
Huafa Industrial (600325 CH) — Andy So	
Hitachi Capital (8586 JP) — Tony Tanaka	
Relo Holdings (8876 JP) — Hiroyuki Terada	
Kunlun Energy (135 HK) — Sam Thawley	
China South City Holdings (1668 HK) — Peter Yang	

<i>Asia ex Small Cap</i>	
Core Coverage Universe	Non-Coverage Universe
Yuanyuan Ji (Team Leader)	Bonjour Holdings (653 HK)
Best Pacific International (2111 HK)	C.banner International Holdings (1028 HK)
China Aircraft Leasing Group (1848 HK)	China Maple Leaf Educational Sys. (1317 HK)
Pacific Textiles Holdings (1382 HK)	Cuchen (225650 KS)
Pax Global Technology (327 HK)	Goldpac Group (3315 HK)
Sa Sa International Holdings (178 HK)	Hotel Shilla (008770 KS)
Shanghai Fudan Microelectronics (1385 HK)	Maoye International Holdings (848 HK)
Shenzhen International Group (2313 HK)	Modetour Network (080160 KS)
SITC International Holdings (1308 HK)	Orange Sky Golden Harvest (1132 HK)
TAL Education Group (XRS US)	Orbitech (046120 KS)
Travelsky Technology (696 HK)	Pou Sheng International Holdings (3813 HK)
Vrscend Education (1565 HK)	PS TEC (002230 KS)
Wasion Group Holdings (3393 HK)	Samchully Bicycle (024950 KS)
Walden Shing	Sinosoft Technology Group (1297 HK)
APT Satellite (1045 HK)	Texhong Textile Group (2678 HK)
Fu Shou Yuan International (1448 HK)	TK Group Holdings (2283 HK)
Lee & Man Paper Manufacturing (2314 HK)	Tsui Wah Holdings (1314 HK)
Man Wah Holdings (1999 HK)	Value Added Technologies (043150 KS)
Vitasoy International Holdings (345 HK)	VST Holdings (856 HK)
Vtech Holdings (303 HK)	Xia Nan Guo Restaurants Holdings (3666 HK)
Xinyi Glass Holdings (868 HK)	
Justin Kim	
Aerospace Technology of Korea (067390 KS)	
Cuckoo Electronics (192400 KS)	
Dexter (20560 KS)	
Duzonbizon (012510 KS) — Justin Kim	
Fila Korea (081660 KS)	
Kepeco Plant Service (051600 KS)	
Vieworks (100120 KS)	
Koh Young Technology (098460 KS)	
Jaesong Woo	
Dio (039840 KS)	
Hansae (105630 KS)	
Hy-Lok (013030 KS)	
Inbody 041830 KS)	
Korea Kolmar (161890 KS)	
Osstem Implant (048260 KS)	
Yonwoo (115960 KS)	
Youngone (111770 KS)	
Jessica Ye	
Anta Sports Products (2020 HK)	
Belle International Holdings (1880 HK)	
Cosmo Lady China Holdings (2298 HK)	
Li Ning (2331 HK)	

<i>Japan Small Cap</i>	
Core Coverage Universe	Non-Coverage Universe
Hiroyuki Terada (Team Leader)	Autobacs Seven (9832 JP)
Accordia Golf (2131 JP)	China Financial International Invest. (721 HK)
Accretive (8423 JP)	Fancl (4921 JP)
Asahi (3333 JP)	Istyle (3660 JP)
Dentsu (4324 JP)	Luzheng Futures (1461 HK)
Gulliver International (7599 JP)	Meitec (9744 JP)
Kameda Seika (2220 JP)	Nichii Gakkan (9792 JP)
Mandom (4917 JP)	Nippon Parking Development (2353 JP)
Pigeon (7956 JP)	SBS Holdings (2384 JP)
Polia Orbis (4927 JP)	VT Holdings (7593 JP)
Recruit Holdings (6098 JP)	
Relo Holdings (8876 JP)	
Sanrio (8136 JP)	
Shiseido (4911 JP)	
Sohgo Security Services (2331 JP)	
Technopro Holdings (6028 JP)	
Yamato Holdings (9064 JP)	
Yumeshin Holdings (2362 JP)	
Yusuke Suzuki	
Ain Pharmaciez (9627 JP)	
Doutor Nichires Holdings (3087 JP)	
FP (7947 JP)	
Nihon Parkerizing (4095 JP)	
Optex (6914 JP)	
Sky Perfect JSAT Holdings (9412 JP)	
Sun Frontier Fudousan (8934 JP)	
Takara Leben (8897 JP)	
Tosei (8923 JP)	
Latest Drops from Coverage	
Nippon Steel & Sumikin Bussan (9810 JP)	

Latest Transfers of Coverage
None