

Xinyi Glass Holdings (868 HK)

Member of key [HTI Themes](#): Capex/New Projects, Government Policy, Productivity

Target Price HK\$14.10
Current Price HK\$12.18
% Upside 16%

Expecting Better GPM for Float Glass Division in FY18

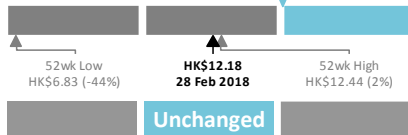
Automobiles & Components

Hong Kong

28 Feb 2018

BUY

Target: HK\$14.10
 % Upside: 16%



Unchanged

Basic Share Information

Market cap	HK\$48.94b / US\$6.25b
Daily traded value (3mth)	US\$19.44m
Shares outstanding	3,882m
Free float	55%
Net debt-to-equity	31.2%
1 yr high	HK\$12.44
1 yr low	HK\$6.83
Major shareholding	21.6%
Last HTI contact w/ Co	26 Feb 18

Price/Volume



Source: Bloomberg

	1mth	3mth	12mth
Absolute	0%	35.5%	73%
Absolute USD	-0.1%	35.1%	71.6%
Relative to HSI	5.7%	30.2%	41.3%



Walden Shing

Haitong International Research Ltd
 walden.wc.shing@htisec.com
 Local Knowledge, Global Reach

Hong Kong Office	(852) 2899 7090
Tokyo Office	(81) 3 3560 9300
London Office	(44) 20 7397 2700
New York Office	(1) 212 867 7300
Mumbai Office	(91) 22 43156839

www.equities.htisec.com

Management Remains Upbeat on FY18 Outlook

Summary: We expect Xinyi Glass Holdings' (XYG) GPM to improve in FY18 due to rising profitability at its float-glass division. According to glass.org.cn, Hebei's Shahe city has shut down nine float-glass production lines as they lacked environmental permits. Total capacity involved was about 1.74mn tonnes, about 2.6% of total float-glass capacity in China. We believe that float-glass demand is likely to remain solid in 2018 as property sales in China remained strong in 2017. Glass windows are typically installed 12 months after property sales, so this should translate into stable demand in 2018. With no new production lines in China and some production lines being shut down, we expect float-glass prices to rise further in 2018. We revise up our EPS forecasts by 5.4% for FY18 and 19.1% for FY19 to factor in a rising GPM in FY18 and XYG's capacity-expansion plans.

Target Price and Catalyst: We raise our target price from HK\$9.30 to HK\$14.10, based on 12x the average of our EPS forecasts of HK\$1.10 for FY18 and HK\$1.24 for FY19. Major catalysts for the share price include float glass prices rising in August–September 2018 when the peak season starts, and the interim results announcement scheduled for August 2018. Any news related to the government shutting down float-glass production capacity should also be positive for the share price.

Earnings: We revise up our EPS forecasts by 5.4% for FY18 and 19.1% for FY19. For FY18, the earnings revision mainly reflects our optimism about rising float-glass prices this year and an improving GPM. We expect the average selling price to increase by 12% in FY18. For FY19, our revision mainly reflects the contribution of two new float-glass production lines in Malaysia, which are set to begin operations in H2 FY18 and start contributing to NP in FY19. We introduce our FY20 forecasts in this report.

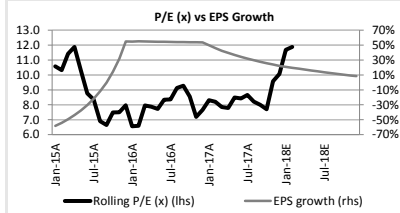
Valuation: We value the stock at 12x forward PER, previously 9x or the average of its historical trading range. XYG has enjoyed peak-cycle margins at its float-glass division for more than 18 months. We believe that it is a beneficiary of industry consolidation and strengthening pricing power and hence deserves a higher valuation multiple. A-share peer Zhuzhou Kibing Group (601636 CH), for which we have a BUY rating and target price of Rmb6.50, trades at 15.6x FY17 PER on Bloomberg-consensus estimates compared with XYG's 12.0x. The main risk to our rating and the attainment of our target price is a slowdown in property sales in China, which would likely have a negative impact on float-glass prices. In addition all XYG's production lines use natural gas, so any increases in natural-gas prices would be negative for the company.

	Dec-16A	Dec-17A	Dec-18E	Dec-19E	Dec-20E	Trend
Total turnover (HK\$m)	12,848	14,728	16,140	18,831	21,665	▬ ▬ ▬ ▬ ▬
Operating profit (HK\$m)	3,338	4,093	4,453	5,340	6,149	▬ ▬ ▬ ▬ ▬
Pre-tax profit (HK\$m)	3,823	4,696	5,191	6,102	6,931	▬ ▬ ▬ ▬ ▬
Net income to ord equity (HK\$m)	3,213	4,014	4,407	5,001	5,542	▬ ▬ ▬ ▬ ▬
Net profit growth	52.1%	24.9%	9.8%	13.5%	10.8%	▬ ▬ ▬ ▬ ▬
P/E (x)	14.71	12.04	11.11	9.79	8.84	▬ ▬ ▬ ▬ ▬
Adj EV/EBITDA (x)	9.39	8.43	7.63	6.29	5.35	▬ ▬ ▬ ▬ ▬
P/B (x)	3.59	3.01	2.65	2.31	2.02	▬ ▬ ▬ ▬ ▬
ROE	24.8%	27.4%	25.5%	25.2%	24.4%	▬ ▬ ▬ ▬ ▬
Dividend yield	3.3%	4.0%	4.3%	4.9%	5.4%	▬ ▬ ▬ ▬ ▬
EPS HTI old (HK\$)	0.83	0.90	1.04	1.04	-	▬ ▬ ▬ ▬ ▬
EPS HTI New (HK\$)	0.83	1.01	1.10	1.24	1.38	▬ ▬ ▬ ▬ ▬
Consensus EPS (HK\$)	0.80	0.94	1.10	1.20	0.70	▬ ▬ ▬ ▬ ▬
HTI EPS vs Consensus	3.2%	7.8%	(0.4%)	3.5%	96.9%	▬ ▬ ▬ ▬ ▬

Source: Company data, Bloomberg, HTI estimates

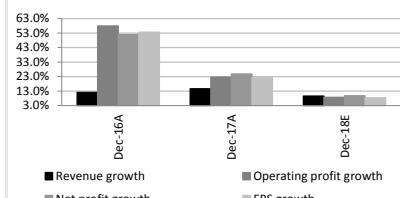
Click [here](#) to download the working model

Valuation



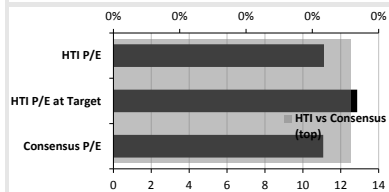
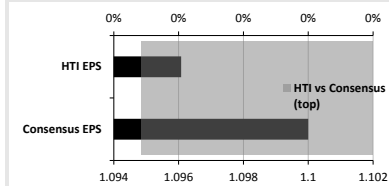
Source: Company data, Bloomberg, HTI estimates

Earnings Trends



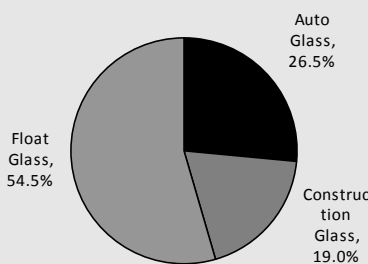
Source: Company data, Bloomberg, HTI estimates

Earnings: HTI vs Consensus



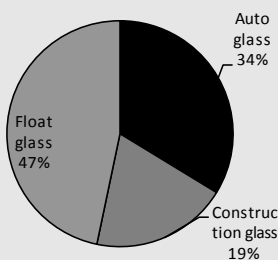
Source: Company data, Bloomberg, HTI estimates

FY17 Sales Breakdown



Source: Company data

FY17 GP Breakdown



Source: Company data

Investment Thesis

BUY

- According to Wind statistics, the average float-glass spot price on 27 February 2018 was up by 12% YoY and soda ash, XYG’s major cost, was about Rmb1,743 per tonne, down by 22.7% YoY.
- The rise in float-glass price was mainly due to capacity shutdowns in Shahe city, Hebei province. Given the increase in average selling price and fall in production cost, we believe that XYG’s GPM is likely to expand in FY18.
- We expect float glass demand to remain stable over the medium term as strong property sales are usually favorable for future glass demand. Glass installation is usually the last stage of property construction, so strong property sales in 2017 are likely to translate into solid float-glass demand 12–18 months later.
- We continue to see XYG as a champion in China’s float-glass industry. Industry consolidation is likely in our view to benefit market leaders such as XYG. All its production lines use natural gas as the major energy source, which is in line with the government’s policy of enforcing strict environmental-emissions standards.

Company Snapshot

[Click here for relevant SCNet visits: China Glass Holdings \(3300 HK\).](#)

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 has a 29.5% equity interest in associate company Xinyi Solar Holdings (968 HK), which is the largest solar-glass manufacturer in China.

Key Investment Metrics

Revenue Growth

Low Medium High

Revenue rose by 14.6% YoY to HK\$14.7bn in FY17, driven by growth in all three divisions. Auto glass revenue was up 4.3% YoY, construction glass by 8.1% YoY, and float glass by 23.2% YoY.

Profit Margins

Low Medium High

The FY17 GPM rose by 0.7ppt YoY to 37%, mainly driven by improving margins in the float-glass division.

Shareholder Returns

Low Medium High

ROE reached 27.4% in FY17.

Balance Sheet Risks

High Medium Low

We expect net gearing to fall to 24.9% at the end of FY18.

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 71% and some companies could restart operations should market conditions improve. In auto-glass manufacturing, XYG and Fuyao Glass Industry Group (3606 HK) have a combined market share of about 70% in China.

International Exposure/Breakdown

High Medium Low

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

High Medium Low

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.

Our Model Assumptions

We expect revenue to grow by 9.6% YoY in FY18

We assume an effective tax rate of 15% for FY18

✓ **Key P/L Takeaway**
We expect NP to grow by 9.8% YoY to HK\$4.4bn in FY18

Profit & Loss (HK\$m)	Dec-16A	Dec-17A	Dec-18E	Dec-19E	Dec-20E
Total turnover	12,848	14,728	16,140	18,831	21,665
Cost of sales	(8,189)	(9,283)	(9,859)	(11,477)	(13,220)
Gross profit	4,659	5,444	6,280	7,355	8,445
Total operating costs	(1,822)	(2,045)	(2,167)	(2,373)	(2,708)
Net other operating income	501	694	339	358	412
Operating profit	3,338	4,093	4,453	5,340	6,149
Operating EBITDA	4,165	4,794	5,247	6,206	7,073
Depreciation and amortisation	(827)	(701)	(794)	(866)	(925)
Net income from investments	563	700	842	858	857
Interest income	51	55	62	66	83
Interest expense	(128)	(151)	(166)	(161)	(158)
Pre-tax profit	3,823	4,696	5,191	6,102	6,931
Taxation	(607)	(682)	(781)	(1,098)	(1,386)
Minority interests	(3)	(0)	(2)	(3)	(3)
Net income to ord equity	3,213	4,014	4,407	5,001	5,542

Source: Company, HTI estimates

[Click For Interactive Model](#)

We expect NP to grow by 9.8% YoY to HK\$4.4bn in FY18, mainly driven by 9.6% YoY growth in sales and the GPM rising from 37% in FY17 to 38.9% in FY18.

Our Model Assumptions

The inventory turnover period was steady at 62 days in FY17

We expect net gearing to fall YoY to 24.9% at the end of FY18

Balance Sheet (HK\$m)	Dec-16A	Dec-17A	Dec-18E	Dec-19E	Dec-20E
Total cash and equivalents	2,763	2,472	2,637	3,331	4,419
Inventories	1,321	1,578	1,676	2,008	2,313
Accounts receivable	2,377	2,798	3,147	3,766	4,333
Other current assets	76	95	95	95	95
Total current assets	6,537	6,943	7,555	9,201	11,160
Tangible fixed assets	13,560	15,362	16,270	17,107	17,884
Intangible assets	72	69	67	64	62
Total investments	3,854	4,538	5,380	6,238	7,095
Total non-current assets	17,486	19,969	21,717	23,409	25,041
Total assets	24,022	26,912	29,272	32,610	36,201
Short-term debt	3,165	2,253	2,177	2,124	2,087
Accounts payable	2,297	2,507	2,662	3,099	3,569
Other current liabilities	538	478	547	879	1,109
Total current liabilities	6,000	5,237	5,386	6,101	6,765
Long-term debt	4,509	5,256	5,079	4,956	4,869
Other liabilities	266	266	266	266	266
Total non-current liabilities	4,775	5,522	5,346	5,222	5,135
Total liabilities	10,775	10,759	10,731	11,323	11,900
Common stocks	389	402	402	402	402
Retained earnings reserve	(31)	15,678	18,065	20,808	23,819
Other reserves	12,823	-	-	-	-
Shareholders' equity	13,181	16,080	18,467	21,210	24,222
Minority interests	66	72	74	77	79
Other equity	-	0	(0)	0	(0)
Total equity	13,247	16,152	18,541	21,287	24,301
Total liabilities & shareholders' equity	24,022	26,912	29,272	32,610	36,201

Source: Company, HTI estimates

[Click For Interactive Model](#)

✓ **Key B/S Takeaway**
We expect XYG's balance sheet risk to remain manageable

We expect net gearing to fall YoY to 24.9% at the end of FY18, fairly low compared with other glass manufacturers.

Our Model Assumptions


We forecast HK\$4.1bn of cash flow from operations for FY18

The dividend-payout ratio was steady at 48% in FY17 and we expect a similar level for FY18

Cash Flow (HK\$m)	Dec-16A	Dec-17A	Dec-18E	Dec-19E	Dec-20E
Operating profit	3,338	4,093	4,453	5,340	6,149
Depreciation and amortisation	827	701	794	866	925
Changes in working capital	(218)	(530)	(222)	(183)	(171)
Other operating cash flow	86	-	(0)	(0)	(0)
Operating cash flow	4,032	4,264	5,025	6,023	6,902
Interest received	51	55	62	66	83
Interest paid	(126)	(151)	(166)	(161)	(158)
Tax paid	(342)	(682)	(781)	(1,098)	(1,386)
Cash flow from operations	3,616	3,485	4,139	4,830	5,442
Capex	(1,756)	(2,500)	(1,700)	(1,700)	(1,700)
Other new investments	(97)	3	-	-	-
Other investing cash flow	(426)	(0)	-	-	-
Cash flow from investing activities	(2,280)	(2,497)	(1,700)	(1,700)	(1,700)
Dividends paid to ordinary shareholders	(1,321)	(1,859)	(2,021)	(2,258)	(2,530)
Shares repurchased	(265)	-	-	-	-
Proceeds from issue of shares	142	-	-	-	-
Increase in debt	1,611	579	(253)	(177)	(124)
Other financing cash flow	-	-	(0)	0	0
Cash flow from financing activities	169	(1,280)	(2,274)	(2,435)	(2,654)
Cash at beginning of period	1,298	2,763	2,472	2,637	3,331
Total cash generated	1,510	(292)	165	695	1,088
Forex effects	(45)				
Implied cash at end of period	2,763	2,472	2,637	3,331	4,419
Free cash flow	1,859	985	2,439	3,130	3,742

Source: Company, HTI estimates

[Click For Interactive Model](#)

 **Key Cash Flow Takeaway**
XYG continues to generate solid cash flows from its glass manufacturing operations

In FY17, the dividend-payout ratio was 48%. The five-year average payout ratio is 47.2%. We expect XYG to maintain a dividend-payout ratio of about 48% for FY18.

Our Model Assumptions

Per Share Data	Dec-16A	Dec-17A	Dec-18E	Dec-19E	Dec-20E
EPS (HK\$)	0.83	1.01	1.10	1.24	1.38
FDEPS (HK\$)	0.81	1.00	1.10	1.24	1.38
Revenue per share (HK\$)	3.31	3.71	4.01	4.68	5.39
Operating EBITDA per share (HK\$)	1.07	1.21	1.30	1.54	1.76
BVPS (HK\$)	3.40	4.05	4.59	5.27	6.02
DPS (HK\$)	0.40	0.49	0.53	0.60	0.66
Recurrent cash flow per share (HK\$)	0.93	0.88	1.03	1.20	1.35
Shares in issue (million)	3,892	4,021	4,021	4,021	4,021
Year end adjusted shares in issue (m)	3,882	3,969	4,021	4,021	4,021
Key Ratios	Dec-16A	Dec-17A	Dec-18E	Dec-19E	Dec-20E
Valuation Measures					
P/Sales (x)	3.68	3.28	3.03	2.60	2.26
P/E (x)	14.71	12.04	11.11	9.79	8.84
P/CF (x)	13.08	13.87	11.83	10.14	9.00
P/B (x)	3.59	3.01	2.65	2.31	2.02
Adj EV/EBITDA (x)	9.39	8.43	7.63	6.29	5.35
Dividend yield	3.3%	4.0%	4.3%	4.9%	5.4%
Growth					
Revenue growth	12.1%	14.6%	9.6%	16.7%	15.0%
Operating profit growth	58.0%	22.6%	8.8%	19.9%	15.1%
Net profit growth	52.1%	24.9%	9.8%	13.5%	10.8%
Margins					
Gross margin	36.3%	37.0%	38.9%	39.1%	39.0%
Operating EBITDA margin	32.4%	32.6%	32.5%	33.0%	32.6%
Operating margin	26.0%	27.8%	27.6%	28.4%	28.4%
Pretax profit margin	29.8%	31.9%	32.2%	32.4%	32.0%
Tax rate	15.9%	14.5%	15.0%	18.0%	20.0%
Net profit margin	25.0%	27.3%	27.3%	26.6%	25.6%
Key Ratios					
ROE	24.8%	27.4%	25.5%	25.2%	24.4%
ROA	14.1%	15.8%	15.7%	16.2%	16.1%
Capex/revenue	13.7%	17.0%	10.5%	9.0%	7.8%
Current ratio (x)	1.09	1.33	1.40	1.51	1.65
Creditor days	102.7	98.6	98.6	98.6	98.8
Debtor days	67.71	69.35	71.18	73.00	73.20
Inventory days	59.02	62.05	62.05	63.88	64.05
Sales/avg assets	0.57	0.58	0.57	0.61	0.63
Credit analysis					
EBITDA/interest paid (x)	33.13	31.72	31.59	38.48	44.80
OCF/interest paid (x)	28.76	23.06	24.92	29.95	34.46
Debt/EBITDA (x)	1.84	1.57	1.38	1.14	0.98
Debt/equity	57.9%	46.5%	39.1%	33.3%	28.6%
Net debt to equity	37.1%	31.2%	24.9%	17.6%	10.4%

Source: Company, HTI estimates

Click For Interactive Model

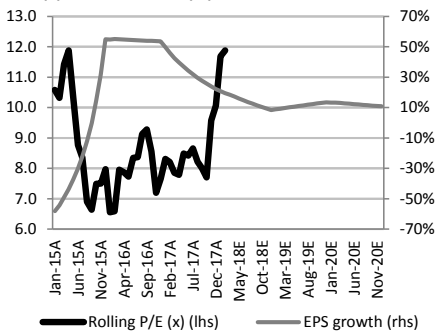
We expect ROE to fall slightly YoY but remain at a high level of 25.5% for FY18, mainly due to a decline in net gearing.

We expect ROE to fall YoY to 25.5% for FY18, mainly due to a decline in net gearing

We forecast net gearing of 24.9% at the end of FY18

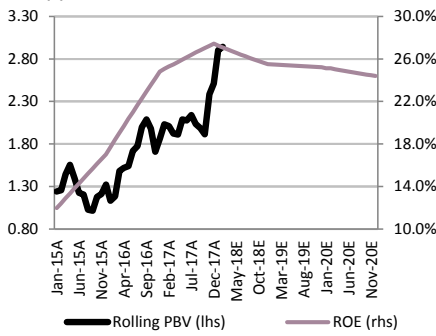
✓ **Key Driver Takeaway**
We expect ROE to decline slightly but remain at a high level over our forecast period

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



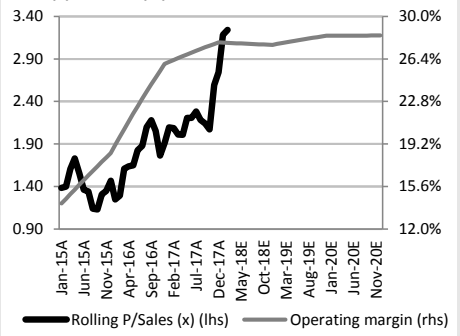
Source: Company data, Bloomberg, HTI estimates

P/B (x) vs ROE



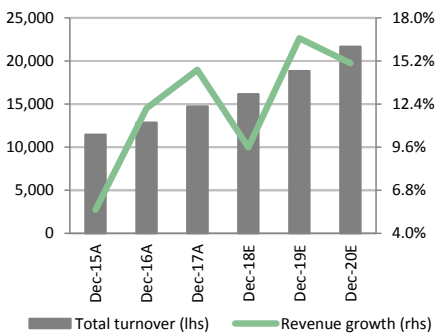
Source: Company data, Bloomberg, HTI estimates

PSR (x) vs OPM (%)



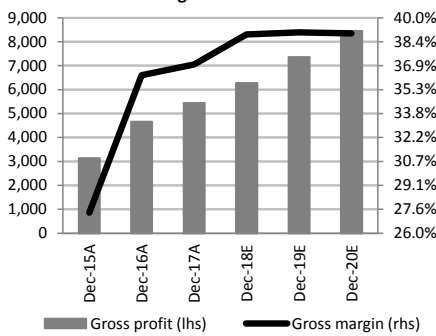
Source: Company data, Bloomberg, HTI estimates

Turnover and Growth



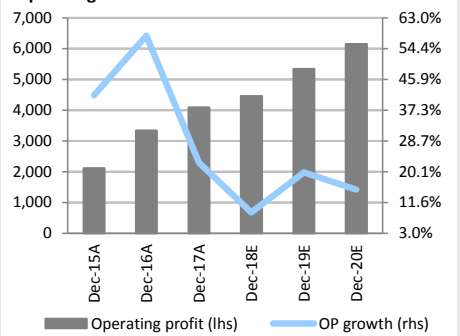
Source: Company data, Bloomberg, HTI estimates

Gross Profit and Margin



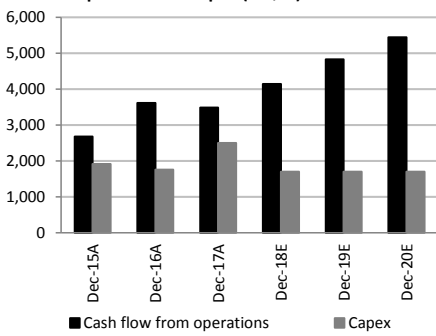
Source: Company data, Bloomberg, HTI estimates

Operating Profit and OP Growth



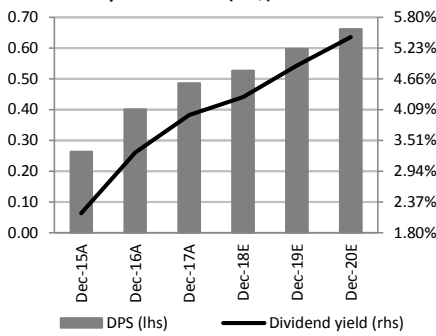
Source: Company data, Bloomberg, HTI estimates

CF from operations vs Capex (HK\$m)



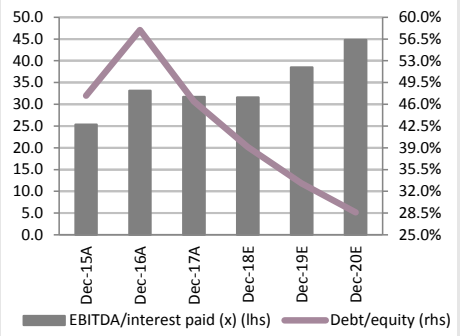
Source: Company data, Bloomberg, HTI estimates

Dividend Payout and Yield (HK\$)



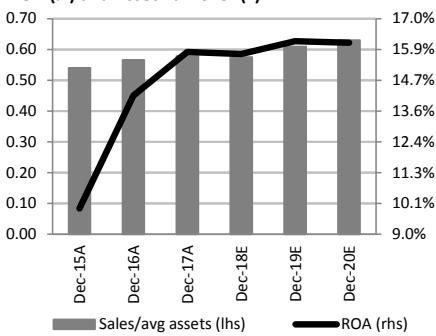
Source: Company data, Bloomberg, HTI estimates

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



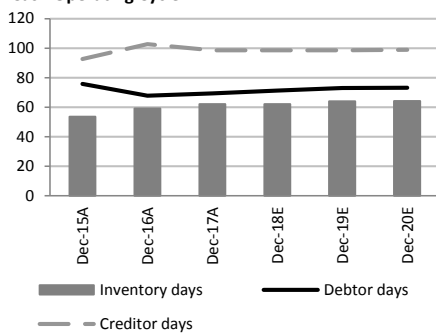
Source: Company data, Bloomberg, HTI estimates

ROA (%) and Asset Turnover (x)



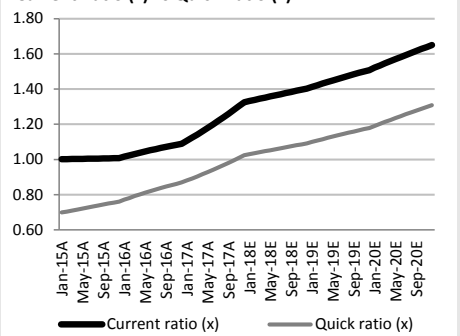
Source: Company data, Bloomberg, HTI estimates

Cash Operating Cycle



Source: Company data, Bloomberg, HTI estimates

Current Ratio (x) vs Quick Ratio (x)



Source: Company data, Bloomberg, HTI estimates

APPENDIX

IMPORTANT DISCLOSURES

This research report is distributed by Haitong International, a global brand name for the equity research teams of Haitong International Research Limited (“HTIRL”), Haitong Securities India Private Limited (“HSIPL”), Haitong International Japaninvest KK (“HTIJKK”), Haitong International Securities Company Limited (“HTISCL”), Haitong International Investment Services Limited (“HTIIS”), and any other members within the Haitong International Securities Group of Companies (“HTISG”), each authorized to engage in securities activities in its respective jurisdiction.

Analyst Certification: I, Walden Shing, certify that (i) the views expressed in this research report accurately reflect my personal views about any or all of the subject companies or issuers referred to in this research and (ii) no part of my compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this research report; and that I (including members of my household) have no financial interest in the security or securities of the subject companies discussed.

Conflict of Interest Disclosures

If no disclosures are included, it means that at the time of publication there is no conflict of interest pursuant to applicable regulations.

China Glass Holdings (3300 HK) is/was a client of Haitong currently or within the past 12 months. The client has been provided with non-securities services.

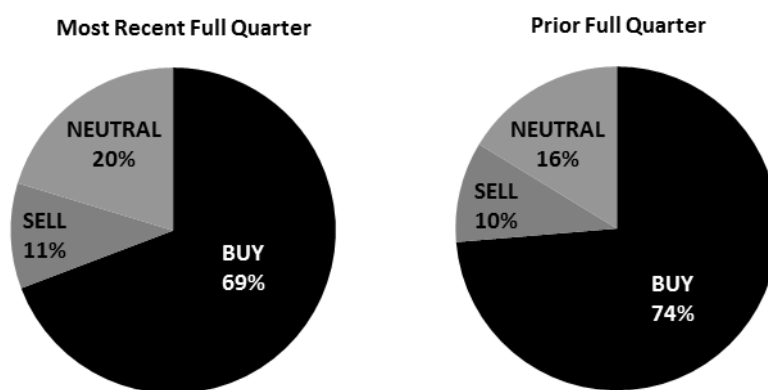
Haitong acts as a market maker or liquidity provider in the securities of Xinyi Glass Holdings (868 HK) and Xinyi Solar Holdings (968 HK).

Ratings Definitions: Haitong International (sometimes referred to as “HTI”) has three ratings, which are defined below. The percentage of BUY, SELL or NEUTRAL ratings out of the total number of rated notes appears in the Ratings Distribution chart. ALL rated stocks have a target price which represents the analyst’s best estimate of the fundamental value of the stock on a 12 month forward basis.

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**Haitong International Equity Research Ratings Distribution, as of December 31, 2017**

	BUY	Neutral (hold)	SELL
HTI Equity Research Coverage	69%	20%	11%
IB clients*	6%	6%	10%

*Percentage of investment banking clients in each rating category.

For purposes only of FINRA/NYSE ratings distribution rules, our Neutral rating falls into a hold rating category. Please note that stocks with an NR designation are not included in the table above.

Haitong International Non-Rated Research: Haitong International publishes quantitative, screening or short reports which may rank stocks according to valuation and other metrics or may suggest prices based on possible valuation multiples. Such rankings or suggested prices do not purport to be stock ratings or target prices or fundamental values and are for information only.

HTI Equity-Style Portfolios: Stocks are selected for Haitong International’s equity-style portfolio products based on six different strategies: Value, Quality, Growth, Risk, Momentum and US Exposure. Each quarter, HTI’s rated coverage is screened based on the selection criterion for each strategy and using a scoring methodology, the top 20 stocks for each strategy are identified and assigned to the portfolios. Note that the quantitative screening used to rank stocks for the HTI equity-style portfolios is separate from the fundamental analysis employed by HTI sector analysts, so there may be differences in the assessments of individual stocks.

HTI Themes: The Haitong International research department periodically identifies a select number of themes that it believes have longevity and identifies stocks from among its rated coverage that are relevant for these themes. These themes and the relevant stocks are reviewed on a quarterly basis. Note that the strategic attractiveness of a general theme may be different from the fundamental assessments of individual stocks within that theme.

Related SCNet Visits: The designation of a related SCNet visit means that the specified Haitong International non-rated company visit reports may provide additional perspective with regard to HTI’s rated coverage. The research department selects these related SCNet visit reports on a quarterly basis. The process of compiling and publishing unrated SCNet notes is separate from the fundamental assessment and publication of individual rated stocks.

Haitong International Coverage of A-Shares: Haitong International may cover and rate A-Shares that are subject to the Hong Kong Stock Connect scheme with Shanghai and Shenzhen. Haitong Securities (HS; 600837 CH), the ultimate parent company of HTISG based in Shanghai, covers and publishes research on these same A-Shares for distribution in mainland China. However, the rating system employed by HS differs from that used by HTI and as a result there may be a difference in the HTI and HS ratings for the same A-share stocks.

Haitong International Quality 100 A-share (Q100) Index: HTI's Q100 Index is a quant product that consists of 100 of the highest-quality A-shares under coverage at HS in Shanghai. These stocks are carefully selected through a quality-based screening process in combination with a review of the HS A-share team's bottom-up research. The Q100 constituent companies are reviewed quarterly.

IMPORTANT DISCLAIMER

For research reports on non-Indian securities: The research report is issued by Haitong International Research Limited ("HTIRL"), a wholly owned subsidiary of Haitong International Securities Group Limited ("HTISGL") and a licensed corporation to carry on Type 4 regulated activity (advising on securities) for the purpose of the Securities and Futures Ordinance (Cap. 571) of Hong Kong, with the assistance of Haitong International Japaninvest KK ("HTIJKK"), a wholly owned subsidiary of HTISGL and which is regulated as an Investment Adviser by the Kanto Finance Bureau of Japan.

For research reports on Indian securities: The research report is issued by Haitong Securities India Private Limited ("HSIPL"), an Indian company and a Securities and Exchange Board of India ("SEBI") registered Stock Broker, Merchant Banker and Research Analyst that, inter alia, produces and distributes research reports covering listed entities on the BSE Limited ("BSE") and the National Stock Exchange of India Limited ("NSE") (collectively referred to as "Indian Exchanges"). HSIPL was acquired and became part of the Haitong International Securities Group of Companies ("HTISG") on 22 December 2016.

All the research reports are globally branded under the name Haitong International and approved for distribution by Haitong International Securities Company Limited ("HTISCL") and/or Haitong International Investment Services Limited ("HTIIS"), and/or any other members within HTISG in their respective jurisdictions.

The information and opinions contained in this research report have been compiled or arrived at from sources believed to be reliable and in good faith but no representation or warranty, express or implied, is made by HTIRL, HTISCL, HTIIS, HSIPL, HTIJKK or any other members within HTISG from which this research report may be received, as to their accuracy, completeness or correctness. All opinions expressed herein are as of the date of this research report and are subject to change without notice. This research report is for information purpose only. Descriptions of any companies or their securities mentioned herein are not intended to be complete and this research report is not, and should not be construed expressly or impliedly as, an offer to buy or sell securities. The securities referred to in this research report may not be eligible for purchase or sale in some jurisdictions. If an investment product is denominated in a currency other than an investor's home currency, a change in exchange rates may adversely affect the investment. Past performance is not necessarily indicative of future results. Certain transactions, including those involving derivatives, give rise to substantial risk and are not suitable for all investors. You should also bear in mind that recommendations in this research report are not tailor-made for you. The analyst has not taken into account your unique financial circumstances, such as your financial situation and risk appetite. You must, therefore, analyze and should, where applicable, consult your own legal, tax, accounting, financial and other professional advisers to evaluate whether the recommendations suits you before investment. Neither HTISG nor any of its directors, employees or agents accepts any liability whatsoever for any direct or consequential loss arising from any use of the materials contained in this research report.

HTISG and our affiliates, officers, directors, and employees, excluding the analysts responsible for the content of this document, will from time to time have long or short positions in, act as principal in, and buy or sell, the securities or derivatives, if any, referred to in this research report. Sales, traders, and other professionals of HTISG may provide oral or written market commentary or trading strategies to the relevant clients and the companies within HTISG that reflect opinions that are contrary to the opinions expressed in this research report. HTISG may make investment decisions that are inconsistent with the recommendations or views expressed in this research report. HTI is under no obligation to ensure that such other trading decisions, ideas or recommendations are brought to the attention of any recipient of this research report.

Please refer to HTI's website www.equities.htisec.com for further information on HTI's organisational and administrative arrangements set up for the prevention and avoidance of conflicts of interest with respect to Research.

Non U.S. Analyst Disclosure: The HTI analyst(s) listed on the cover of this Research is (are) not registered or qualified as a research analyst with FINRA and are not subject to U.S. FINRA Rule 2241 restrictions on communications with companies that are the subject of the Research; public appearances; and trading securities by a research analyst.

DISTRIBUTION AND REGIONAL NOTICES

Except as otherwise indicated below, any Recipient wishing to discuss this research report or effect any transaction in any security discussed in HTI's research should contact the Haitong International salesperson in their own country or region.

Notice to Hong Kong investors: The research report is distributed by Haitong International Securities Company Limited ("HTISCL") and/or Haitong International Investment Services Limited ("HTIIS"), both licensed corporations to carry on Type 1 regulated activity (dealing in securities) in Hong Kong. This research report does not constitute a solicitation or an offer of securities or an invitation to the public within the meaning of the SFO. This research report is only to be circulated to "Professional Investors" as defined in the SFO. This research report has not been reviewed by the Securities and Futures Commission. You should not make investment decisions solely on the basis of the information contained in this research report.

Notice to U.S. investors: As described above, this research report was prepared by HTIRL, HSIPL or HTIJKK. Neither HTIRL, HSIPL, HTIJKK, nor any of the non U.S. HTISG affiliates is registered in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution to "major U.S. institutional investors" and "U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended. When distributing research reports to "U.S. institutional investors," HTI USA will accept the responsibilities for the content of the reports. Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through Haitong International Securities (USA) Inc. ("HTI USA"), located at 850 Third Avenue, Suite 9B, New York, NY 10022; telephone (212) 867-7300. HTI USA is a broker-dealer registered in the U.S. with the U.S. Securities and Exchange Commission (the "SEC") and a member of the Financial Industry Regulatory Authority, Inc. ("FINRA"). HTI USA is not responsible for the preparation of this research report nor for the analysis contained therein. Under no circumstances should any U.S. recipient of this research report contact the analyst directly or effect any transaction to buy or sell securities or related financial instruments directly through HSIPL, HTIRL or HTIJKK. The HSIPL, HTIRL or HTIJKK analyst(s) whose name appears in this research report is not registered or qualified as a research analyst with FINRA and, therefore, may not be subject to FINRA Rule 2241 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account. Investing in any non-U.S. securities or related financial instruments (including ADRs) discussed in this research report may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to U.S. regulations. Information on such non-U.S. securities or related financial instruments may be limited. Foreign companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect within the U.S. The value of any investment or income from any securities or related financial instruments discussed in this research report denominated in a currency other than U.S. dollars is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related financial instruments.

All inquiries by U.S. recipients should be directed to:

Haitong International Securities (USA) Inc.
850 Third Avenue, Suite 9B
New York, NY 10022
Attn: Sales Desk at (212) 867-7300

People's Republic of China (PRC): In the PRC, the research report is directed for the sole use of those who receive the research report in accordance with the applicable PRC laws and regulations. Further, the information on the research report does not constitute "production and business activities in the PRC" under relevant PRC laws. This research report does not constitute a public offer of the security, whether by sale or subscription, in the PRC. Further, no legal or natural persons of the PRC may directly or indirectly purchase any of the security or any beneficial interest therein without obtaining all prior PRC government approvals or licenses that are required, whether statutorily or otherwise. Persons who come into possession of this research are required to observe these restrictions.

Notice to Canadian Investors: Under no circumstances is this research report to be construed as an offer to sell securities or as a solicitation of an offer to buy securities in any jurisdiction of Canada. 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 Haitong International Securities (USA) Inc., a dealer relying on the "international dealer exemption" under National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations ("NI 31-103") in Alberta, British Columbia, Ontario and Quebec. This research report is not, and under no circumstances should be construed as, a prospectus, an offering memorandum, an advertisement or a public offering of any securities in Canada. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed upon this research report, the information contained herein or the merits of the securities described herein and any representation to the contrary is an offence. Upon receipt of this research report, each Canadian recipient will be deemed to have represented that the investor is an "accredited investor" as such term is defined in section 1.1 of National Instrument 45-106 Prospectus Exemptions or, in Ontario, in section 73.3(1) of the Securities Act (Ontario), as applicable, and a "permitted client" as such term is defined in section 1.1 of NI 31-103, respectively.

Notice to Singapore investors: This research report is provided in Singapore by or through Haitong International Securities (Singapore) Pte Ltd ("HTISSPL") [Co Reg No 201306644N], which is an Exempt Financial Adviser as defined in the Financial Advisers Act ("FAA") and regulated by the Monetary Authority of Singapore, and is only provided to accredited investors, expert investors and institutional investors, as defined in Section 4A of the Securities and Futures Act, Cap. 289. Recipients of this research report are to contact HTISSPL in respect of any matters arising from, or in connection with, the research report. If you are an accredited investor or expert investor, please be informed that in our dealings with you, we are relying on certain exemptions to the Financial Advisers Act, Cap. 110 ("FAA") - (1) the exemption in Regulation 33 of the Financial Advisers Regulations ("FAR"), which exempts us from complying with Section 25 of the FAA on disclosure of product information to clients; (2) the exemption set out in Regulation 34 of the FAR, which exempts us from complying with Section 27 of the FAA on recommendations; and (3) the exemption set out in Regulation 35 of the FAR, which exempts us from complying with Section 36 of the FAA on disclosure of certain interests in securities.

Notice to Japanese investors: This research report is distributed by Haitong International Japaninvest KK ("HTIJKK"), which is regulated as an Investment Adviser by the Kanto Finance Bureau of Japan. This research report is solely and exclusively directed at, and made available only to "Qualified Institutional Investors" as defined in the Financial Instruments and Exchange Law of Japan.

Notice to UK investors: This research report is distributed by Haitong International Securities (UK) Limited, which is authorised and regulated by the UK Financial Conduct Authority. The research report (and any advice contained therein) is directed only at, and made available only to, professional clients and eligible counterparties (as defined in the Financial Conduct Authority's rules) who are clients of Haitong International Securities (UK) Limited.

Notice to Australian investors: The research report is distributed in Australia by Haitong International Securities (Singapore) Pte Ltd, Haitong International Securities Company Limited, and Haitong International Securities (UK) Limited in reliance on ASIC Class Order 03/1102, 03/1103 or 03/1099, respectively, which exempts those HTISG entities from the requirement to hold an Australian financial services license under the Corporations Act 2001 in respect of the financial services it provides to wholesale clients in Australia. A copy of the ASIC Class Orders may be obtained at the following website, www.legislation.gov.au. Financial services provided by Haitong International Securities (Singapore) Pte Ltd, Haitong International Securities Company Limited, and Haitong International Securities (UK) Limited are regulated under foreign laws and regulatory requirements, which are different from the laws applying in Australia.

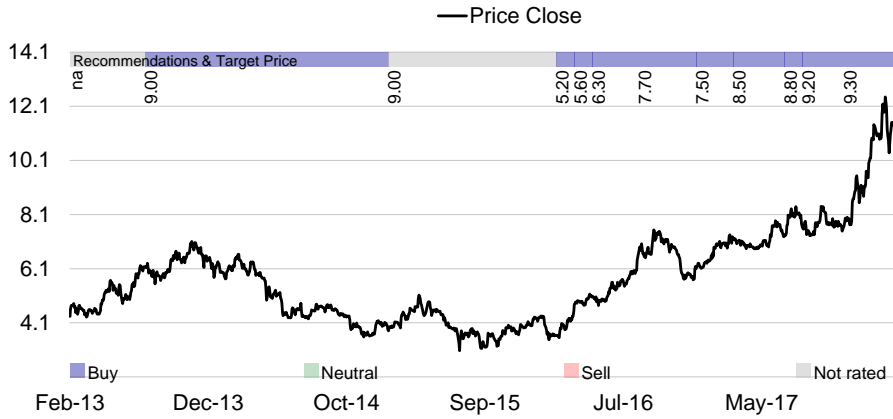
Notice to Indian investors: The research report is distributed by Haitong Securities India Private Limited ("HSIPL"), an Indian company and a Securities and Exchange Board of India ("SEBI") registered Stock Broker, Merchant Banker and Research Analyst that, inter alia, produces and distributes research reports covering listed entities on the BSE Limited ("BSE") and the National Stock Exchange of India Limited ("NSE") (collectively referred to as "Indian Exchanges").

This research report is intended for the recipients only and may not be reproduced or redistributed without the written consent of an authorized signatory of HTISG.

Copyright: Haitong International Securities Group Limited 2018. All rights reserved.

<http://equities.htisec.com/x/legal.html>

Recommendation Chart: Xinyi Glass Holdings (868 HK)



Date	Recommendation	Target (HK\$)	Price (HK\$)
2017-11-01	Buy	9.30	7.61
2017-08-01	Buy	9.20	7.76
2017-06-22	Buy	8.80	7.28
2017-03-01	Buy	8.50	7.28
2016-12-09	Buy	7.50	6.19
2016-08-05	Buy	7.70	6.65
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

Recommendation Chart: Zhuzhou Kibing Group (601636 CH, BUY, CP: Rmb6.70, TP: Rmb6.50)



Date	Recommendation	Target (Rmb)	Price (Rmb)
2017-09-25	Buy	6.50	4.89
2016-09-21	Buy	6.44	3.71

Source: Company data, Bloomberg, HTI estimates

Our target price of Rmb6.50 is based on 13x our FY18 EPS forecast, in line with the peer-group average on Wind-consensus estimates. The main risks to our rating and the attainment of our target price are sharp increases in raw-material prices and weak float-glass demand due to a slowdown in property sales in China.

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