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Key Investment Charts

Exhibit 1: Xinyi Glass - Leadership position in different segments

Source: Company data, WIND, Glassinfo, BofA Merrill Lynch Global Research estimates

Exhibit 2: Xinyi Glass Revenue Breakdown by Segment Summary – most exposed to float glass industry supply/ demand dynamics improvement

Source: Company data, WIND, Glassinfo, BofA Merrill Lynch Global Research estimates

Chart 1: Xinyi target 50% CAGR in Float Glass Capacity during 2017-

Valuation

(- - -) (1) 10 -
/ , -11 · (2) $. 1 % $10/ , 201 / , -11 .

Exhibit 5: Xinyi Glass SOTP Valuation

Xinyi Glass - Sum of the parts (SOTP) Valuation		2018E	Value/ sh (HK$/sh)
1. Core non-solar business			
Xinyi Glass - NPAT	HK$mn	4,528	1.1
- Share of profit from Xinyi Solar	HK$mn	-756	-0.2
= Xinyi Glass - Core NPAT	**HK$mn**	**3,772**	**0.9**
x Target PE Multiple	x	10	
= Target Market Cap of Xinyi Glass' core business		**37,721**	**9.4**
2. Investment in Xinyi Solar			
Market cap of Xinyi Solar based on BofAML PO	HK$mn	32,665	4.4
x Xinyi Glass's stake in Xinyi Solar	%	29.5%	
= Attributable Market Cap of XYS for XYG	**HK$mn**	**9,646**	**2.4**
Total target valuation for Xinyi Glass (1+2)	**HK$mn**	**47,367**	11.8
Conglomerate discount	**%**	15%	
Final Valuation	**HK$mn**	40,262	10.1

Price Objective (PO):	**10.0**
Current sh price:	7.61
Upside %	31%

	FY17E	FY18E	FY19E
P/E - Current	8.0x	6.7x	5.6x
P/E - PO Implied	10.6x	8.8x	7.4x
EV/EBITDA - Current	7.3x	6.0x	4.6x
EV/EBITDA - PO Implied	9.3x	7.7x	6.0x

Source: Company data, Bloomberg, BofA Merrill Lynch Global Research estimates

Chart 11: Xinyi Glass: One-year forward rolling EV/EBITDA bands

Source: Bloomberg, Company data, BofA Merrill Lynch Global Research estimates

Investment risks

- **Weaker-than-expected economy/ property demand:** %
- **More-than-expected capacity addition:**
- **Delay in commencement of new projects overseas:**
- **Large hike in soda ash prices** , 2 %
- **Large hike in natural gas prices** , 3 %
- **Large currency fluctuations**

BofAML Scenario Analysis – overall risks skewed to the upside

Float Glass ASP

Base case:

Upside case:

Downside case:

Natural Gas Price

Base case:

Upside case:

Downside case:

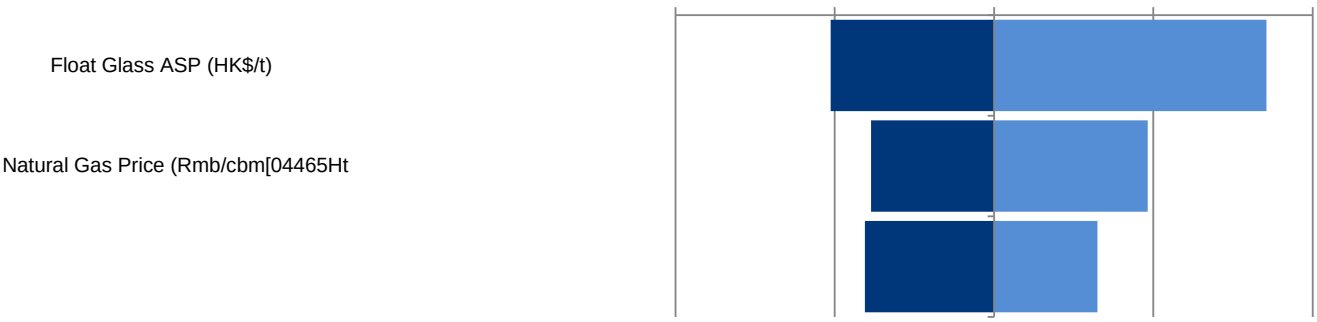
Soda Ash Price

Base case:

Upside case:

Downside case:

Exhibit 6: Scenario Analysis: Risks skewed to the upside



Source: Company data, BofA Merrill Lynch Global Research estimates

r n o i t a z i l i t U y r t s u d n l

Auto Glass: Gaining market share in OEMs

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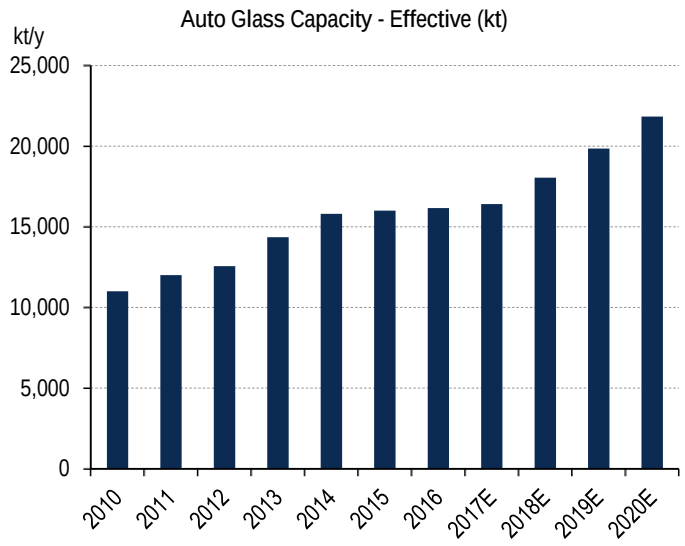
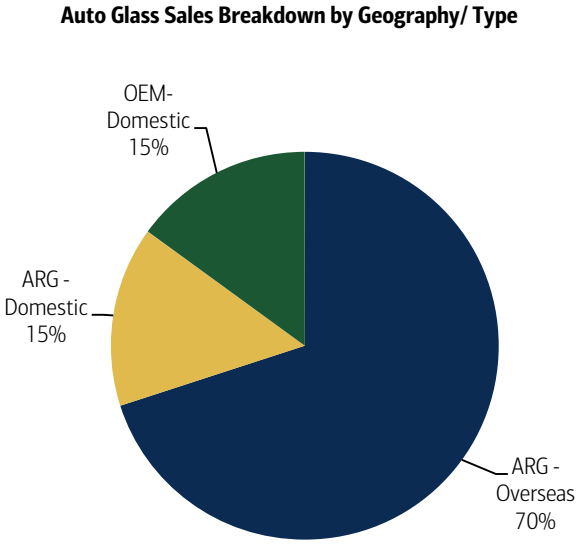
0,000), 20% .
. . 10
, 30% .
20%
1 0 . , 20-2 %

Chart 27: We see 8% CAGR in auto glass capacity over 2017-20



Source: Company data, BofA Merrill Lynch Global Research estimates

Chart 28: XYG focuses more on the ARG market



Source: Company data, BofA Merrill Lynch Global Research estimates

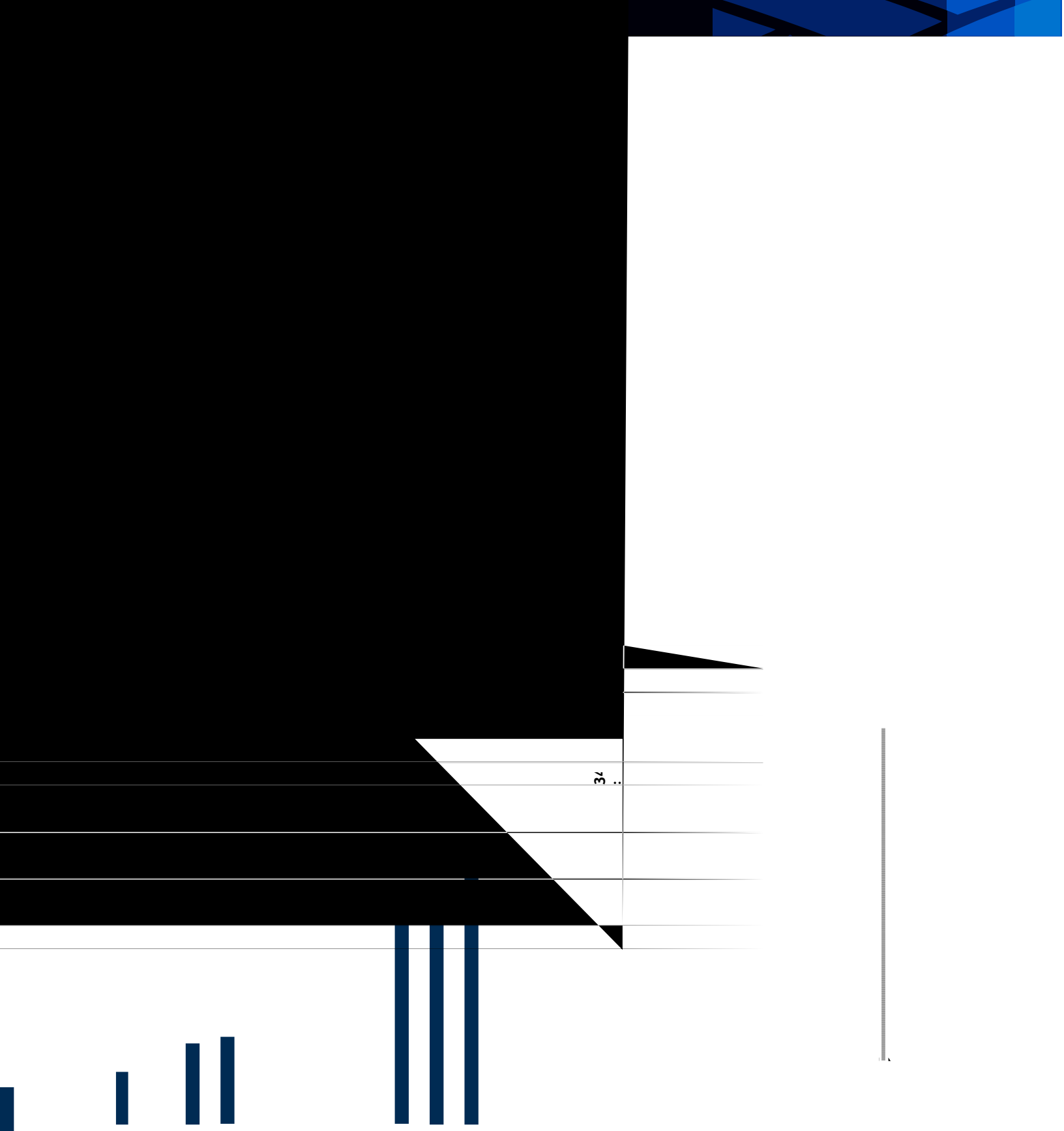
30%
2 % % 201 -20, 21 2020 .

- **High production yield.** , .
2 .

- **Established relationship with customers.** 10

- **Economies of scale.** .

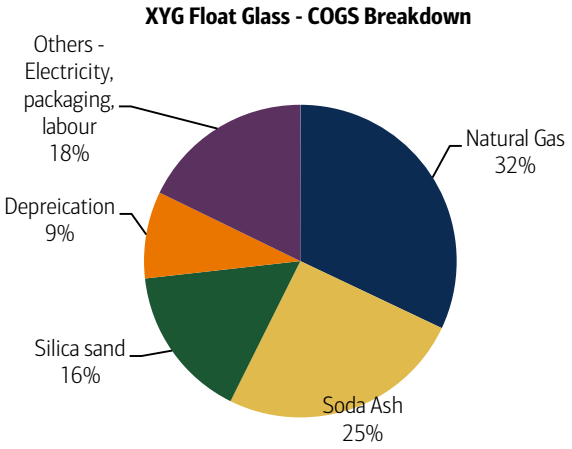
2 % ,
, 3 % , .
. % 201 -20.



Costs to ease given downside for soda ash and trending down gas price

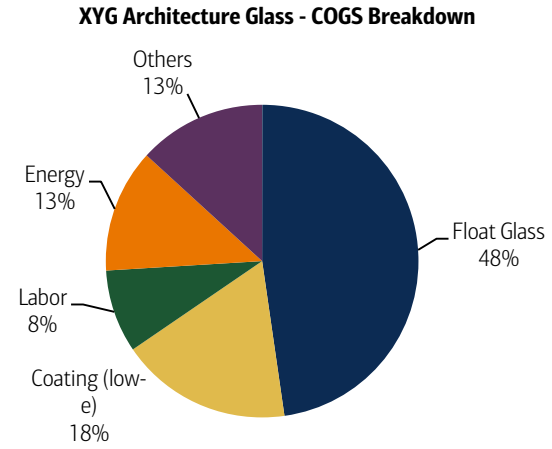
32% 2 % , ,201 .
, 3 % % , .

Chart 37: Natural gas is the largest cost component for float glass, followed by soda ash



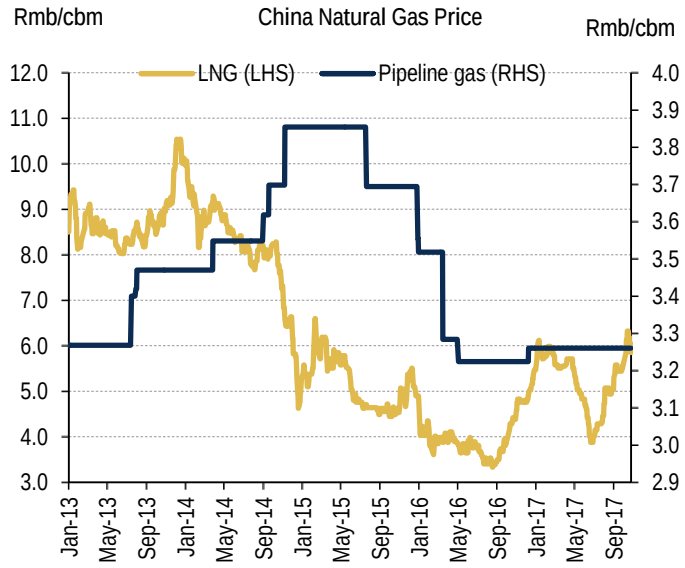
Source: Company data, BofA Merrill Lynch Global Research estimates

Chart 38: Float glass accounts for 48% of total COGS for architectural glass



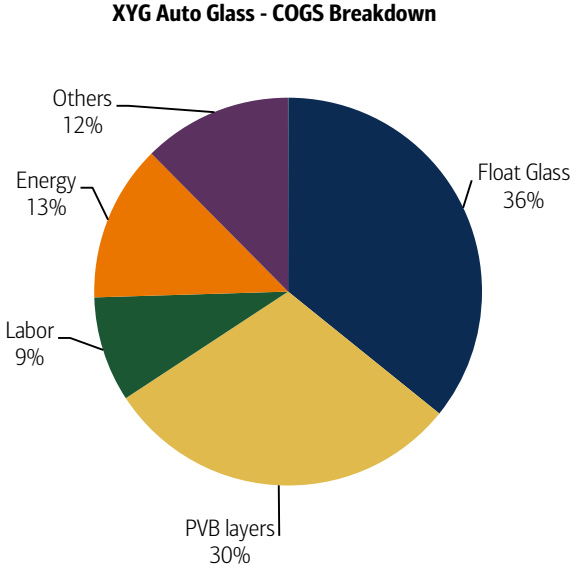
Source: Company data, BofA Merrill Lynch Global Research estimates

Chart 39: LNG prices rebounded this year following crude oil prices



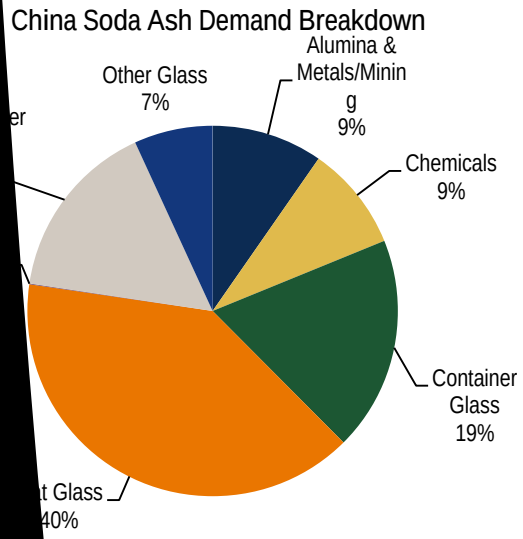
Source: Glassinfo, WIND, SCI99.com, CEIC, NBS, BofA Merrill Lynch Global Research estimates

Chart 40: Auto glass accounts for 48% of total COGS for architectural glass



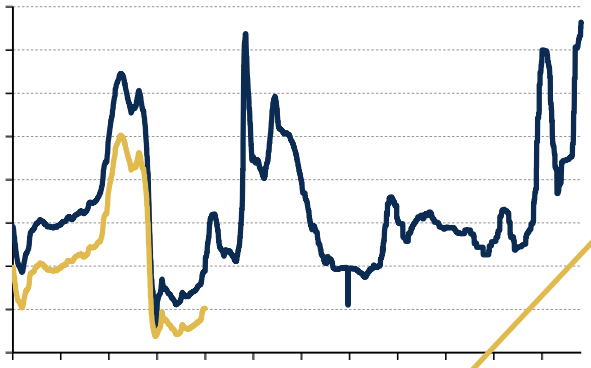
Source: Company data, BofA Merrill Lynch Global Research estimates

t glass is the largest user of soda ash in China – constituting soda ash demand



ND, SCI99.com, CEIC, NBS, BofA Merrill Lynch Global Research estimates

Chart 44: China soda ash prices reached a historical high this year



Source: IHS, Glassinfo, WIND, SCI99.com, CEIC, NBS, BofA Merrill Lynch Global Research estimates

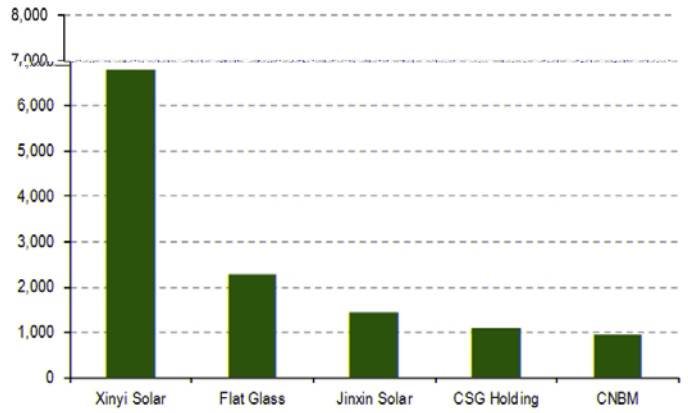
100%

0% 100

201 0%

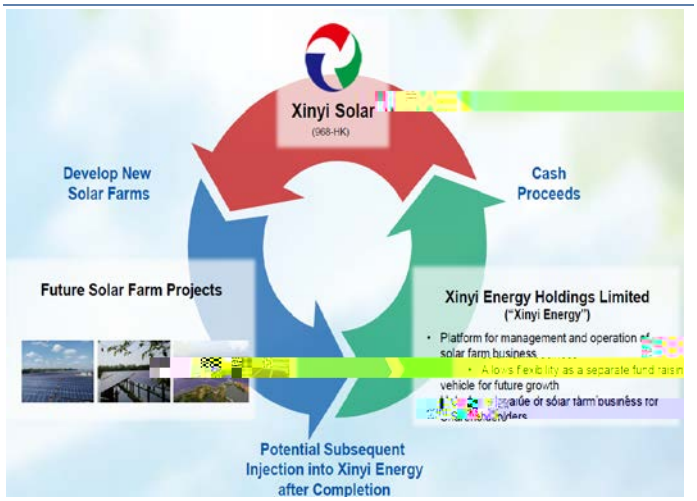
201 .

Exhibit 9: Top 5 solar glass producers in China (tonnes/day) - XYS has the highest solar gas production capacity



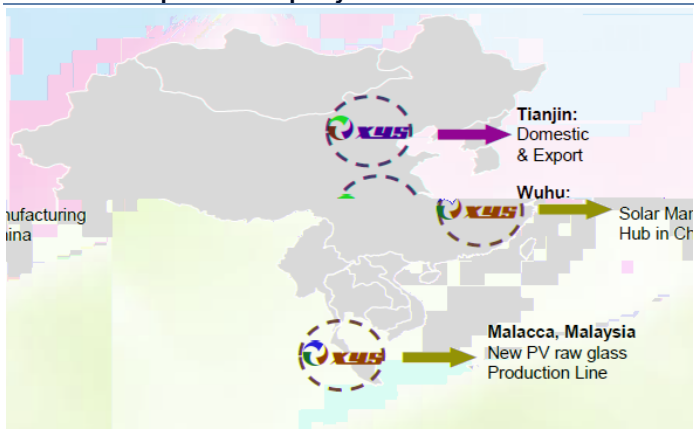
Source: Company data, BofA Merrill Lynch Global Research estimates

Exhibit 10: XYS: Future development – new platform for solar farm business



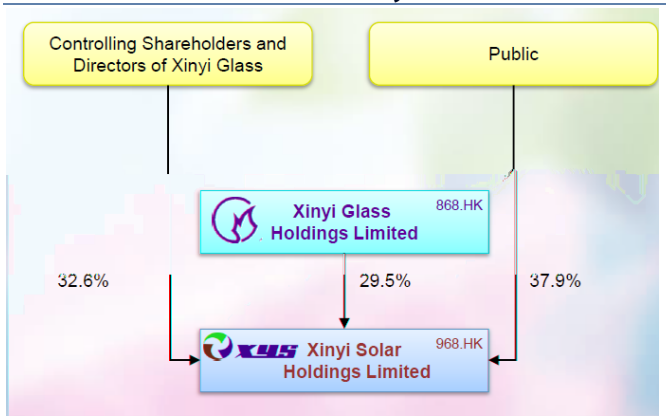
Source: Company data, BofA Merrill Lynch Global Research estimates

Exhibit 11: XYS' production capacity in China



Source: Company data, BofA Merrill Lynch Global Research estimates

Exhibit 12: XYG holds 29.5% of XYS as of June 2017

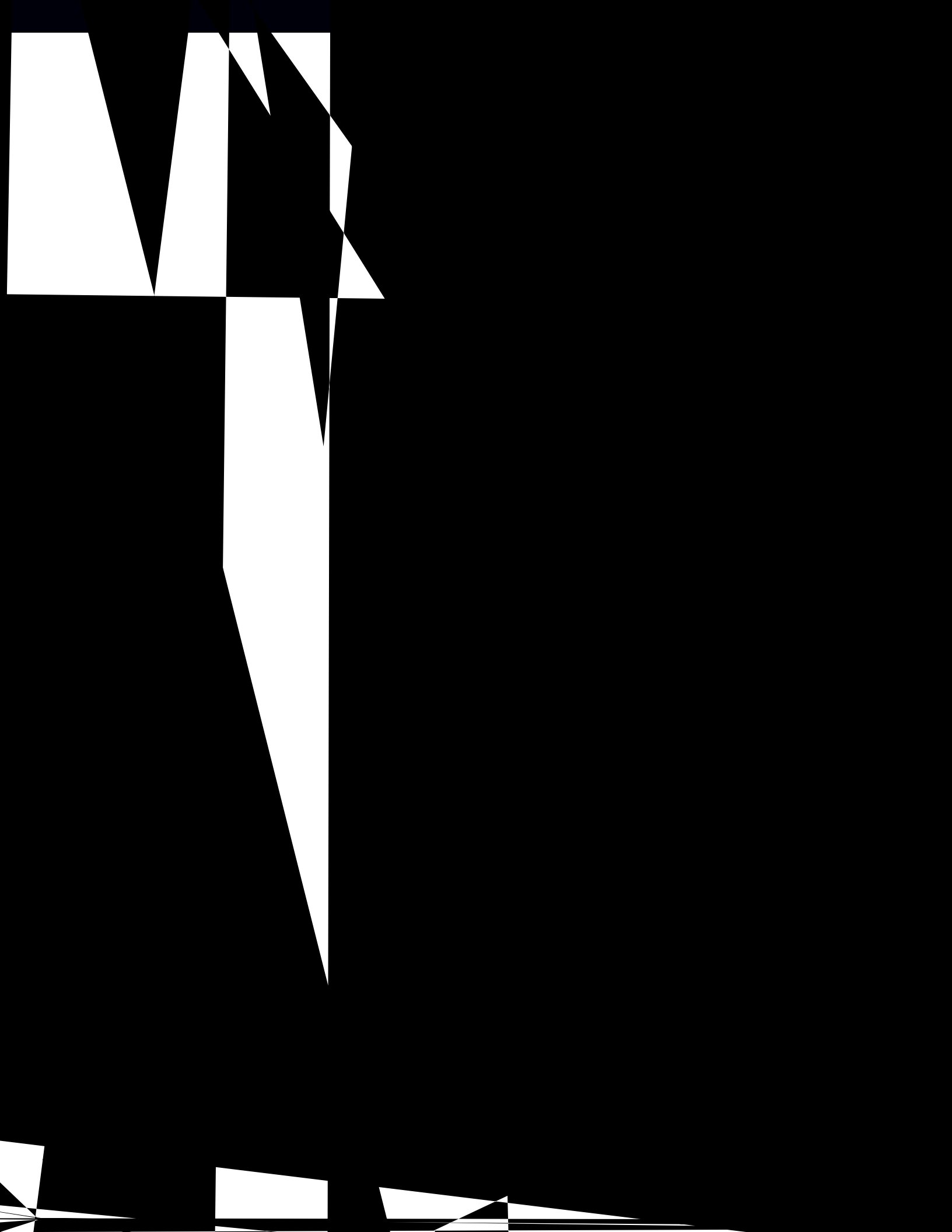


Source: Company data, BofA Merrill Lynch Global Research estimates

Exhibit 14: Xinyi Glass Share Buyback by Company and Management - analysis

	Total Buyback					Management Buyback					Company Buyback				
	No. of shares bought back (mn)	% bought back	Total consideration (HK$mn)	Bought back sh px (HK$)	Average share price	No. of shares bought back (mn)	% bought back	Total consideration (HK$mn)	Bought back sh px (HK$)	Average share price	No. of shares bought back (mn)	% bought back	Total consideration (HK$mn)	Bought back sh px (HK$)	Average share price
YTD 2017	40.6	1.0%	300.7	7.4	7.4	40.6	1.0%	300.7	7.4	7.4	0.0	0.00%	0.0	na	7.4
2016	82.8	2.1%	380.8	4.6	5.5	22.9	0.6%	131.6	5.8	5.5	60.0	1.50%	249.2	4.2	5.5
2015	76.5	2.0%	273.7	3.6	4.0	76.5	2.0%	273.7	3.6	4.0	0.0	0.00%	0.0	na	4.0
2014	85.0	2.2%	380.4	4.5	5.0	83.7	2.1%	372.2	4.4	5.0	1.3	0.03%	8.1	6.2	5.0
2013	50.5	1.3%	272.1	5.4	5.5	27.9	0.7%	159.5	5.7	5.5	22.6	0.57%	112.6	5.0	5.5
2012	13.6	0.4%	50.2	3.7	3.7	13.6	0.4%	50.2	3.7	3.7	0.0	0.00%	0.0	na	3.7
2011	87.3	2.4%	357.5	4.1	5.2	87.3	2.4%	357.5	4.1	5.2	0.0	0.00%	0.0	na	5.2
2010	88.3	2.4%	283.7	3.2	3.4	55.6	1.6%	156.1	2.8	3.4	32.7	0.84%	127.6	3.9	3.4
2009	19.6	0.6%	49.2	2.5	2.1	19.6	0.6%	49.2	2.5	2.1	0.0	0.00%	0.0	na	2.1
2008	80.1	2.2%	156.2	2.0	1.9	50.2	1.5%	86.9	1.7	1.9	29.9	0.77%	69.3	2.3	1.9

Source: Company data, Bloomberg, BofA Merrill Lynch Global Research estimates



Appendix

Exhibit 15: XYG - Key milestones

1988	Shenzhen Xinyi Autoglass Co., Ltd., the predecessor of Xinyi Glass, was founded in Shenzhen
1989	- Founded in Hong Kong - Started automobile glass business
1998	Started architectural glass business
2005	- Listed on the Main Board of Hong Kong Stock Exchange **(868-HK)** on 5 February 2015 - Started low-emissivity (Low-E) coated glass business
2006	Vertical integration into upstream float glass production
2008	Started production of ultra clear photovoltaic ("PV") glass, which is used in solar power systems, in Jan 2008
2013	- The first ultra-thin electronic glass production line started the trial run in May 2013 - Spun-off its solar glass division **Xinyi Solar Holdings Limited (00968.hk)** for separate listing by way of introduction on the Main Board of Hong Kong Stock Exchange on 12 Dec 2013
2014	- Signed a wind farm project investment framework agreement with The People's Government of Jinzhai County of Lu'An City of Anhui Province in Oct 2014 to start development in wind power industry - Entered into a land acquisition agreement with Perbadanan Kemajuan Negeri Melaka to acquire a land parcel for the construction of a glass production plant in Malacca, Malaysia in Nov 2014
2016	Spun-off its **Xinyi Automobile Glass Hong Kong Enterprises Limited(08328.hk)** for separate listing on the Growth Enterprise Market of Hong Kong Stock Exchange on 11 Jul 2016
2017	First overseas high quality float glass production line in Malacca, Malaysia has commenced operation in 2Q 2017

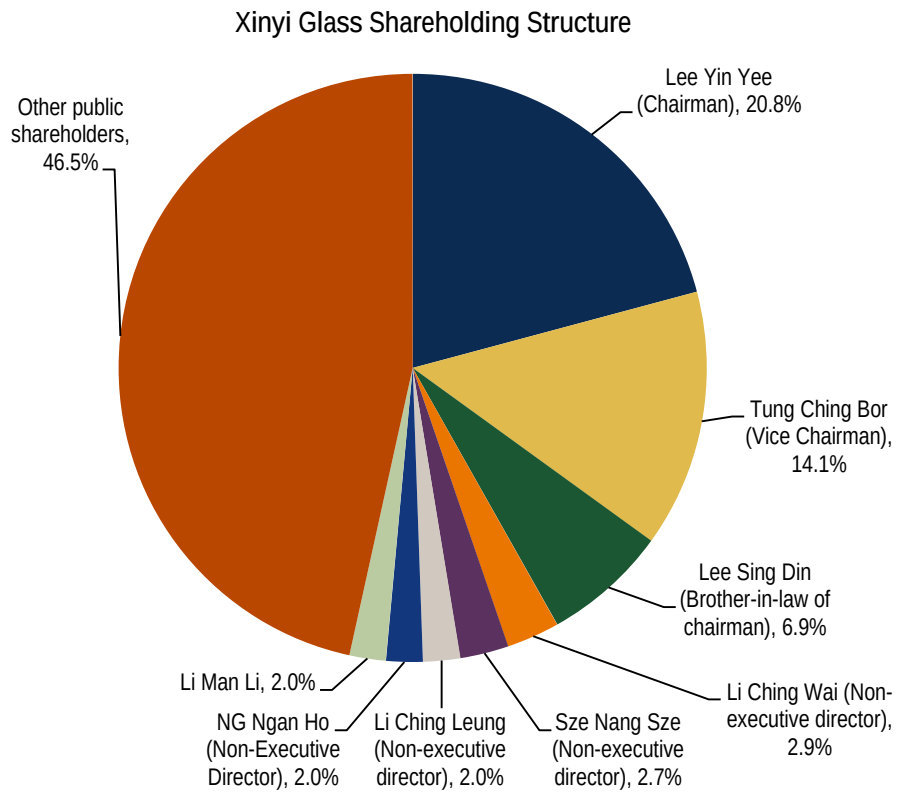
Source: Company data

Table 1: Key management profile

Name	Age	Position	Bio
LEE Shing Kan ( )	37	Executive Director	
LI Ching Wai ( )	59	Non-executive Director	
LI Ching Wai ( )	59	Non-executive Director	
SZE Nang Sze ( )	59	Non-executive Director	
LI Ching Leung ( )	60	Non-executive Director	
NG Ngan Ho ( )	52	Non-executive Director	

Source: Company data, BofA Merrill Lynch Global Research estimates

Chart 57: XYG: Shareholding structure as of 30 October 2017



Source: Bloomberg, Company data, BofA Merrill Lynch Global Research estimates

Price objective basis & risk

Xinyi Glass (XYIGF)

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Analyst Certification

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Special Disclosures

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APR - Metals, Mining & Steel Coverage Cluster

Investment rating	Company	BofA Merrill Lynch ticker	Bloomberg symbol	Analyst
BUY				
	Angang Steel	ANGGF	347 HK	Matty Zhao
	Anhui Conch	AHCHF	914 HK	Matty Zhao
	Anhui Conch -A	AHCAF	600585 CH	Matty Zhao
	Banpu Pcl	XBUPF	BANPU TB	Komsun Suksumrun
	Baosteel	BAOSF	600019 CH	Matty Zhao
	BBMG	BMBGF	2009 HK	Matty Zhao
	BBMG -A	XMRHF	601992 CH	Matty Zhao
	China Coal	CCOZF	1898 HK	Matty Zhao
	China Shenhua	CUAEF	1088 HK	Matty Zhao
	Conch Venture	XIUSF	586 HK	David Ching, CFA
	CR Cement	CJRCF	1313 HK	Matty Zhao
	Eagle Cement Corporation	XEESF	EAGLE PM	Caroline Vergara, CFA
	Hyundai Steel	XHDUF	004020 KS	Andy Euisup Lee, CFA
	Indocement	PI 306.9 559.62 72.48 9.		

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Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	39	50.00%	Buy	22	56.41%
Hold	21	26.92%	Hold	12	57.14%
Sell	18	23.08%	Sell	8	44.44%

Equity Investment Rating Distribution: Global Group (as of 30 Sep 2017)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1513	51.82%	Buy	956	63.19%
Hold	646	22.12%	Hold	396	61.30%
Sell	761	26.06%	Sell	359	47.17%

* Issuers that were investment banking clients of BofA Merrill Lynch or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
Buy	10%	70%
Neutral	0%	30%
Underperform	N/A	20%

* Ratings dispersions may vary from time to time where BofA Merrill Lynch Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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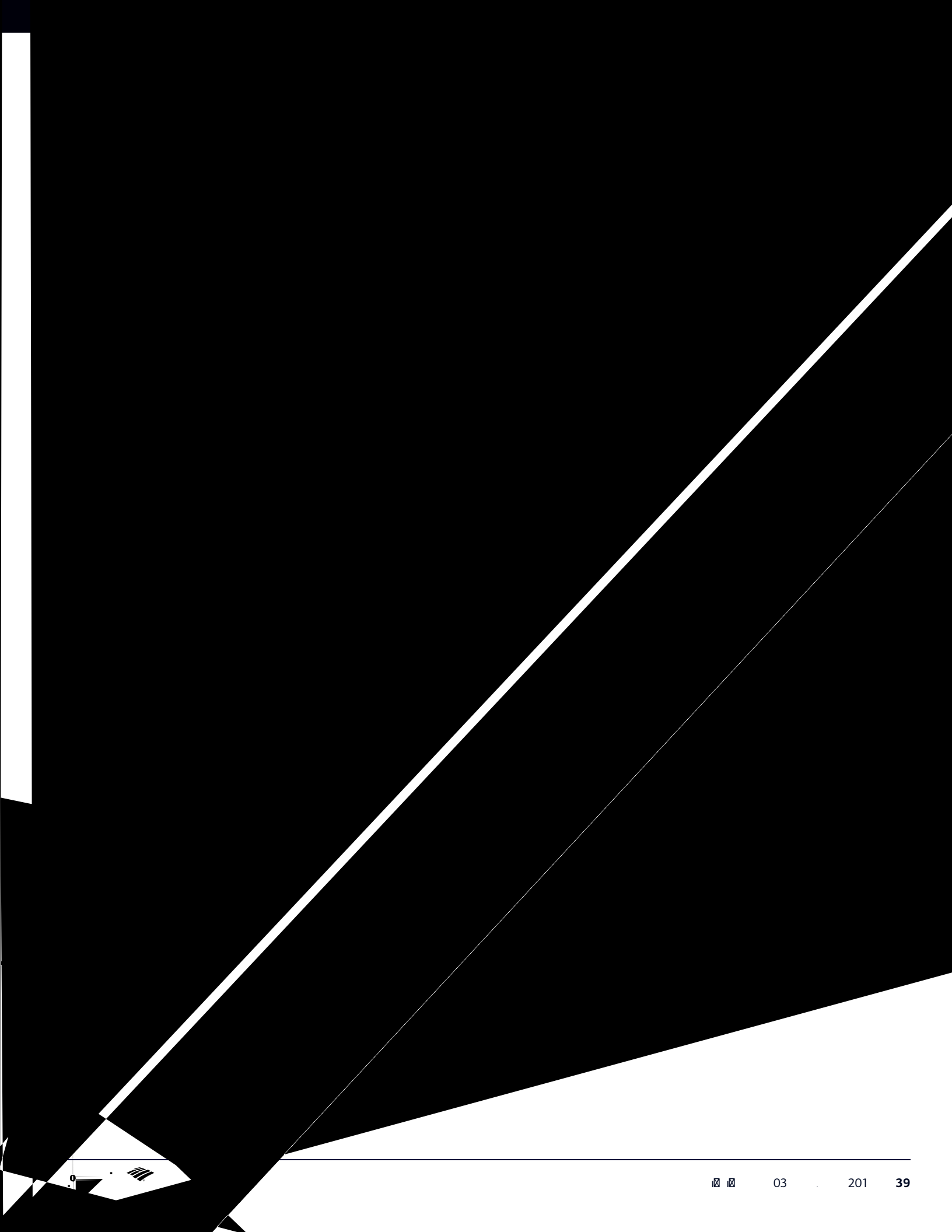
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