14 September 2016

Industrial | Misc. Manufacturer

Xinyi Glass Holdings

Recovery To Continue

Buy (Maintained)

Target Price:	HKD8.40
Price:	HKD7.21
Market Cap:	USD3,543m
Bloomberg Ticker:	868 HK

We resume coverage on Xinyi with a BUY and higher TP of HKD8.40 (from HKD5.20, 17% upside). We remain bullish on the stock due to:

1. **Strong recurring net profit CAGR of 28% in FY15-17F, primarily driven by continued float glass GPM expansion and low-teen topline growth;**
2. **Undemanding valuations TP implies 10x FY17F P/E, close to 10-year mean (ex-Xinyi Solar implied P/E of 11x vs 10-year mean of 13x).**

This report marks the transfer of coverage to Cyrus Chong.

Recovery at float glass segment to sustain, premised on:

i. Volume growth, stable pricing, market share gains from weaker competitors, Government supply-side reforms and industry rationalisation;

ii. Improved demand from the property construction sector, a key user of float glass in China;

iii. Declining natural gas import prices and potentially further domestic price cuts by National Development and Reform Commission (NDRC).

Our price checks indicate that industry float glass prices are up 10% YoY in 9M16 (1H16: 5.9%) while imported natural gas cost fell by c.31% YoY in 8M16 (2015: -26%). We expect float glass sales to grow by 6%/6% and GPM to expand to 22.4%/24.4% in FY16/17F respectively (1H16 GPM: 22.3%).

Automobile and construction glass

High level of vertical integration and economies of scale;

iii. Rising demand for low-e glass on supportive Government policies.

We expect the automobile/construction glass segments to deliver revenue CAGR of 6%/10% respectively in FY15-18F on resilient gross margins.

Solar exposure via top-of-class platform. Xinyi Glass Holdings (Xinyi) has valuable solar sector exposure via c.27%-associate, Xinyi Solar Holdings (Xinyi Solar) (968 HK, NR), a well-run solar business platform with a dominant market position and experiencing explosive growth in downstream solar farm operations. Profit contributions from Xinyi Solar are expected to rise by 77%/37%/27% in FY16-18F, and account for c.17-22% of pre-tax profit. The stake in Xinyi Solar is worth c.HK$5.8bn (c.21% of Xinyi market cap).

BUY with higher HKD8.40 TP, pegged at 10x FY17F P/E, close to 10-year mean. Our new TP also implies 2.1x FY17F P/BV (1SD> LT-average), which we believe is fair as the company is in an earnings upcycle. Excluding Xinyi Solar, our TP implies 11x FY17F P/E for its non-solar glass businesses, below the historic average of 13x. Key risks include a rebound in production capacity in the float glass industry and sharp recovery in natural gas prices.

Forecasts and Valuations	Dec-14	Dec-15	Dec-16F	Dec-17F	Dec-18F
Total turnover (HKDm)	10,861	11,460	12,926	14,283	15,725
Reported net profit (HKDm)	1,364	2,113	2,852	3,293	3,813
Recurring net profit (HKDm)	1,146	1,819	2,852	3,293	3,813
Recurring net profit growth (%)	(45.9)	58.7	56.8	15.5	15.8
Recurring EPS (HKD)	0.30	0.46	0.73	0.84	0.97
DPS (HKD)	0.15	0.26	0.35	0.41	0.47
Recurring P/E (x)	23.9	15.3	9.7	8.4	7.3
P/B (x)	2.25	2.18	1.93	1.76	1.60
P/CF (x)	14.1	9.9	7.8	6.8	6.0
Dividend Yield (%)	2.1	3.7	5.0	5.8	6.7
EV/EBITDA (x)	15.3	11.4	8.0	7.2	6.5
Return on average equity (%)	11.1	16.9	21.0	21.8	23.1
Net debt to equity (%)	42.0	37.2	33.1	26.7	20.1
Our vs consensus EPS (adjusted) (%)			5.4	3.7	5.7

Source: Company data, RHB

Share Data

Avg Daily Turnover (HKD/USD)	77.0m/9.93m
52-wk Price low/high (HKD)	3.23 - 7.08
Free Float (%)	53
Shares outstanding (m)	3,881
Estimated Return	17%

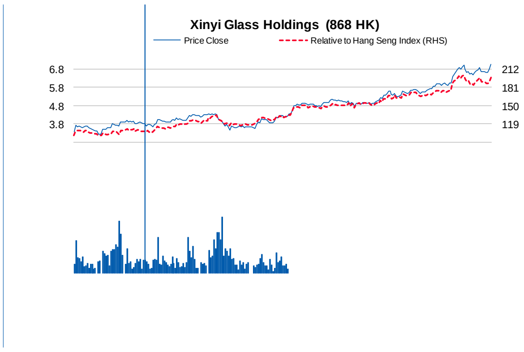
Shareholders (%)

Chairman Lee Yin Yee	21.3
Other management staff	25.6

Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	64.8	6.5	31.9	66.3	121.1
Relative	56.3	(0.9)	18.8	48.4	107.0

Source: Bloomberg



Source: Bloomberg

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Financial Exhibits

Financial model updated on: 2016-09-07.

Asia
Hong Kong
Industrial
Xinyi Glass Holdings
Bloomberg 868 HK
Buy

Valuation basis

Long-term average P/E.

Key drivers

i. Float glass price;
ii. Natural gas costs.

Key risks

i. Weaker-than-expected glass demand and sharp rebound in raw material costs (in particular natural gas cost).

Company Profile

Founded in 1988 and listed in 2005, Xinyi Glass (Xinyi) is one of the largest glass producers in China. It has six major production bases in Dongguan, Shenzhen, Jiangmen, Wuhu, Tianjin and Yingkou. It is also a one-

Head-To-Head Comparison Of Listed Peers

	Xinyi Glass Recovery Play	Flat Glass PV Glass Manufacturing Play	China Glass Victim of Industry Consolidation	Fuyao Glass Best-in-Class Auto Glass in OEM	Luoyang Glass A High-Cost Producer	CSG (南玻集团) Expensive Recovery Play	Kibing (株洲旗滨) Over-Diversification
Company Background							

Source: Company data, RHB

Float Glass Business Recovery Intact

Float glass business recovery momentum to sustain

We expect the float glass business of Xinyi (c.44%/18% of total revenue/GP respectively in FY15 and historically a key swing factor to overall profitability) to report decent profit growth and continued margin recovery in 2H16 and FY17.

In our view, the recovery is premised on:

i. Mid-single digit to low-teen volume growth and stable pricing, as Xinyi gains market share from weaker competitors on G -side reform initiatives and rationalisation of industry supply;

ii. Improved demand from the property construction sector, a key user of float glass in China;

iii. Declining natural gas import prices into China and further potential domestic price cuts by National Development and Reform Commission in 2016/2017.

Accelerated float glass price rebound since May

Float glass market prices across major cities in China have rebounded since Jun-2015. Following a 5.9% YoY increase in 1H16, industry float glass prices continued to rise c.12% since end-1H16.

In our view, this recovery trend should continue into 2H16 and FY17F on the back of improved industry supply dynamics. We reckon that many high-cost regional producers with substandard production lines have exited the market following years of cost pressures as a result of high raw material costs (including heavy oil and natural gas). We estimate that every 1% change in float glass average selling prices (ASPs) will lead to a 1.5% change in net profit.

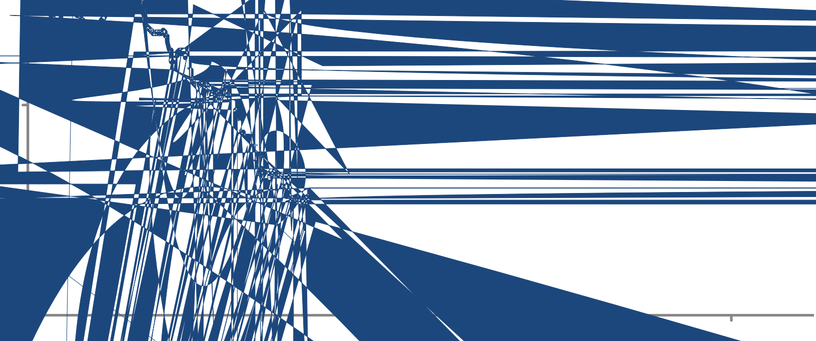
In fact, effective capacity (ie capacity operating on a regular basis) of the flat glass industry (of which float glass represented c.80% in 2015) declined by c.3% YoY in 2015, according to Xinyi.

As at August, there were 352 float glass production lines in China, of which 239 were effective. The number of suspended lines accounted for c.32% of total production lines in China. While we believe that some idle lines have been put back to operation on improved margin outlook given that suspended lines fell from 38% in April we believe the rebound in effective capacity will be manageable, as many remain unprofitable even at the current price/cost levels.

In addition, as private enterprises represent some 80% of the float glass market, chances of having poor performing state-owned players are lower. For instance, the collapse of the Jiangsu Farun (the largest glass manufacturer for over a decade until 2010) in 2015 due to over expansion and substandard pollution control, shows inefficient players will not be bailed out.

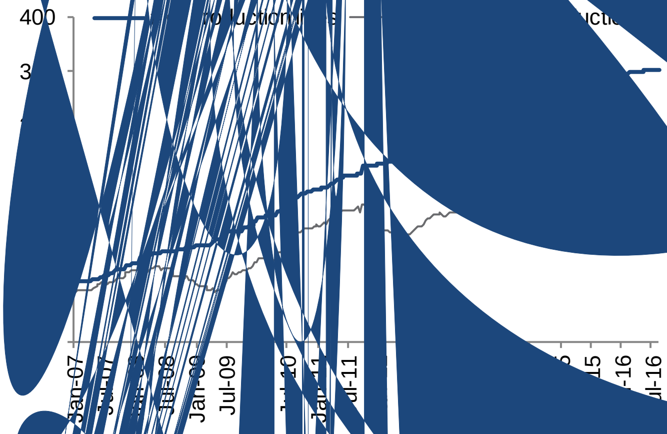
Overall, we are projecting flattish effective industry capacity growth in 2016/17, as smaller players exit the market on low efficiency, and the Government pushes supply-side reform initiatives.

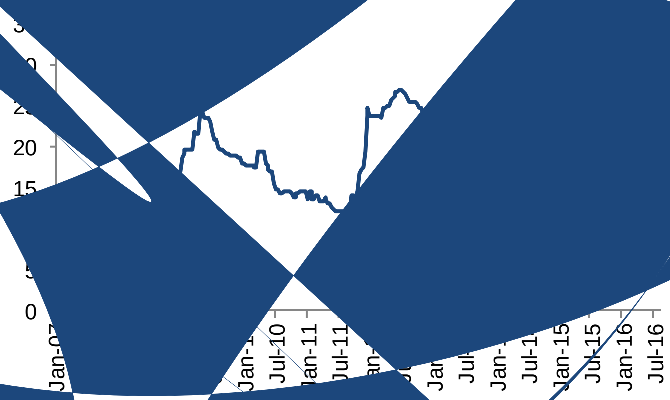
Figure 1: ... flat gla...



Source: Wind, RH...

Figure 2: Number of float glass ... in production | **...s in suspension**



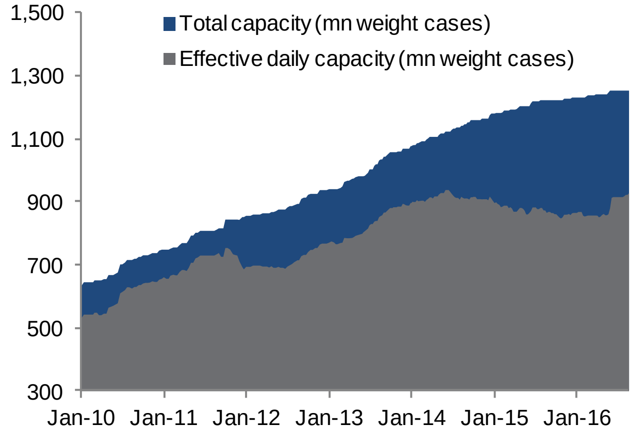


Source: Wind, RHB | Source: Wind, RHB

Although we saw a mo... st... nd ... efic... ...ths as s... idle production lines ha... b... ...t back to op... ...at the n... supply increase has b... la... absorbed by the ... ...ustry in... levels.

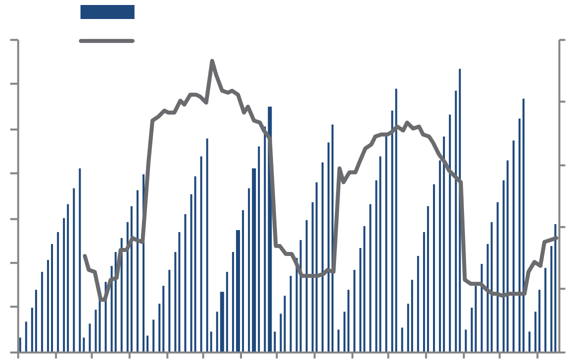
Inventory levels ... ve ... ually declined from c.35m weight cases to c.32m we... since March. Inventory levels as percentage of effective capacity has been s... 4% in the past ... exemplify ... healthy supply/demand dynamics.

Figure 4: Float glass industry capacity in China



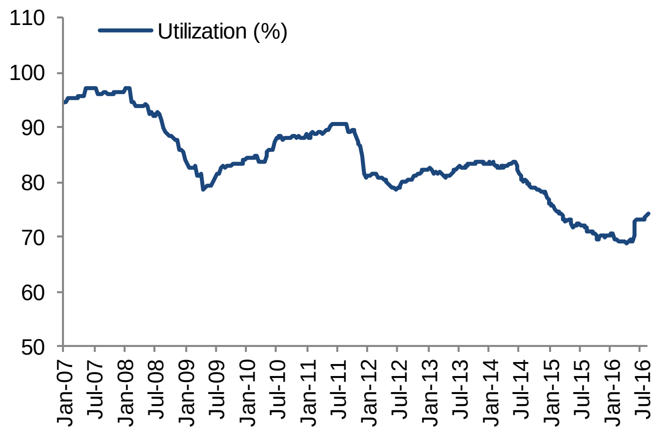
Source: Wind, RHB

Figure 5: Float glass sales in China



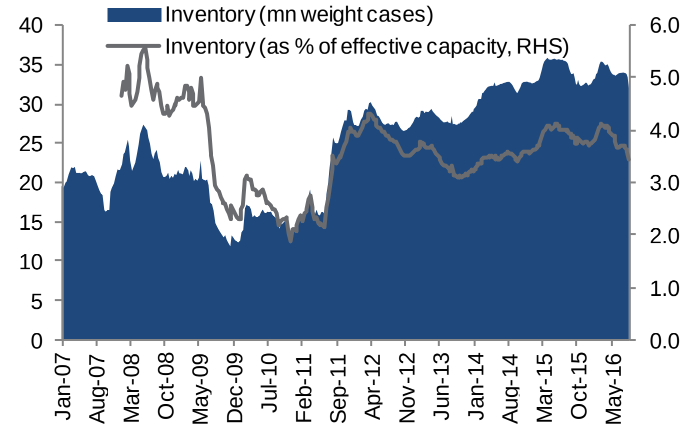
Source: Wind, RHB

Figure 6: Float glass industry utilisation rates in China



Source: Wind, RHB

Figure 7: Float glass industry inventory levels in China



Source: Wind, RHB

End-market demand stabilises

According to the China Architectural and Industrial Glass Industry Association, around 60% of float glass produced in China is used in construction and related industries (eg windows and walls), while automobile-related demand accounts for c.20% (a typical passenger vehicle uses 5-6 pieces of glass as wind shield, windows and display boards).

The turnaround in accumulated property new starts since February (c.13.7% YoY growth during 7M16) shows that demand from the property sector is picking up following two years of sluggishness.

The automobile market data also paints an encouraging picture. According to China Association of Automobile Manufacturers (CAAM), accumulated auto sales during 7M16 were up 9.8% YoY. The robust growth in new-energy vehicles (+98.1% YoY to 207,000 units during 7M16) and rising middle class in China should continue to drive auto-glass demand for both the new car and replacement markets.

According to CAAM, auto sales in China are expected to rise 6.1% YoY in 2016, which implies a healthy growth pace for the rest of 2016. CAAM also forecasts new-energy car sales to reach 700,000 in 2016.

Figure 8: Property new start gross floor area (GFA) in China

Source: Wind, RHB

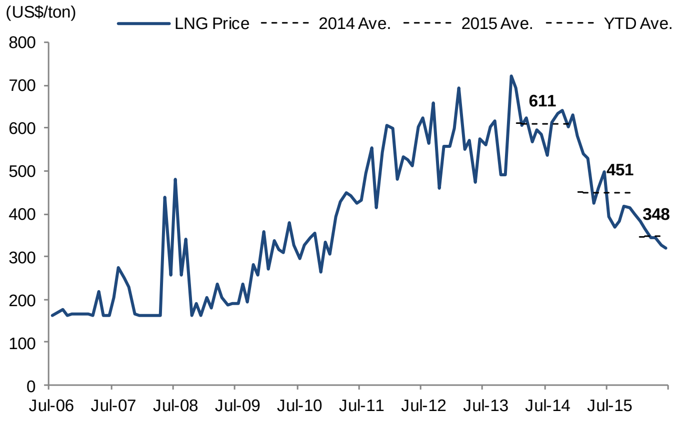
Figure 9: Auto sales growth in China

Source: Wind, RHB

Natural gas price decline, stable soda ash price additional margin drivers

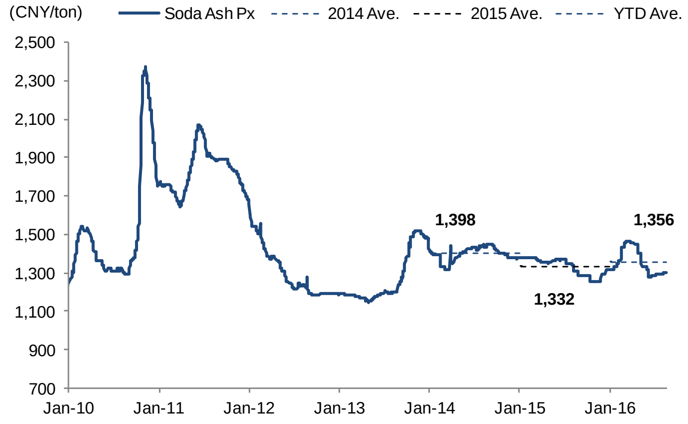
Based on information disclosed by peer companies including Flat Glass Group (FGG) (6865 HK, NR) and Fuyao Glass Industry Group (Fuyao) (3606 HK,

Figure 12: Liquefied natural gas import price in China



Source: Wind, RHB

Figure 13: Soda ash price in China



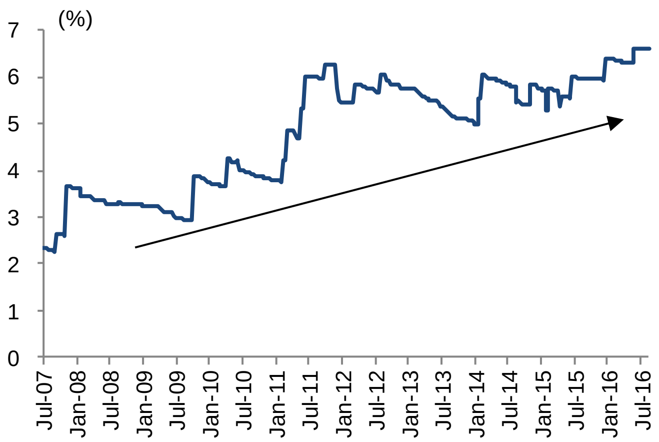
Source: Wind, RHB

Respectable market share gains over the past decade

The float glass industry in China is highly fragmented with the top 10 players accounting for c.34% of total capacity. According to our estimates, Xinyi is the largest player with c.6.6% market share by capacity as at August.

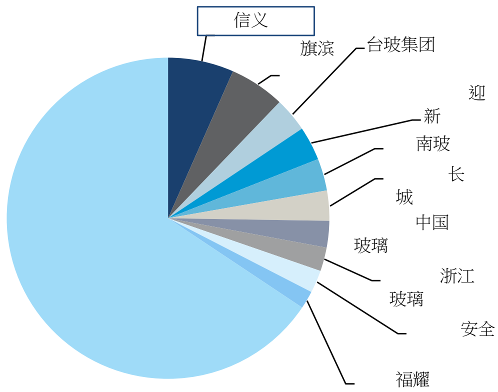
Our calculations show that Xinyi has gained market share from competitors since the financial crisis in 2008, by leveraging on its solid balance sheet and ready access to international funding sources supported by its HK listing status. We highlight that
float glass capacity has jumped from c.2,600 tonnes/day at end-2006 to c.13,800 tonnes/day at the end of August, whilst its market share has increased from an estimated 2% to 6.6% over the same period.

Figure 14: market share in China by capacity



Source: Wind, RHB

Figure 15: Float glass market share by capacity (August)



Source: Wind, RHB

Stable Auto Glass Business

Xinyi focuses on after-sales replacement market

The automotive glass market is typically divided into two segments:

i. Original equipment manufacturers (OEM) market for glass products that are sold to automobile manufacturers for installation on new vehicles;

ii. After sales replacement glass (ARG) market for products sold to aftermarket suppliers for replacement purposes.

While the overall automotive glass market is dominated by Fuyao given its strong foothold in the OEM market segment (c.90% of industry volume), we believe Xinyi has carved a niche for itself by focusing on the ARG market (c.10% of total automotive glass market volume). Auto glass sales accounted for c.33%/54% of s sales/GP in FY15.

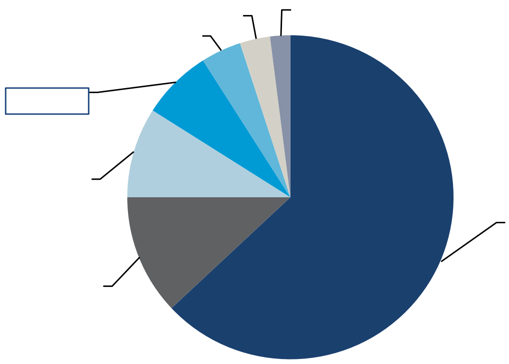
Xinyi has a long history of supplying laminated windshields to overseas customers. According to Xinyi, its automobile glass accounts for over 20% of automobile glass production and is exported to over 130 countries.

By export volume, Xinyi is the largest exporter in the automobile aftermarket sector. North America (primarily US and Canada) and Europe are key export markets for Xinyi automobile business.

According to the International Organisation of Motor Vehicle Manufacturers (OICA), the number of vehicles in use globally has been growing steadily at low-to-mid single digit per year since 2005-2014. Despite the global financial crisis in 2009, the total number of vehicles in use still managed to grow by 2.8% YoY.

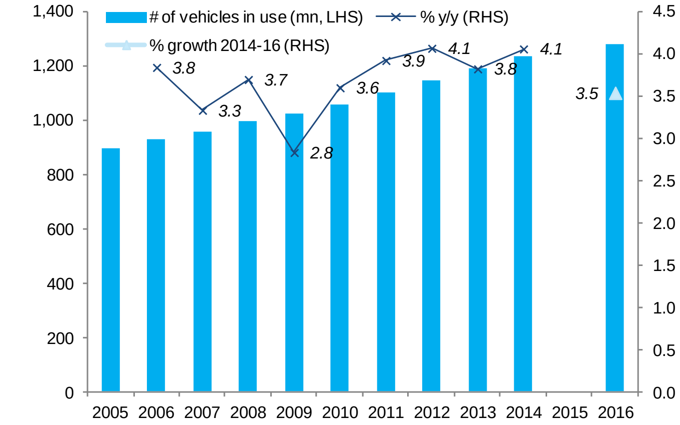
The North American and European markets also showed resilient growth. Based on the estimates done by the Automotive Aftermarket Industry Association (AAIA), vehicles on average have a windshield replacement rate of 3.39% every year. Driven by steady replacement demand, we believe that the after-sales market is a smaller but more stable market compared to the OEM market.

Figure 16: Automobile glass market in China (2013)



Source: Fuyao Glass prospectus, RHB

Figure 17: Number of vehicles in use globally



Source:OICA, RHB

Figure 18: Number of vehicles in use in North America

Source: OICA, RHB

Figure 19: Number of vehicles in use in Europe

Source:OICA, RHB

Industry supply-demand dynamics

Float glass is a major type of raw flat glass, generally used for further processing into other glass products (eg curtail walls, household glass, automobile glass) and accounted for over 90% of all flat glass production in China. Therefore, flat glass industry data is highly representative of the float glass industry.

The flat glass industry has long been a target for the NDRC to impose out-dated capacity elimination and tighter environmental controls on new capacity. According to the Ministry of Industry and Information Technology (MIIT) in China, flat glass capacity of c.173m weight cases per year has been eliminated by the Chinese Government since 2010-2014.

We estimate a further c.51.8m/53.8m of capacity to be eliminated by the Government in 2015/2016. Together with some out-dated capacity eliminated (to be eliminated) by market forces, we estimate that effective capacity has declined by c.11% in 2015, and will only grow by a modest 4%/3% in 2016/2017.

Figure 20: Flat glass industry supply and demand

(m weight case/year)	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**

Leader In Energy-Saving Construction Glass

Largest low-e glass manufacturer in China

Xinyi is the largest manufacturer of energy-saving low-e construction glass in China, with a market share of c.18% in terms of sales volume (2014).

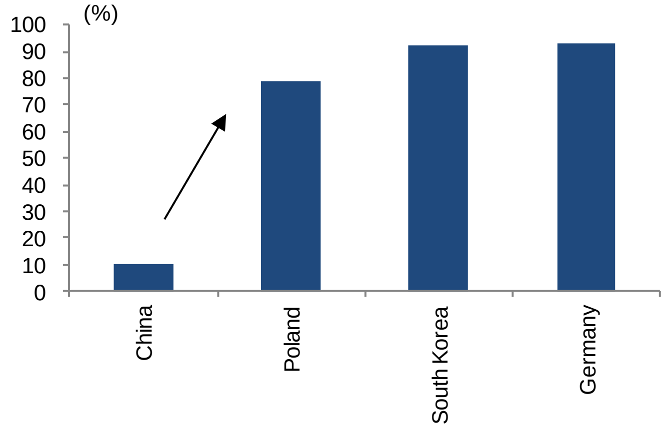
Low-e glass is a type of glass that is coated with a thin film to reduce the emission of radiant infrared energy. Low-e glass is generally used in the real estate industry to improve the energy efficiency of buildings via reducing thermal exchange between the building and the outside environment.

Low-e glass is a major product within the architectural glass product type. The low-e glass segment is rather consolidated with the top four players accounting for c.57% of the total market.

According to Frost & Sullivan, the sales volume for low-e glass in China is expected to reach 280.9m square meter in 2020 from 158.2m sqm in 2014, translating to c.10% CAGR over the same period. We believe the strong growth is primarily driven by rising standards on the energy efficiency of buildings in China.

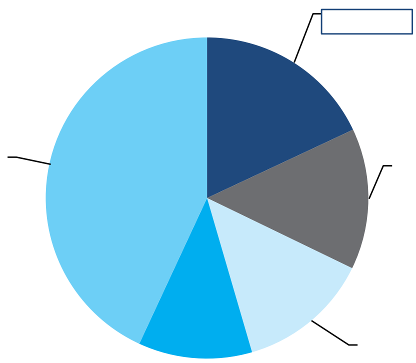
The penetration rate of low-e glass in China is still very low at c.11%, compared to >80% in developed countries such as Germany and the US. Construction glass (primarily low-e glass) accounted for c.23%/29% of Xinyi

Figure 21: Low-e glass penetration rates



Source: ASKCI, RHB

Figure 22: China low-e glass industry market share by volume (2014)



Source: Flat Glass, RHB

Xinyi Solar: Largest Solar Glass Maker

Solar glass exposure via c.27%-owned Xinyi Solar

Xinyi Solar used to be a fully-owned subsidiary of Xinyi before the spin-off in Dec 2013 on the main board. Xinyi held a 31.2% stake in Xinyi Solar immediately after the spin-off.

After three rounds of placements in Aug 2014, Mar 2015 and Oct 2015, Xinyi shareholding in Xinyi Solar was reduced to 26.54%. The contribution from Xinyi Solar is reflected under at Xinyi.

There is very strong market demand for solar glass currently as the Chinese Government pushes forward its aggressive photovoltaic (PV) installation target for 2020. Xinyi Solar is the largest solar glass manufacturer in China with a dominant market share of c.30-35%.

Leveraging on its solar glass manufacturing capabilities and EPC experience, Xinyi Solar is rapidly expanding into the downstream solar farming business, which should display explosive growth over the next two years, in our view.

At end-1H16, Xinyi Solar had around 1,074MW grid-connected solar farm projects, which included 20MW wholly-owned projects, 954MW projects held by 75%-owned subsidiaries (Xinyi Energy), and a 100MW project held by a joint-venture (JV). Xinyi Solar has set an installation target of 1.7GW cumulative installed capacity by end-2016.

Based on an installation scale of c.1,000MW per year during FY16-18F, we estimate solar Xinyi Solar to rise to 23%, 34% and 40% for the three-year period, from 13% in FY15.

Net profits at Xinyi Solar are projected to reach c.HKD2.1bn, 2.9bn and 3.7bn in FY1-18, translating to associate profit contributions of c.HKD560m, HKD767m HKD975m respectively for Xinyi (or c.17-23% of Xinyi -tax profit).

Our net profit estimates for Xinyi Solar is c.4%/10%/20% higher than consensus estimates mainly due to higher margin assumptions. Our assumptions for solar farm projects include:

i. Utilisation hours of c.1,100 per year;

ii. Tariff of c.CNY0.86-0.9 per kWh;

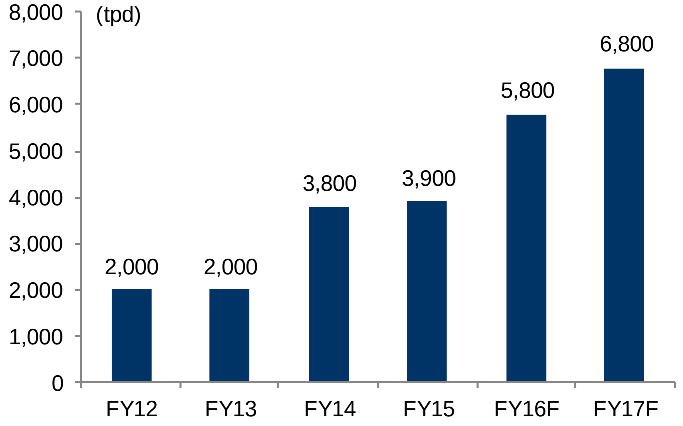
iii. GPM of 71%, 68% and 68% for FY16F-18F.

Figure 23: Xinyi Solar olar farm projects

Project Location	Capacity (MW)	Grid-Connection Start
Jinzhai, Lu'an, Anhui	150	4Q14
Sanshan, Wuhu, Anhui	100	1Q15
Nanping, Fujian	30	1Q15
Lixin, Bozhou, Anhui - Phase 1	40	3Q15
Lixin, Bozhou, Anhui - Phase 2	100	1Q16
Wuwei, Wuhu, Anhui	100	4Q15
Hongan, Hubei - Phase 1	50	4Q15
Hongan, Hubei - Phase 2	50	1Q16
Fanchang, Anhui - Phase 1	40	4Q15
Fanchang, Anhui - Phase 2	20	2Q16
Shou, Lu'an, Anhui	100	4Q15
Tianjin Binhai	174	1Q16
Huainan, Anhui	20	1Q16
Total (end-1H16):	**974**	
2H16 Addition	380	
FY17 Addition	1,000	
FY18 Addition	1,000	

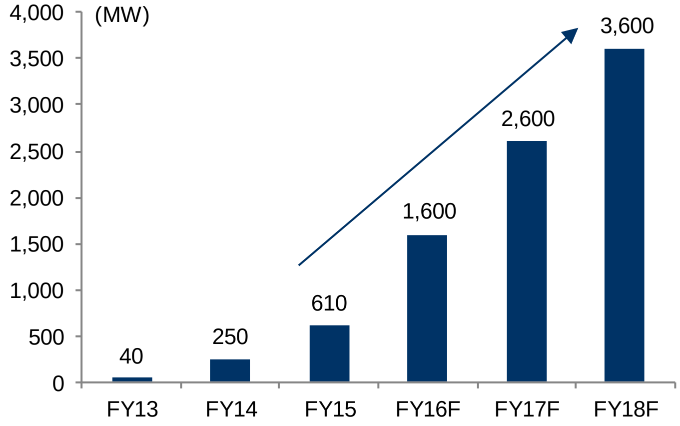
Source: Company data, RHB

Figure 24: Xinyi Solar aw PV glass capacity



Source: Company data, RHB

Figure 25: Xinyi Solar olar farm cumulative installed capacity



Source: Company data, RHB

Earnings Forecasts And Financials

Changes to our estimates

We have raised our earnings estimates for Xinyi after factoring in:

i. Higher ASP and margin estimates for the float glass segment following the strong 1H16 results, and sustained ASP and cost trends into 2H16F. We expect continued gross margin recovery for the float glass segment to 22.4%/24.2% in FY17F/FY18F due to the pick-up in property new start activities and more controlled industry capacity expansion;

ii. Stronger earnings contributions from Xinyi Solar, as we believe the solar farm expansion will accelerate into FY16F/FY17F. We have also introduced estimates for FY18 post the release of 1H16 results.

Overall, we have revised up our recurring net profit estimates by 38%/34% in FY16F/17F and are projecting growth of 57%/16%/16% in FY16-18F. The growth is primarily driven by:

i. Steady auto glass and construction glass businesses;

ii. Continued margin recovery at the float glass business;

iii. Rising contributions from solar power associate, Xinyi Solar.

Our net profit estimates for Xinyi are 4.3%/3.0%/4.2% higher than consensus estimates in FY16-18F.

Figure 26: Changes to our Xinyi earnings estimates and turnover mix

	FY16F			FY17F			FY18F
(HKDm)	**New**	**Old**	**Chg**	**New**	**Old**	**Chg**	**New**
Turnover							
Auto glass	4,014	4,211	-4.7%	4,255	4,378	-2.8%	4,510
Construction glass	2,946	3,412	-13.7%	3,213	3,829	-16.1%	3,505
Float glass	5,936	5,930	0.1%	6,714	6,554	2.4%	7,595
Total	**12,895**	**13,553**	**-4.9%**	**14,182**	**14,761**	**-3.9%**	**15,610**
GPM							
Auto glass	49.0%	43.7%	5.3 ppt	48.0%	43.7%	4.3 ppt	48.0%
Construction glass	39.0%	31.0%	8.0 ppt	39.0%	31.0%	8.0 ppt	39.0%
Float glass	22.4%	11.9%	10.5 ppt	24.2%	13.8%	10.4 ppt	25.2%
Blended	**34.4%**	**26.6%**	**7.8 ppt**	**34.6%**	**27.1%**	**7.5 ppt**	**34.8%**
Revenue	12,926	13,553	-4.6%	14,283	14,761	-3.2%	15,725
Gross profit	4,451	3,605	23.5%	4,943	4,005	23.4%	5,473
Operating profit	2,770	2,005	38.2%	3,115	2,307	35.0%	3,492
Share of profit of an associate	560	439	27.6%	767	607	26.4%	975
Profit before tax	3,279	2,407	36.2%	3,830	2,876	33.2%	4,434
Reported net profit	2,852	2,061	38.4%	3,293	2,463	33.7%	3,813
Recurring net profit	2,852	2,061	38.4%	3,293	2,463	33.7%	3,813
Gross margin	34.4%	26.6%	7.8 ppt	34.6%	27.1%	7.5 ppt	34.8%
Operating margin	21.4%	14.8%	6.6 ppt	21.8%	15.6%	6.2 ppt	22.2%
Net margin	22.1%	15.2%	6.9 ppt	23.1%	16.7%	6.4 ppt	24.2%
Recurring profit margin	22.1%	15.2%	6.9 ppt	23.1%	16.7%	6.4 ppt	24.2%

Source: Company data, RHB

Figure 27 et profit estimates vs consensus

(HKD m)	**2016F**	**2017F**	**2018F**
RHB	2,852	3,293	3,813
Consensus	2,734	3,198	3,658
% Difference	*4.3%*	*3.0%*	*4.2%*

Source: Bloomberg, Company data, RHB

Figure 28: detailed P&L

(HKDm)	1H15	2H15	1H16	2H16F	FY14	FY15	FY16F	FY17F	FY18F
Revenue									
Auto glass	1,897	1,890	1,990	2,024	3,593	3,787	4,014	4,255	4,510
Construction glass	1,206	1,445	1,220	1,711	2,556	2,651	2,931	3,197	3,488
Float glass	2,180	2,843	2,675	3,306	4,712	5,022	5,981	6,831	7,728
Total	**5,283**	**6,177**	**5,885**	**7,040**	**10,861**	**11,460**	**12,926**	**14,283**	**15,725**
% YoY									
Auto glass	6.5%	4.2%	4.9%	7.1%	9.3%	5.4%	6.0%	6.0%	6.0%
Construction glass	11.8%	-2.1%	1.1%	18.4%	18.6%	3.8%	10.6%	9.1%	9.1%
Float glass	0.2%	12.0%	22.7%	16.3%	4.9%	6.6%	19.1%	14.2%	13.1%
Total	4.9%	6.0%	11.4%	14.0%	9.3%	5.5%	12.8%	10.5%	10.1%
% Mix									
Auto glass	35.9%	30.6%	33.8%	28.7%	33.1%	33.0%	31.1%	29.8%	28.7%
Construction glass	22.8%	23.4%	20.7%	24.3%	23.5%	23.1%	22.7%	22.4%	22.2%
Float glass	41.3%	46.0%	45.5%	47.0%	43.4%	43.8%	46.3%	47.8%	49.1%
GPM									
Auto glass	44.1%	44.6%	48.7%	49.3%	41.8%	44.3%	49.0%	48.0%	48.0%
Construction glass	31.7%	35.6%	39.0%	39.0%	35.3%	33.9%	39.0%	39.0%	39.0%
Float glass	8.7%	12.9%	22.3%	22.5%	7.0%	11.1%	22.4%	24.2%	25.2%
Blended	26.7%	27.9%	34.7%	34.2%	25.2%	27.3%	34.4%	34.6%	34.8%
Revenue	**5,283**	**6,177**	**5,885**	**7,040**	**10,861**	**11,460**	**12,926**	**14,283**	**15,725**

Figure 29: ey assumptions

	2013	2014	2015	2016F

[redacted]w TP offers [redacted] (previously [redacted]nultiple.

[redacted]a A-shares

[redacted]tiple, which [redacted]nium above [redacted]le.

[redacted]luations by [redacted]ons of Xinyi [redacted]s non-solar [redacted]x, or 1.1SD

[redacted] float glass [redacted]re a faster-[redacted].

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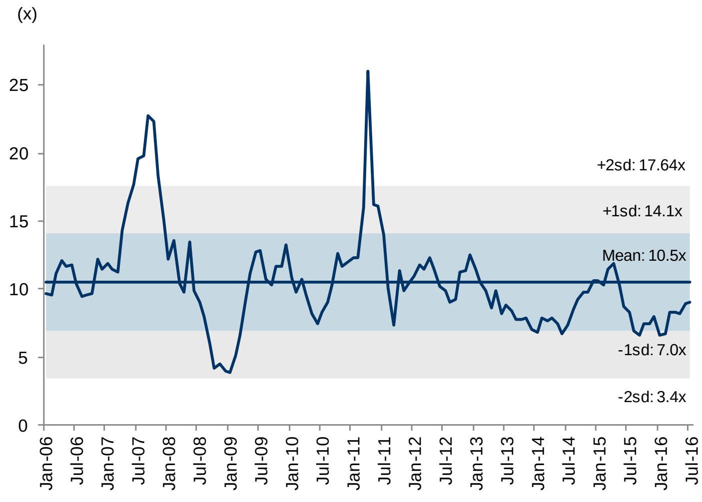
[redacted]	12x
[redacted]	12.6
[redacted]	12.1
[redacted]	[illegible]
[redacted]	11.1
[redacted]	10.6

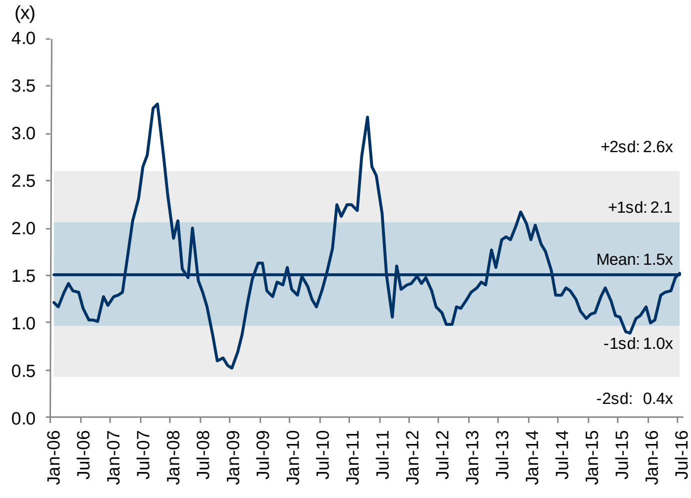
[redacted]

Figure 33: past 10-year forward P/E



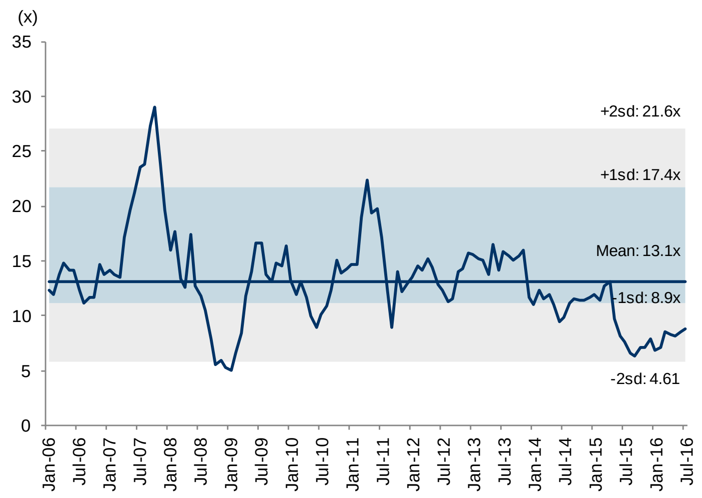
Source: Bloomberg, Company data, RHB

Figure 34: past 10-year forward P/BV



Source: Bloomberg, Company data, RHB

Figure 35: (excl. Xinyi Solar) past 10-year forward P/E



Source: Bloomberg, Company data, RHB

Figure 36: Peer comparison I

Company	Ticker	Price	Mkt cap (USDm)	3-mth avg t/o (USDm)	P/E Hist (x)	P/E FY1 (x)	P/E FY2 (x)	EPS FY1 YoY%	EPS FY2 YoY%	3-Yr EPS Cagr (%)	PEG (x)	Div yld Hist (%)	Div yld FY1 (%)	P/B Hist (x)	P/B FY1 (x)
Xinyi Glass	**868 HK**	**7.21**	**3,613**	**11.2**	**13.4**	**9.9**	**8.6**	**35.0**	**15.5**	**28.0**	**0.5**	**4.7**	**4.5**	**2.1**	**1.8**
HK-listed peers															
Fuyao Glass In-H	3606 HK	20.10	6,165	4.8	15.7	14.5	12221.9 40.55 37.6 reW*nBT/F23(8)19(63.98 TTm[Y)19(2221.9 40 TJETBT1 0 0 1 4:								

Note: Share price related data as at 13 Sep 2016.
Source: RHB, Bloomberg

Figure 37: Peer comparison II

Company	Rev Hist (USDm)	Rev FY1 (USDm)	NP Hist (USDm)	NP FY1 (USDm)	Net gearing Hist (%)	Net gearing FY1 (%)	Unlev beta	Gross margin Hist (%)	Net margin Hist (%)	Net margin FY1 (%)	ROE Hist (%)	ROE FY1 (%)	Sh px 1-mth %	Sh px 3-mth %
Xinyi Glass	**1,477**	**1,657**	**272**	**366**	**38.3**	**33.1**	**0.7**	**27.3**	**18.4**	**22.1**	**19.5**	**21.0**	**5.3**	**41.9**
HK-listed peers														
Fuyao Glass In-H	2,032	2,375	390	450	0.0	1.8	N.A	41.5	19.2	19.0	20.6	17.4	(2.0)	14.9
Xinyi Solar Hlds	612	846	155	260	10.5	45.6	0.8	36.0	25.4	30.8	30.4	29.9	1.5	13.0
Flat Glass Group	436	455	65	78	5.4	N/A	N.A	29.3	14.9	17.1	20.5	19.1	10.5	19.3
Average					**5.3**	**23.7**	**0.8**	**35.6**	**19.8**	**22.3**	**23.9**	**22.1**	**3.4**	**15.7**
China A-shares peers														
Fuyao Glass-A	2,032	2,349	390	440	0.0	2.4	0.6	41.5	19.2	18.7	18.3	16.7	(1.1)	18.7
Csg Holding Co-A	1,107	1,364	94	125	64.5	N/A	0.6	21.2	8.5	9.2	N/A	9.8	(4.8)	4.4
Changzhou Alma-A	163	234	8	9	0.0	N/A	1.3	15.7	5.0	3.7	1.7	2.7	2.8	11.5
Zhuzhou Kibing-A	770	1,051	26	95	81.6	N/A	0.6	17.6	3.3	9.1	4.4	11.1	(1.1)	18.6
Average					**36.5**	**2.4**	**0.7**	**24.0**	**9.0**	**10.2**	**8.1**	**10.1**	**(1.0)**	**13.3**

Source: RHB

SWOT Analysis

- largest glass manufacturer with a strong track record in cost control and capacity expansion
- Strong cash inflow from auto glass supports capacity expansion at the float glass, construction glass and electric glass segments

- Volatile supply and demand dynamics for float glass and construction glass
- A sudden surge in energy (in particular natural gas) or raw materials prices could hurt margins

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