

We joined the Melaka plant visits organized by Xinyi Glass (XYG) and Xinyi Solar (XYS) last week. During the discussion, management of both Companies provided updates on the current status of the expansion plan for the Melaka plants. The expansion of the Malaysia production base is on track, with two new production lines coming on stream in 2018, and the profitability of the operation in Malaysia is higher than that of the China operation. XYG management mentioned that the float glass market softened somewhat in Apr 2018 after a stronger-than-expected low season around Chinese New Year (CNY). Some float glass companies have delayed the cold repairing of their production lines, given the good market environment, which may make the industry capacity contraction in 2018 lower than we expected. In the near term, XYG may underperform other commodities names, which are seeing upward movement in ASPs. Despite a softening in float glass prices recently, we maintain our positive view on XYG, as we still hold the view that the float glass industry in China will see more favourable supply/demand dynamics, given (a) the likelihood of the cold repairing cycle starting in 2018 (though some has been delayed), which will reduce production capacity, and (b) potential industry consolidation triggered by other glass manufacturers, which would be positive for XYG. XYG is now trading at a 10.1x 2018 PER and an estimated yield of 4.9%. With its undemanding valuation, we maintain our BUY call with a target price of HK\$14.76 (based on a 13x 2018E PER, lower than its historical average and the average of its listed peers).

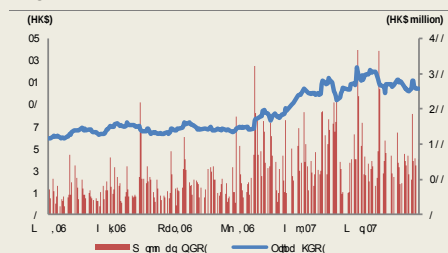
Investment Highlights

WKF r Ldk j oqic b lmmok mrdq dr l lmk @ hmbn mqr r bg r Ut d m l S h m Jnq d m n n g d q @ R D M b n m q d r - Sgd d o m r l m m n e o g r d H H n e g d L d k j o k m l n m q b j - Qd f q l m f g d o g r d H H d o m r l m m n W X F H k g d n n d o q i c b l m m k n d h g b o b h n e 0 1 / 1 / n n m d r o d q c k n d b n l d n b d q k o q c b l m m a l m 1 / 0 7 n e n n d o q i c b l m m k n d h g b o b h n e 0 1 / 1 / n n m d r o d q c l m n P 2 / 1 / 0 7 - Sgd l m h h k l m e q r q b q l n q j n e l g d o g r d H H d , o m r l m m r q d c n e b n n r q b l m m n e g d o k m l m d o d b d c n r q l m 1 / 0 8 - A r d c n m g d b q d m o k m g d L k r h n o d q l m m r H k g d b o b h n e n d q 4 / 1 / n n m d r o d q c g l o g H k a d a n 1 / \$ n e W X F r n k b o b h l m 1 / 1 / - @ b n q l m f n l m f d l m g d L k r h o q c b l m m o k m r q d , o d b d c n o q i c b d g l g d q l q l m r g m g d o q i c b l m m o k m r l m n B g l m f h d n 9 (k d q d n d q b n r r a f k d q a n q b n r r d r o d b h k r m b d o q i c b l m m d e b l e n b g r a d d m l o q n l m f n e b l m f d , a l d q n r o n q l m m b n r r - Sgd l m b q l r l m f b n m q d a l m m e q l g d L d k j o q i c b l m m o k m H k g d o n r h h d l o b n m W X F r o q e h a l t h - F h d m g d l m b q l r l m f o q i c b l m m r b l d h l m m r q d n l m f g W X F l m k j d k n g d h r n m o l d q f n l m f e n q q g l g l e q d q d q c b d q n r o n q l m m b n r r - W X F l m k n l m n d f n h l m m h g m q k f r r o o k l e q e q d q d o d c l m b n m e q a k j o d g r d r g l o g H k l n d q d n d q b n r r e q d q

@ d q r q n f d q g m d o d b d c k r d r n m q n n e B M X e n f k r r o d b r n e d n d c l m @ q 1 / 0 7 n e H k l n r k j d q l l m n n e l m L 1 / 0 7 - Sgd o n r r h a d q l r n n r e n q g d n e d q e n f k r r o d b r q l (f f q r r h d o d b l m f l m P 0 1 / 0 7 a (c d k l m g d b n k q l o l m f o q n b d r a r n l d f k r r l m e b q l n e b (g d o n r r h a l t h n e c n m r q l b r n l d q h l m f e n q a d d q o d b l m f d m l m n d m - V d l l m l m g d l d g W X F H k q l o n q r n k e Q G 1 / 0 7 q l r k r f h d m g d X n X l i o q d l m l m n e f k r r o d b r l m 1 / 0 7 n e l i o q d l m l m g d n f k r r n e d p h d b q k f k r r d f l d m r - Sgd l q d l k n g d b n n b d q n a n q l a n n e l m n n e r g o d b r - G n d d q d g n k g d l d g e d q l d q k o d b r r g n l c r o o n q e n f k r r o d b r r g d q l m k h d c m d r o o k - Sgd o q e h a l t h n e g d n l n a l d n e d p h d b q k f k r r d f l d m r l m d o d b d c n q l a n n e f h d m g l g d q r k r f q n g -

Sgd n d o n k b n m c l m q a d c r n k q d n d q o q i d b r l g d n d f h d l o b n m c d l n e a n r n k i q f k r r l m B g l m l m 1 G 1 / 0 7 n q 1 / 0 8 c d o d n e l m f n m g d l i m f n e g d q l d r d - W X R l m f d l m q h d q d c g d c n o l m m n e a l e b h k r n k q o n d k g r b q d c f q n g n o o n q n h l d e n q W X R - A l e b h k l n m r l m n m r n k q o n d k g d b n r c m f d r n d q n g d q o d r n e r n k q o n d k r n a l e b h k o n d k q d o d b d c n b n m l m d n f l m l q d r g q l n e c q d c d l n e a n r n k q f k r r - Sgd r o l m n e n e W l m n h D n d q l m n m q b j a g d l i m f q l l m r n b d q l m -

Rg qd Qd b d Qd q n d n b d



Sources: Bloomberg, CGIS Research

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F q r r L d f m \$	16-2	25-2	26-/	26-6	26-3
M d Q a p h	1002-0	2102-3	3102-7	3414-3	4042-4
M d L d f m \$	07-3	14-/	16-2	16-1	15-7
D C R A r l e	1-43	1-72	0-70	0-03	0-2/
Bg n f d X n X \$ (	43-8	43-1	11-0	01-1	03-3
C O R	1-154	1-31/	1-37/	1-45/	1-530
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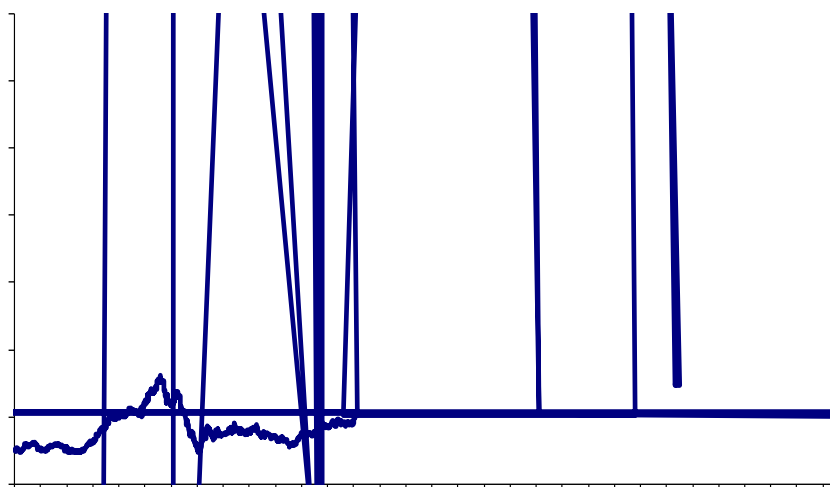
Source: Bloomberg, CGIS Research

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	06-8	01-4	1/ -8	10-3	16-4	24-5	18-5	24-/
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@ nl nald fkr r	0 670	0 702	0 786	0 78/	0 88/	0 647	0 760	1 / 28
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@ nl nald fkr r	31-0	30-4	33-0	33-5	37-6	38-2	36-7	35-1
Bnm q b lmmfkr r	26-/	23-0	20-6	24-5	28-/	3/ -5	26-4	27-3
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Source: Company, CGIS Research

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Source: Company, CGIS Research



Sources: Bloomberg, CGIS Research estimates

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