CLSA

HK/China SMID

Sector outlook

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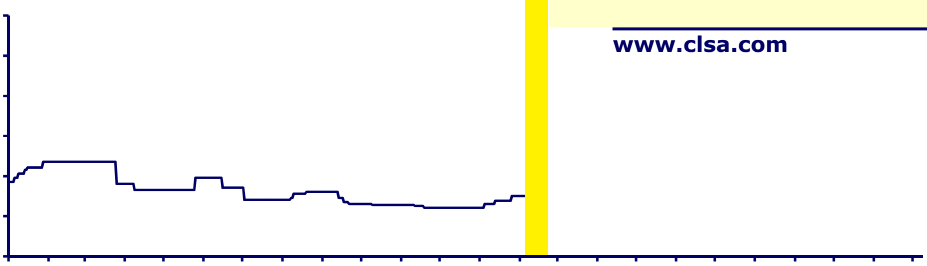
China
Small caps

XYG/XYS: Float glass and solar glass price perf



Source: CLSA

www.clsa.com

XYG – c.4.2% beat to CL

Profit alert implies -1.1% miss to 9.5% beat for 2016 profit

XYG estimates its 2016 profit to grow 40-55% YoY from the reported HK$2,113m in 2015. This translates into HK$2,958m-3,275m reported profit in 2016. Assuming no non-core, this suggests a -1.1% miss to 9.5% beat to our core profit forecast of HK$2,992m (average c.4.2% beat), or -5.5% miss to c.4.6% beat to Bloomberg consensus (average -0.5% miss).

Excluding the HK$379m non-core gains (gain from XYS's placement, fair value gain, FX), core profit was HK$1,734m in 2015. The above profit range implies c.71-89% YoY growth in 2016 core profit.

Major reasons for the profit jump include: 1) full-period contribution of natural gas price cut in Nov-15; 2) float glass ASP rebound especially in 2H16; 3) rising float glass sales volume amid capacity increase; and 4) significant profit growth of associate XYS, in which XYG has a 29.53% stake.

Figure 1

XYG – 2016 profit alert

HK$m	2015 Reported profit	Estimated YoY growth	2016 Estimated reported profit	2016 CL original core profit forecast	% beat/miss to CL	2015 CL core profit	Implied core profit YoY growth	2016 Bloomberg consensus	% beat/miss to Bloomberg
Lower end	2,113	40%	2,958	2,992	(1.1%)	1,734	70.6%	3,131	(5.5%)
Upper end	2,113	55%	3,275	2,992	9.5%	1,734	88.9%	3,131	4.6%
Mid-range	2,113	48%	3,117	2,992	4.2%	1,734	79.8%	3,131	(0.5%)

Source: Company, CLSA

Weak sentiment, but risks should be priced in

Market concerns on property-driven demand, capacity addition, but we expect fairly stable D/S outlook

Share price of XYG corrected c.18% from peak. We saw investors' concern on property market, new capacity and recent cost hike. Meanwhile, as we stated in our 8 November 2016 note, Xinyi Glass - BUY (Concerns priced in), we expect a relatively balanced float glass demand/supply in 17CL, given property restrictions are more focused in specific regions, and further restart/brand new capacity are limited from here. In terms of cost, recent natural gas price hike is likely seasonal adjustment to balance winter demand, with the actual hike subject to negotiation. On the other hand, soda ash price did increase quite a bit recently due to rising transportation cost and suspension of production of some soda ash producers, but that's likely short-term impact, and XYG will also import soda ash from overseas so that overall impact to the company is less material.

Cost hike is also manageable

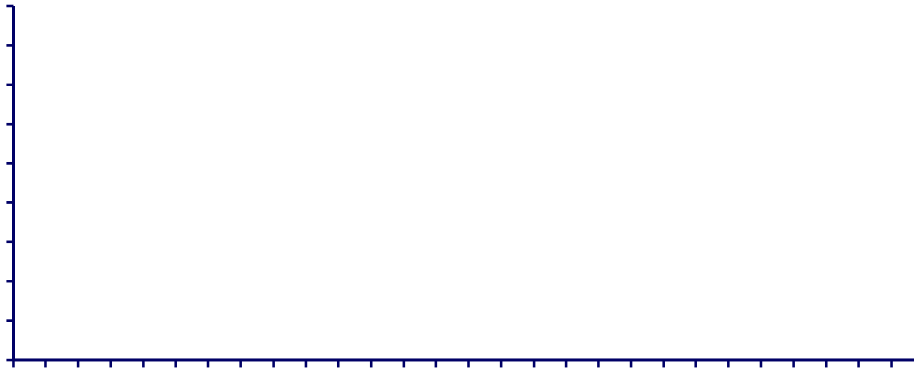
Trump's import policy is uncertain

Another concern from investors was the potential trade restriction from the US after Trump's victory. For XYG, sales to North America contributes c.13% of sales, which should be mainly auto glass products, i.e. we can assume c.38% of auto glass sales come from US. In that case, 1% decline in US sales could reduce 17CL profit by only 0.3%. Recent increase in export VAT rebate should help offset.

Trading at 6.8x 17CL PE with a c.6.4% 16CL dividend yield, we believe most risks have been priced in.

Figure 2

Float glass prices in various regional markets across China



Source: WIND, CLSA

Figure 3

XYG's float glass product price quotes (5mm clear glass)

Source: SCI99.com, CLSA

Figure 4

Float glass demand/supply dynamics

Source: CLSA

Figure 5

Float glass capacity under operation in China (including lines just ignited and ultra-clear lines)

Source: WIND, CLSA

Figure 6

Domestic soda ash prices

Source: WIND, CLSA

We lift our 16/17/18CL core profit forecasts by 4.2%/1.2%/0.8% mainly on higher float glass ASP and thus GPM. We have also adjusted our TP from HK$8.30 to HK$8.35, which is based on a blended PE and PB approach

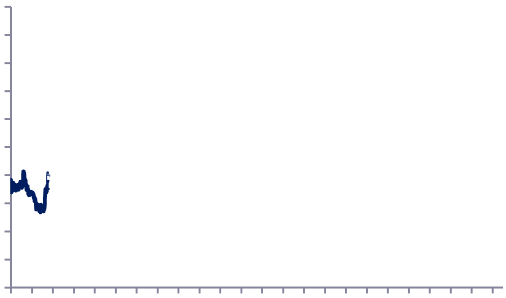
Figure 7

Earnings revisions

	16CL			17CL		
	New	**Old**	**Change**	**New**	**Old**	**Change**
Revenue (HK$ m)	**13,348**	**13,112**	**1.8%**	**13,854**	**13,719**	**1.0%**
- Automobile glass products	3,978	3,978	0.0%	4,060	4,102	-1.0%
- Construction glass	2,691	2,635	2.1%	2,583	2,529	2.1%
- Float glass (inc. electronic glass)	6,643	6,463	2.8%	7,006	6,883	1.8%
- Wind farm	37	37	0.0%	204	204	0.0%

Figure 10

Xinyi G



Source: CLSA, Datastream

Figure 12

12m fwd PE chart – Xinyi Glass after stripping out Xinyi Solar at market price (since Dec-13)

Source: CLSA, Datastream

Figure 13

XYG - Financials

Year to 31 December	14A	15A	16CL	17CL	18CL
Revenue (HK$m)	10,861	11,460	13,348	13,854	14,352
Adjusted net profit (HK$m)	1,144	1,734	3,117	3,627	4,003
Adjusted EPS (HK¢)	28.4	43.0	77.6	90.7	100.1
CL/consensus (8) (EPS%)	-	-	100	100	102
Adj EPS growth (% YoY)	(45.3)	51.7	80.5	16.8	10.4
Adjusted PE (x)	21.8	14.4	8.0	6.8	6.2
Dividend yield (%)	2.4	4.3	6.4	7.4	8.2
ROE (%)	11.1	16.9	23.3	24.2	23.7
Net debt/equity (%)	42.0	37.2	39.4	33.5	20.8

Source: CLSA, company

Profit alert implied c.3-11% miss to CL

XYS – c.7.0% miss to CL

XYS estimates its 2016 profit to grow 50-65% YoY from the reported HK$1,206m in 2015. This translates into HK$1,808m-1,989m profit in 2016. Assuming no non-core, this suggests a c.2.6-11.5% miss (or c.7.0% on average) to our original core profit forecast of HK$2,042m, or c.1.6-10.6% miss to Bloomberg consensus (c.6.1% on average).

Excluding the HK$62.5m non-core gains in 2015 (disposal of JV stake), core profit was HK$1,144m in 2015. The above profit range implies c.58-74% YoY growth in 2016 core profit.

Key reasons for potential miss include: 1) margin expansion mainly from solar glass ASP rebound in 1H16 since late 2015, plus full-period contribution of natural gas price cut in Nov-15, but offset by weaker ASP in 2H16; 2) c.10% YoY growth in solar glass/back glass sales volume, but lower than our estimated c.27% mainly on weak 2H; offset by 3) higher power generation income (more than 2x) as more solar farm projects became operational.

Figure 14

XYS – 2016 profit alert

HK$m	2015 Reported profit	Estimated YoY growth	2016 Estimated reported profit	2016 CL original core profit forecast	% beat/miss to CL	2015 CL core profit	Implied core profit YoY growth	2016 Bloomberg consensus	% beat/miss to Bloomberg
Lower end	1,206	50%	1,808	2,042	(11.5%)	1,144	58.1%	2,022	(10.6%)
Upper end	1,206	65%	1,989	2,042	(2.6%)	1,144	73.9%	2,022	(1.6%)
Mid-range	1,206	58%	1,899	2,042	(7.0%)	1,144	66.0%	2,022	(6.1%)

Source: Company, CLSA

Weak sentiment recently, more a long-term story

Also concerns on demand/supply, cost and Fit cut

We also noted weak sentiment on the solar space in recent months with c.26% share price correction from peak, mainly due to: 1) weakening demand after rush construction orders ended in 1H16 to result in declining product prices; 2) concerns over new capacity increase; 3) natural gas and soda ash cost hikes, like XYG; and 4) potential cut in FiT by 23-31% as proposed by NEA in Oct.

Likely limited downside on solar glass prices

The slow solar installations in China in 2H16, which triggered lower solar glass ASP and volume, were well anticipated, despite the volume decline and estimated results for XYS were still lower than expectation. In terms of new capacity, we noted XYS and Hebei Jinxin commenced their production lines (1,900t/d in China/Malaysia and 700t/d respectively), but Zhejiang Daming's new line (500t/d) did not come eventually. We believe leading players would continue to hold prices at relatively low level in order to squeeze small players, but prices are also close to the breakeven level of producers thus further downside is also quite limited. We believe lower costs of the Malaysia plant and better efficiency of the larger lines would help XYS partly offset the impact of ASP decline, and any improvement in demand from potential rush orders amid realization of new FiT cut in 1H17 would help.

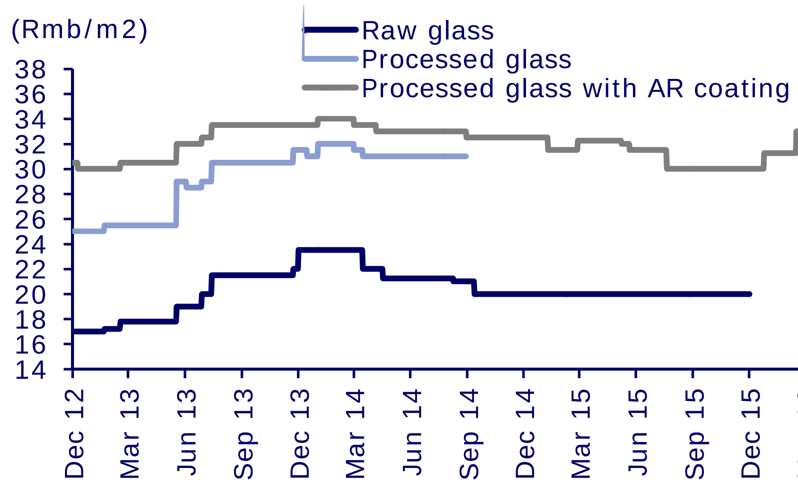
Meanwhile, for the solar farm business, we expect XYS would not be able to get all 700MW targeted new additions connected to grid, given some project approvals came in late. We estimate c.530MW new connections by end-16, with the c.170MW shortfall to be completed by around 1Q17.

On the other hand, for XYS, direct sales to the US contribute c.6% of total solar glass sales. A 1% decline in US sales could reduce 17CL profit by c.0.1%. Meanwhile, sentiment of the sector could also be affected by Trump's opposition to renewable energy. US accounts for c.13-15% of global solar market.

Overall, we cut our 16/17/18CL core profit forecasts by c.7.3%/8.1%/5.1% to mainly factor in lower solar glass sales volume and solar farm capacity. However, trading at 8.1x 17CL PE and c.5.1% dividend yield, we also believe most risks should have been priced in.

Figure 15

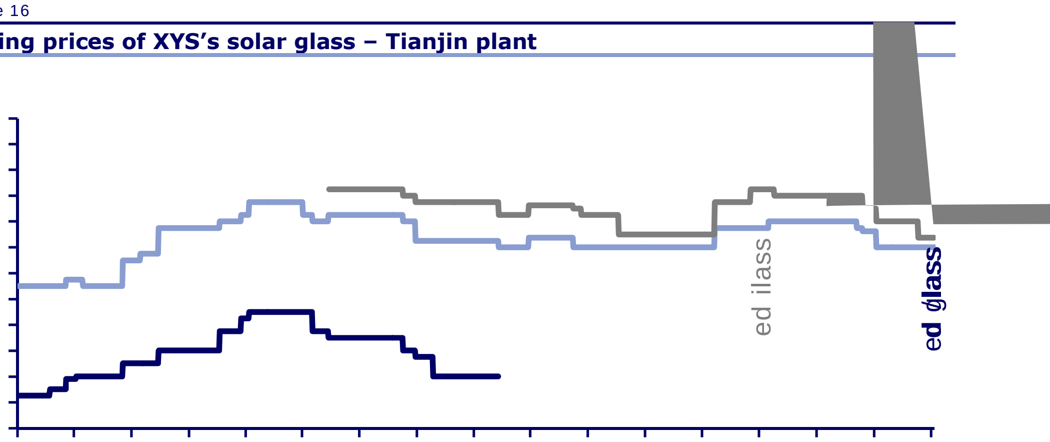
Selling prices of XYS's solar glass – Wuhu plant



Source: SCI99.com, CLSA

Figure 16

Selling prices of XYS's solar glass – Tianjin plant



Source: SCI99.com, CLSA

Figure 17

Ultra-clear PV raw glass producers globally

(t/d)	2014	15F	16F	17F	18F	Capacity commenced in 2011 or before
Xinyi Solar	3,800	3,900	5,800	5,800	6,800	1,000
Flat Glass Group	2,300	2,300	2,300	2,800	4,100	500
Irico	750	1,500	1,500	2,300	2,300	250
CSG	1,300	1,300	1,300	1,300	1,300	
CNBM Group	160	970	970	1,970	1,970	
Ancai	750	750	750	750	750	750
AVIC Sanxin	650	650	950	950	950	650
Tuori New Energy	550	550	550	550	550	250
Jinxin Solar	250	250	750	1,450	1,450	
Rishengda Solar	500	500	500	500	500	
Henan Yuhua	250	250	250	250	250	250
Henan Sikeda	150	150	150	150	150	
Sulate Solar	250	250	250	250	250	250
Pilkington	120	250	250	250	250	250
Nantong Taide	150	150	150	150	150	
Taiwan Glass	600	600	490	490	490	
Jiangsu Gangyue	250	250	250	250	850	
Yuandong Photoelectric		-	500	500	500	
Fuzhou Xinfuxing			550	550	550	
Qinghai Guangke	250	250	250	250	250	
Jiangsu Xinda	520	650	650	650	650	
Nantong Deli		-	300	300	300	
Anyuan Solar			250	250	250	
Kibing Group					1,000	
Other overseas	1,000	1,000	1,000	1,000	1,000	
Total capacity (t/d)	**14,550**	**16,470**	**20,660**	**23,660**	**27,560**	**4,150**
	20.9%	13.2%	25.4%	14.5%	16.5%	
Thickness (mm)	3.2	3.2	3.2	3.2	3.2	
Density (kg/m^3)	2,500	2,500	2,500	2,500	2,500	
Total capacity (m m^2)	**664**	**751**	**943**	**1,079**	**1,257**	
Effective capacity (m m^2)	318	395	449	536	620	

Source: sci99.com, CLSA

Figure 18

XYS: Key solar farm assumptions – under Xinyi Energy

	2014	2015	2016CL	2017CL	2018CL	2019CL	2020CL	2021CL
Total capacity (MW)	**250**	**620**	**1,634**	**2,634**	**2,934**	**2,934**	**2,934**	**2,934**
- 250MW in Anhui	250	250	250	250	250	250	250	250
- 30MW in Fujian		30	30	30	30	30	30	30
- 100MW in Hongan, Hubei		100	100	100	100	100	100	100
- 40MW Lixin County, Anhui		40	40	40	40	40	40	40
- 174MW in Tianjin			174	174	174	174	174	174
- 100MW in Lixin County, Anhui			100	100	100	100	100	100
- 100MW in Wuwei County, Anhui		100	100	100	100	100	100	100
- 40MW in Fanchang County, Anhui			60	60	60	60	60	60
- 100MW in Shou County, Anhui		100	100	100	100	100	100	100
- 20MW in Huainan, Anhui			20	20	20	20	20	20
- 300MW in Anhui in 16CL			300	300	300	300	300	300
- 90MW in Hubei in 16CL			90	90	90	90	90	90
- 100MW in Henan in 16CL			100	100	100	100	100	100
- Addition in 2016CL				170	170	170	170	170
- Addition in 2017CL				1,000	1,000	1,000	1,000	1,000
- Addition in 2018CL					1,000	1,000	1,000	1,000
Effective capacity (MW)	**25**	**309**	**950**	**1,925**	**2,884**	**3,634**	**3,634**	**3,634**
- 250MW in Anhui	25	250	250	250	250	250	250	250
- 30MW in Fujian		23	30	30	30	30	30	30
- 100MW in Hongan, Hubei		17	100	100	100	100	100	100

	2014	2015	2016CL	2017CL	2018CL	2019CL	2020CL	2021CL
- 40MW Lixin County, Anhui		12	40	40	40	40	40	40
- 174MW in Tianjin			130.5	174	174	174	174	174
- 100MW in Lixin County, Anhui		-	91.67	100	100	100	100	100
- 100MW in Wuwei County, Anhui		4	100	100	100	100	100	100
- 40MW in Fanchang County, Anhui			52	60	60	60	60	60
- 100MW in Shou County, Anhui		4	100	[redacted]	100	100	100	100
- 20MW in Huainan, Anhui			15.00	20	20	20	20	20
- 300MW in Anhui in 16CL			[redacted]	300	300	300	300	300
- 90MW in Hubei in 16CL			7.50	90	90	90	90	90
- 100MW in Henan in 16CL			8.33					
- Addition in 2016CL				127.50	170	170	170	170
- Addition in 2017CL				333.33	1,000	1,000	1,000	1,000
- Addition in 2018CL					250	1,000	1,000	1,000
Total power generated (m kWh)[1]	**29**	**307**	**1,038**	**2,102**	**3,126**	**3,899**	**3,835**	**3,797**
- 250MW in Anhui	29	248	270	267	264	262	259	256
- 30MW in Fujian			33	32	32	32	31	31
- 100MW in Hongan, ~~Hubei~~		17	109	108	107	[redacted]	105	104
[redacted]		[redacted]	44	43	43	42		

	2014	2015	2016CL	2017CL	2018CL	2019CL	2020CL	2021CL
	24	**250**	**851**	**1,604**	**2,185**	**2,596**	**2,557**	**2,531**
	24	201	219	217	215	213	211	208
		19	27	27	27	26	26	26
		14	90	89	89	88	87	86
		10	36	36	35	35	35	34
			117	155	153	152	150	149
			83	89	89	88	87	86
		3	90	89	89	88	87	86
			47	54	53	53	52	52
		3	90	89	89	88	87	86
			14	18	18	18	18	17
			22	268	263	260	258	255
			7	82	81	80	79	78
			7	89	88	87	86	85
			-	87	115	113	112	111
			-	213	635	620	614	608
			-	-	148	589	570	564
	6.8	6.8	5.2	5.2	5.2	5.2	5.2	5.2
	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8
		6.8	6.8	6.8	6.8	6.8	6.8	6.8
		6.8	6.8	6.8	6.8	6.8	6.8	6.8
		6.2	6.2	6.2	6.2	6.2	6.2	6.2
		6.2	6.2	6.2	6.2	6.2	6.2	6.2
		6.2	6.2	6.2	6.2	6.2	6.2	6.2
		6.2	6.2	6.2	6.2	6.2	6.2	6.2
		6.2	6.2	6.2	6.2	6.2	6.2	6.2
			6.0	6.0	6.0	6.0	6.0	6.0
			5.8	5.8	5.8	5.8	5.8	5.8
			5.5	5.5	5.5	5.5	5.5	5.5
			5.5	5.5	5.5	5.5	5.5	5.5
- Addition in 2016CL				5.3	5.3	5.3	5.3	5.3
- Addition in 2017CL				5.2				

Figure 20

Earnings revisions - XYS

	New		Old		Change	
Revenue	**16CL**	**17CL**	**16CL**	**17CL**	**16CL**	**17CL**
Ultra-clear photovoltaic raw glass	206	173	212	188	-2.8%	-8.1%
Ultra-clear photovoltaic processed glass	4,131	4,789	4,739	5,384	-12.8%	-11.0%
Sale of electricity	978	1,765	978	1,851	0.0%	-4.7%
Solar EPC	500	326	500	326	0.0%	0.0%
Total	**5,815**	**7,053**	**6,429**	**7,749**	**-9.5%**	**-9.0%**
Gross margin						
Ultra-clear photovoltaic raw glass	29.2%	19.9%	31.6%	26.2%	-2.4 ppt	-6.3 ppt
Ultra-clear photovoltaic processed glass	44.9%	40.3%	43.9%	40.4%	1.0 ppt	-0.1 ppt
Sale of electricity	76.4%	76.6%	76.4%	76.0%	0.0 ppt	0.6 ppt
Solar EPC	20.0%	19.0%	20.0%	19.0%	0.0 ppt	0.0 ppt
Total	**47.5%**	**47.9%**	**46.6%**	**47.7%**	**0.9 ppt**	**0.2 ppt**
Core profit	**1,893**	**2,162**	**2,042**	**2,351**	**-7.3%**	**-8.1%**

Source: CLSA

We continue to use an SOTP valuation for XYS

We value XYS using SOTP, with the solar glass/EPC businesses using a PE approach and solar farms/DG projects using DCF.

1) Solar glass: We use a PE approach with an unchanged target multiple of 10x 17CL;
2) Solar farms: DCF model with a WACC of 8.2% (from 8.0%), derived from a risk-free rate of 3.0% (from 4.0%); market risk premium of 8.0% (from 7.0%); beta of 1.4; after-tax interest rate of 2.3%; leverage of 50%; and terminal growth rate of 1.5%;
3) DG project: DCF model on the two rooftop projects (25MW in Tianjin and 13.1MW in Wuhu) with the same WACC of 8.2%;
4) EPC: We use a PE approach with same target multiple of 6x 17CL.

Overall, our valuation for the company is HK$23.8bn, implying a target price of HK$3.50 (was HK$3.90), translating into 11.0x 17CL PE.

We expect weak sentiment to be a drag on share price performance in the short term but the current weakness offers an opportunity to accumulate a long-term winner. Maintain BUY.

Any policy-driven improvement in sector dynamics (eg, curtailment, subsidy payment, demand quota), and improvement in solar glass price outlook (eg capacity closure/expansion plan withdrawal by peers after a price decline, natural gas price cut) would be catalysts for the stock.

Overall valuation of HK$23.8bn

Figure 21

SOTP valuation summary - XYS

Valuation of solar glass business	HK$ m	14,420
Valuation of solar farms	HK$ m	8,826
Valuation of distributed project	HK$ m	335
Valuation of EPC	HK$ m	170
Total valuation	**HK$ m**	**23,751**
Total no. of shares	m	6,749
Value per share	**HK$**	**3.50**
Net profit for Xinyi Solar in 17CL	HK$ m	2,162
Implied 17CL PE	**x**	**11.0**

Source: CLSA

Figure 22

Valuation of solar glass and EPC business - XYS

		17CL
Net profit for Xinyi Solar	**HK$ m**	**2,162**
Less: Net profit for solar farms	HK$ m	(688)
Less: Net profit for distributed project	HK$ m	(3)
Less: Net profit for EPC	HK$ m	(28)
Net profit for solar glass	**HK$ m**	**1,442**
Fair 17CL PE of solar glass	x	10
Valuation of solar glass business	**HK$ m**	**14,420**
Fair 17CL PE of solar EPC	x	6
Valuation of solar EPC business	**HK$ m**	**170**

Source: CLSA

Figure 23

DCF valuation of the solar farms business - XYS

	2017CL	2018CL	2019CL	2020CL	2021CL
Ebitda	1,562	2,114	2,504	2,466	2,442
Less: Tax	(2)	(28)	(85)	(168)	(269)
Less: Minority interests	(353)	(493)	(563)	(529)	(497)
Less: Working capital	-	-	-	-	-
Less: Capex	(5,217)	(5,080)	(2,000)	-	(172)
Less: Acquisitions	-	-	-	-	-
Free cash flow	(4,010)	(3,487)	(145)	1,769	1,505
PV of FCF	(3,855)	(3,097)	(119)	1,342	1,054

WACC:		**DCF valuation**	
Risk free rate	3.0%	Sum of PV of FCF (Rmb m)	(4,680)
Market risk premium	8.0%	PV of terminal value	
Equity beta	1.4	Investment securities (book value)	0
	14.2%		

Figure 25

12m forward PE of XYS

Source: Datastream, CLSA

Figure 26

12m forward PB of XYS

Source: Datastream, CLSA

Figure 27

XYS - Financials

Year to 31 December	14A	15A	16CL	17CL	18CL
Revenue (HK$m)	2,410	4,750	5,815	7,053	8,701
Adjusted net profit (HK$m)	506	1,144	1,893	2,162	2,664
Adjusted EPS (HK$)	0.09	0.18	0.28	0.32	0.39
CL/consensus (23) (EPS%)	-	-	97	85	94
Adj EPS growth (% YoY)		103.4	59.5	14.2	23.2
Adjusted PE (x)	30.1	14.8	9.3	8.1	6.6
Dividend yield (%)	1.5	3.3	5.1	5.8	7.1
ROE (%)	18.0	25.3	29.6	28.1	29.1
Net debt/equity (%)	22.9	10.5	49.6	41.5	54.0

Source: CLSA, company

Valuation details - Xinyi Glass Holdings Ltd 868 HK

We value XYG using a blended PE and PB approach. We apply a target multiple of 10x to average 17-18CL EPS and a target multiple of 1.9x to average 16-17CL BVPS, in line with the historical averages.

Investment risks - Xinyi Glass Holdings Ltd 868 HK

Key risks include: 1) Weakening of the property market or even the auto market. Demand for float glass and construction glass is highly dependent on the property market. Besides, despite being a stable business, the auto glass segment is correlated to the global number of vehicles in use, and any it cannot pass on incremental costs by raising ASP. 4) More capacity additions in the market.

Valuation details - Xinyi Solar Holdings Ltd 968 HK

We value XYS on an SOTP basis, using a PE approach for the solar glass/EPC businesses and DCF valuation for solar farm/DG projects.

Investment risks - Xinyi Solar Holdings Ltd 968 HK

Key risks include: 1) A change in the governments' supportive stance on the solar sector, as the solar industry is still in a relatively early stage of development and is getting a boost from incentive programmes implemented by the governments of various countries. 2) Risk of oversupply. The expansion in production capacity of various solar-glass producers may not be commensurate to increase in demand for solar-glass products, which could result in pressure on their prices. 3) Technological advancement. The solar industry is developing rapidly and the associated technologies are also advancing quickly. It is important for XYS to develop and improve its technologies quickly to respond to changes in the market, by means of improving its existing products and developing new ones. 4) Payment of government subsidy on solar projects as well as risk of curtailment, which would affect downstream-project returns.

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Summary financials - XYG

Year to 31 December	2014A	2015A	2016CL	2017CL	2018CL
Summary P&L forecast (HK$m)					
Revenue	**10,861**	**11,460**	**13,348**	**13,854**	**14,352**
Op Ebitda	1,740	2,313	3,846	4,403	4,778
Op Ebit	1,095	1,518	2,958	3,393	3,662
Interest income	53	40	53	49	42
Interest expense	(91)	(90)	(118)	(91)	(89)
Other items	536	912	757	851	1,006
Profit before tax	**1,593**	**2,380**	**3,650**	**4,202**	**4,621**
Taxation	(228)	(266)	(532)	(575)	(618)
Minorities/Pref divs	(1)	0	0	0	0
Net profit	**1,364**	**2,113**	**3,117**	**3,627**	**4,003**
Summary cashflow forecast (HK$m)					
Operating profit	**1,095**	**1,518**	**2,958**	**3,393**	**3,662**
Operating adjustments	-	-	-	-	-
Depreciation/amortisation	644	795	887	1,010	1,116
Working capital changes	(559)	(207)	(268)	(46)	(59)
Net interest/taxes/other	(314)	(421)	(651)	(666)	(707)
Net operating cashflow	**867**	**1,685**	**2,927**	**3,691**	**4,012**
Capital expenditure	(1,729)	(1,967)	(2,120)	(2,600)	(1,500)
Free cashflow	**(862)**	**(282)**	**807**	**1,091**	**2,512**
Acq/inv/disposals	93	-	(618)	-	-
Int, invt & associate div	588	951	810	900	1,048
Net investing cashflow	**(1,049)**	**(1,016)**	**(1,928)**	**(1,700)**	**(452)**
Increase in loans	873	16	1,013	(613)	(1,551)
Dividends	(902)	(1,029)	(1,533)	(1,784)	(1,968)
Net equity raised/other	0	812	(265)	-	0
Net financing cashflow	**(30)**	**(202)**	**(785)**	**(2,396)**	**(3,520)**
Incr/(decr) in net cash	**(211)**	**468**	**214**	**(405)**	**40**
Exch rate movements	-	-	-	-	-
Opening cash	**1,043**	**832**	**1,300**	**1,514**	**1,108**
Closing cash	**832**	**1,300**	**1,514**	**1,108**	**1,148**
Summary balance sheet forecast (HK$m)					
Cash & equivalents	832	1,300	1,514	1,108	1,148
Debtors	1,028	1,136	1,260	1,308	1,355
Inventories	1,478	1,223	1,367	1,363	1,390
Other current assets	1,467	1,337	1,337	1,337	1,337
Fixed assets	11,293	11,971	13,234	14,855	15,268
Intangible assets	1,366	1,281	1,250	1,220	1,191
Other term assets	3,570	3,174	3,792	3,792	3,792
Total assets	**21,034**	**21,422**	**23,755**	**24,983**	**25,480**
Short-term debt	2,529	2,514	2,936	2,681	2,034
Creditors	724	740	741	738	753
Other current liabs	1,548	1,705	1,705	1,705	1,705
Long-term debt/CBs	3,483	3,514	4,105	3,747	2,843
Provisions/other LT liabs	414	223	223	223	223
Minorities/other equity	2	7	7	7	7
Shareholder funds	12,333	12,718	14,038	15,881	17,915
Total liabs & equity	**21,034**	**21,422**	**23,755**	**24,983**	**25,480**
Ratio analysis					
Revenue growth (% YoY)	9.3	5.5	16.5	3.8	3.6
Ebitda growth (% YoY)	(37.7)	33.0	66.2	14.5	8.5
Ebitda margin (%)	16.0	20.2	28.8	31.8	33.3
Net profit margin (%)	12.6	18.4	23.4	26.2	27.9
Dividend payout (%)	44.4	50.5	50.7	50.6	50.6
Effective tax rate (%)	14.3	11.2	14.6	13.7	13.4
Ebitda/net int exp (x)	45.7	46.1	58.8	104.5	102.7
Net debt/equity (%)	42.0	37.2	39.4	33.5	20.8
ROE (%)	11.1	16.9	23.3	24.2	23.7
ROIC (%)	6.2	8.7	15.9	16.8	17.1
EVA®/IC (%)	(5.4)	(2.9)	4.3	5.2	5.5

Source: CLSA, company

evalu@tor The Global Equities Database

Summary financials - XYS

Year to 31 December	2014A	2015A	2016CL	2017CL	2018CL
Summary P&L forecast (HK$m)					
Revenue	**2,410**	**4,750**	**5,815**	**7,053**	**8,701**
Op Ebitda	597	1,432	2,681	3,443	4,462
Op Ebit	502	1,206	2,245	2,787	3,557
Interest income	2	5	9	8	8
Interest expense	(7)	(21)	(101)	(113)	(143)
Other items	87	143	167	160	160
Profit before tax	**585**	**1,332**	**2,319**	**2,842**	**3,582**
Taxation	(79)	(188)	(284)	(292)	(376)
Minorities/Pref divs	0	0	(142)	(388)	(542)
Net profit	**506**	**1,144**	**1,893**	**2,162**	**2,664**
Summary cashflow forecast (HK$m)					
Operating profit	**502**	**1,206**	**2,245**	**2,787**	**3,557**
Operating adjustments	-	-	-	-	-
Depreciation/amortisation	94	226	437	656	905
Working capital changes	116	(580)	(498)	(151)	(201)
Net interest/taxes/other	0	(5)	(219)	(244)	(359)
Net operating cashflow	**713**	**846**	**1,964**	**3,048**	**3,902**
Capital expenditure	(2,381)	(3,583)	(4,812)	(6,139)	(5,688)
Free cashflow	**(1,668)**	**(2,736)**	**(2,848)**	**(3,091)**	**(1,786)**
Acq/inv/disposals	0	1,580	-	2,800	-
Int, invt & associate div	2	5	9	8	8
Net investing cashflow	**(2,379)**	**(1,998)**	**(4,803)**	**(3,331)**	**(5,680)**
Increase in loans	1,300	2,290	4,062	(224)	4,158
Dividends	(200)	(249)	(580)	(889)	(1,015)
Net equity raised/other	829	1,437	0	-	-
Net financing cashflow	**1,929**	**3,478**	**3,482**	**(1,113)**	**3,143**
Incr/(decr) in net cash	**264**	**2,326**	**643**	**(1,396)**	**1,364**
Exch rate movements	-	-	-	-	-
Opening cash	**279**	**543**	**2,869**	**3,512**	**2,116**
Closing cash	**543**	**2,869**	**3,512**	**2,116**	**3,480**
Summary balance sheet forecast (HK$m)					
Cash & equivalents	543	2,869	3,512	2,116	3,480
Debtors	351	806	1,275	1,546	1,907
Inventories	299	199	407	493	609
Other current assets	0	0	0	0	0
Fixed assets	3,685	7,104	11,483	16,970	21,757
Intangible assets	180	180	176	172	168
Other term assets	706	1,577	1,577	1,577	1,577
Total assets	**5,764**	**12,735**	**18,430**	**22,874**	**29,498**
Short-term debt	143	474	1,011	981	1,530
Creditors	516	794	973	1,180	1,455
Other current liabs	633	1,441	1,441	1,441	1,441
Long-term debt/CBs	1,157	3,116	6,642	6,447	10,056
Provisions/other LT liabs	10	17	17	17	17
Minorities/other equity	0	1,146	1,288	4,477	5,019
Shareholder funds	3,306	5,745	7,057	8,331	9,980
Total liabs & equity	**5,764**	**12,735**	**18,430**	**22,874**	**29,498**
Ratio analysis					
Revenue growth (% YoY)	22.5	97.1	22.4	21.3	23.4
Ebitda growth (% YoY)	47.2	139.9	87.3	28.4	29.6
Ebitda margin (%)	24.8	30.1	46.1	48.8	51.3
Net profit margin (%)	21.0	24.1	32.5	30.7	30.6
Dividend payout (%)	46.3	49.5	47.0	47.0	47.0
Effective tax rate (%)	13.5	14.1	12.3	10.3	10.5
Ebitda/net int exp (x)	117.5	86.8	29.0	32.6	33.0
Net debt/equity (%)	22.9	10.5	49.6	41.5	54.0
ROE (%)	18.0	25.3	29.6	28.1	29.1
ROIC (%)	14.2	18.0	19.9	16.5	15.6
EVA®/IC (%)	2.9	6.6	8.6	5.1	4.2

Source: CLSA, company

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Companies mentioned

Ancai (N-R)
Anyuan Solar (N-R)
Avic Sanxin (N-R)
CNBM (3323 HK - HK$4.00 - UNDERPERFORM)
CSG (N-R)
Flat Glass Group (N-R)
Fuzhou Xinfuxing (N-R)
Hebei Jinxin (N-R)
Henan Sikeda (N-R)
Henan Yuhua (N-R)
Irico (N-R)
Jiangsu Gangyue (N-R)
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Nantong Taide (N-R)
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Rishengda Solar (N-R)
Sulate Solar (N-R)
SYP Glass (N-R)
Taiwan Glass (N-R)
Tuori New Energy (N-R)
Xinyi Glass (868 HK - HK$6.18 - BUY)
Xinyi Solar (968 HK - HK$2.60 - BUY)
Yuandong Photoelectric (N-R)
Zhejiang Daming (N-R)

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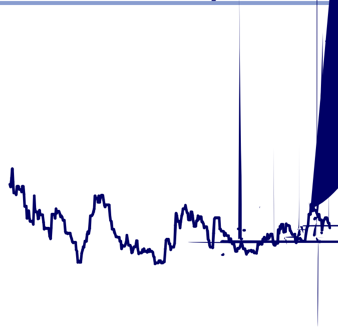
Recommendation history of China [illegible] Building Material Co Ltd 3323 HK



Date	Rec	Target	Date	Rec	Target
28 Jul 2016	U-PF	3.70	06 May 2015	O-PF	10.50
05 May 2016	U-PF	4.20	16 Dec 2014	SELL	6.50
24 Nov 2015	U-PF	4.70	10 Jun 2014	U-PF	7.50
24 Sep 2015	U-PF	5.00	27 Mar 2014	U-PF	8.60
25 Aug 2015	U-PF	5.20	12 Jan 2014	U-PF	8.80
10 Jul 2015	U-PF	7.40			

Source: CLSA

Recommendation history of Xinyi Glass Holdings Ltd 868 HK

Date	Rec	Target	Date	Rec	Target
08 Nov 2016	BUY	8.30	24 Apr 2015	O-PF	4.90
08 Sep 2016	BUY	8.35	03 Mar 2015	O-PF	4.81
03 Aug 2016	BUY	7.25	10 Dec 2014	O-PF	4.23
15 Jun 2016	O-PF	6.12	25 Sep 2014	O-PF	5.28
04 May 2016	O-PF	5.56	24 Jul 2014	O-PF	4.85
16 Mar 2016	O-PF	4.80	25 Jun 2014	O-PF	4.95
05 Feb 2016	O-PF	4.24	23 May 2014	BUY	6.31
19 Nov 2015	O-PF	4.33	27 Feb 2014	BUY	8.48
29 Jul 2015	O-PF	4.24			

Source: CLSA

Recommendation history of Xinyi Solar Holdings Ltd 968 HK

Date	Rec	Target	Date	Rec	Target
18 Oct 2016	BUY	3.90	24 Apr 2015	BUY	3.59
15 Jun 2016	BUY	4.20	12 Mar 2015	BUY	3.13
16 Mar 2016	BUY	4.00	04 Dec 2014	BUY	3.27
05 Feb 2016	BUY	4.10	25 Sep 2014	BUY	3.20
12 Jan 2016	BUY	4.60	24 Jul 2014	BUY	2.76
19 Nov 2015	BUY	4.70	25 Jun 2014	BUY	2.50
02 Nov 2015	BUY	4.60	2335.400002 507.810105 Tm/F16 1 Tf [(18 Oct 2)] TJ-0.023438 T0 0 .490006 Tm/F1		

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