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	10,861.1	11,460.3	12,848.4	14,093.5	15,430.6
	9.3	5.5	12.1	9.7	9.5
	2,733.4	3,132.7	4,659.3	5,150.9	5,629.4
	25.2	27.3	36.3	36.5	36.5
	1,364.3	2,113.1	3,213.4	3,746.0	4,172.9
	12.6	18.4	25.0	26.6	27.0
	0.35	0.54	0.83	0.97	1.08
	(61.3)	54.9	54.2	16.6	11.4
	$0.150	$0.265	$0.400	$0.476	$0.531
	11.1	16.9	24.8	26.4	25.5
	2.14	3.77	5.70	6.79	7.56
	20.3	13.1	8.5	7.3	6.5
	2.2	2.2	2.1	1.8	1.6
	-0.66%	3.81%	6.27%	4.86%	9.86%
	(1,729.0)	(1,967.0)	(1,853.0)	(2,500.0)	(1,501.0)
	(0.0)	0.3	0.4	0.3	0.7
	42.0	37.2	37.3	35.7	27.3

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PricewaterhouseCoopers

45.0%

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20.3%)

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Investment Highlights

- Despite concern about downstream demand, the float glass price has held up well, with the average float glass price in key cities in China up 0.3% from end-Dec 2016 to RMB1,445.6/tonne on 7 Apr 2017 and a rebound from the YTD tough in mid-Mar 2017. The current float glass price in key cities still represents a YoY increase of 23.9%. We also note that the number of float glass lines commencing production increased from 348 at the beginning of 2016 to 358 at of 7 Apr 2017, but the utilization rate still held up well, at around 65%, another indication that downstream demand is solid. We maintain the view that the resilience of the float glass price is due to better downstream demand, which is attributable partly to stable construction activity. The low season (around Chinese New Year) of construction activity has ended, and we should see the float glass price to continue to go up in the near term.
- A normal float glass production line must undergo cold repairing after 6-8 years of operation. Therefore, the lines that commenced production during previous cycle peak during 2009-2012 will required cold repairing in 2017-2019 to maintain product quality and control emissions. The market is estimating that 47 production lines (about 13% of total operating production lines) will enter the cold repairing period in 2017-2019. It is difficult to estimate when these lines will actually be closed down for cold repairing, but this is positive for the leading players, as the supply/demand dynamic will become more favourable.
- . There was concern about potential margin pressure, given the increase in the price of natural gas and soda ash. However, we saw that the news flow is turning more favourable for float glass producers. The soda ash priced dropped 18% YTD to RMB1,811 per tonne as of 2 Apr 2017. We also share XYG management's view that XYG will enjoy favourable pricing from gas suppliers. The inventory level of the float glass industry dropped 2.2% from the recent peak of 34.2 DWC in early Mar 2017 to 33.5 DWC at the end of Mar 2017. The Glass Industry Confidence Index has held up well since early Mar 2017 which, in our view, indicates that the industry players are gaining confidence in the near-term outlook for the industry. We don't see a major reason for a sharp fall in the float glass price.

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Revenue	10,861.1	11,460.3	12,848.4	14,093.5	15,430.6
Change (YoY %)	9.3	5.5	12.1	9.7	9.5
Gross Profit	2,733.4	3,132.7	4,659.3	5,150.9	5,629.4
Gross Margin %	25.2	27.3	36.3	36.5	36.5
Net Profit	1,364.3	2,113.1	3,213.4	3,746.0	4,172.9
Net Margin %	12.6	18.4	25.0	26.6	27.0
EPS (Basic)	0.35	0.54	0.83	0.97	1.08
Change (YoY %)	(61.3)	54.9	54.2	16.6	11.4
DPS	$0.150	$0.265	$0.400	$0.476	$0.531
ROE (%)	11.1	16.9	24.8	26.4	25.5
Dividend Yield (%)	2.14	3.77	5.70	6.79	7.56
PER (x)	20.3	13.1	8.5	7.3	6.5
PBR (x)	2.2	2.2	2.1	1.8	1.6
FCF Yield (%)	-0.66%	3.81%	6.27%	4.86%	9.86%
Capex (m)	(1,729.0)	(1,967.0)	(1,853.0)	(2,500.0)	(1,501.0)
Free cash flow per share	(0.0)	0.3	0.4	0.3	0.7
Net Gearing (%)	42.0	37.2	37.3	35.7	27.3

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Share Price Performance

Market Cap	US$3,520m
Shares Outstanding	3,554.9m
Auditor	Pricewaterhouse-Coopers
Free Float	45.0%
52W range	HK$4.74-7.53
3M average daily T/O	US$9.6m
Major Shareholder	Mr Lee Yin Yee (20.3%)

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