



CICC
 中国国际金融有限公司
 CHINA INTERNATIONAL CAPITAL
 CORPORATION LIMITED

Company Update

April 25, 2011

Auto & Parts

RESEARCH

Dong ZHENG, CFA

SFC CE Ref: ALB404

zhengd@cicc.com.cn

Pengyang CHEN

chenpy@cicc.com.cn

Hanyi ZHANG

zhanghy2@cicc.com.cn

ACCUMULATE

Xinyi Glass (00868.HK)

TP Lifted on Solid Fundamentals

(HKD Mn)	2008A	2009A	2010E	2011E	2012E
Revenue	3,894	3,958	6,364	10,271	14,258
(+/-)	40.4%	1.6%	60.8%	61.4%	38.8%
EBIT	768	832	1,896	2,947	3,969
(+/-)	5.7%	8.4%	127.9%	55.4%	34.7%
Net income	709	774	1,571	2,486	3,276
EPS(HK\$)	0.20	0.22	0.44	0.70	0.92
(+/-)	5.7%	9.1%	103.1%	58.2%	31.8%
PE	46.11	42.28	20.81	13.15	9.98
PB	7.43	6.00	4.97	4.13	3.39
EV/EBITDA	16.22	15.02	15.06	9.98	7.71
ROE	16.2%	14.3%	24.0%	31.7%	34.2%
ROCE	14.5%	13.0%	17.7%	24.4%	27.4%
Dividend Yield	2.2%	2.3%	2.3%	3.6%	4.7%
P/OCFPS	13.91	11.99	18.22	10.09	10.24

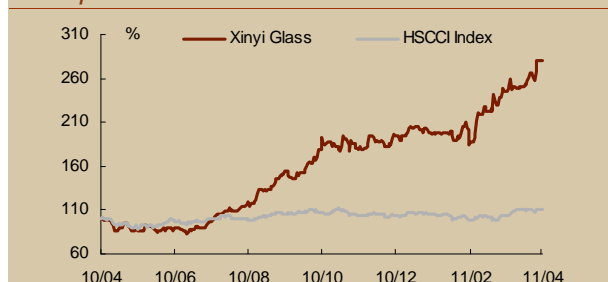
Share information

	H share
Bloomberg code	868 HK
Share price	HK\$9.16
Target price	HK\$10.5
Daily turnover (mn shs)	25.4
52wk high/low	9.18/2.64
Issued shares (mn)	3,517
Free float (mn)	3,517
Market cap (HK\$ mn)	32,217
Major shareholders (%)	Realbest (19.97%)

Recent price performance

	Last week	1m	3m	YTD
[868.HK]	+11.84	+12.25	+42.24	+43.13
[CICC H-share Index]	+0.93	+6.45	+8.43	+7.62
[CICC Auto&Parts Index]	+1.87	+9.30	+0.65	+0.49

52wk performance



Source: Bloomberg, company data, CICC Research

What's new:

We raise Xinyi Glass ("XYG") TP to HK\$10.5 and maintain ACCUMULATE rating.

Strong glass price trend. According to the NDRC, flat glass and float glass prices increased by 5.9% YoY and 4.9% YoY in 1Q2011 (figure 1), suggesting strong downstream demand and solid fundamental support for XYG's float glass capacity expansion (up 75% YoY in 2011).

Japanese earthquake and consequent cautious view on nuclear power plants could further boost solar glass business. XYG's aggressive capacity expansion on solar glass (up 150% YoY in 2011) could continue to provide earning upside surprise in 2011.

High penetration upside on Low-E construction glass in China. China only has a Low E construction glass penetration rate of 8%, compared with Germany's 92% and 50%~80% in most developed countries (Figure 3). While the Chinese government continues to promote energy saving policy in the construction industry, Low E glass is getting cheaper and is a relatively low cost proportion of total construction costs, Low E construction glass could have a bright growth outlook.

Spin-off of solar glass business could provide short term momentum: 1). Expected higher PE valuation in view of high growth of solar glass business; 2). More detailed information disclosure as management is communicating more frequently with investors before the spin-off.

Valuation and recommendation:

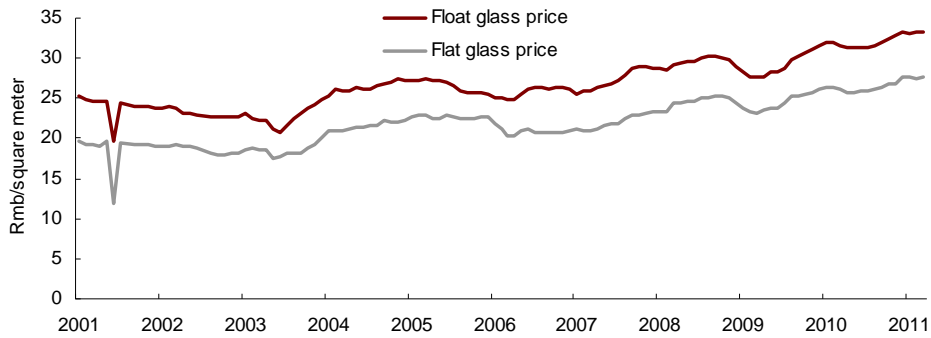
We raise our earning forecast by 17.0% for 2011 and 17.3% for 2012 due to our more bullish view on the counter's outlook. New TP of HK\$10.5 implies 15x targeted 2011 PE. Current stock price still has 14.6% upside to our TP. ACCUMULATE reiterated.

Risks:

Demand uncertainty due to macro-economic turbulence

Please read carefully the important disclosures at the end of this report

1: Flat and float glass price performance



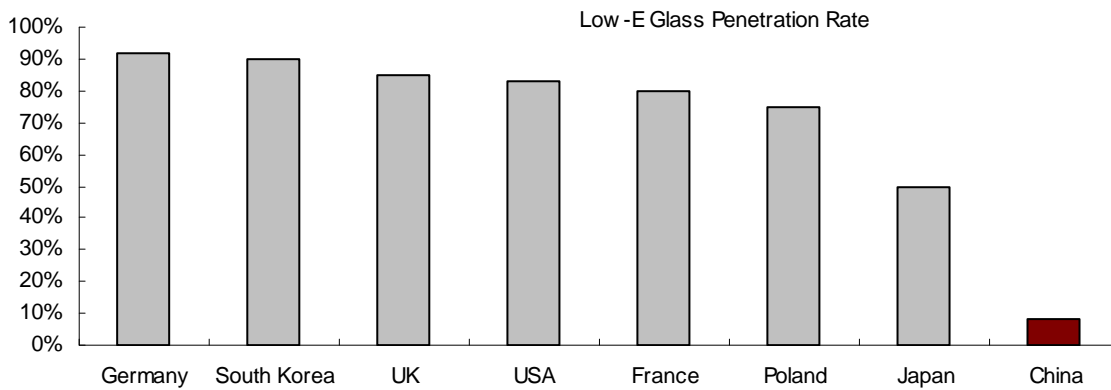
Source: NDRC, CICC Research

Figure 2: Xinyi Glass capacity expansion

Segment	Unit	2009	2010	2011
Auto Glass - aftermarket	000 pcs	10500	11000	12000
YoY			5%	9%
Auto Glass - OEM	000 sets	700	1700	2400
YoY			143%	41%
Low-E Coated Construction Glass	000 sq.m.	9000	12000	16330
YoY			33%	36%
Float Glass	000 melting tons	1119	1489	2600
YoY			33%	75%
Solar Glass	000 melting tons	125	292	730
YoY			134%	150%

Source: Company data, CICC Research

Figure 3: Penetration rate of Low-E glass



Source: ResearchInChina

4: Earning forecast revision

HK\$ MN	2010A	2011E			2012E		
	Actual	Before	After	Change	Before	After	Change
Revenue	6,364	8,939	10,271	14.9%	12,258	14,258	16.3%
COGS	3,809	5,491	6,264	14.1%	7,649	8,873	16.0%
Gross profit	2,555	3,449	4,008	16.2%	4,609	5,385	16.8%
Other income	85	119	137	14.9%	164	191	16.3%
Selling expenses	365	495	569	14.9%	654	761	16.3%
G&A	406	552	629	14.0%	733	845	15.3%
Financial expenses	4	20	20	0.0%	20	20	0.0%
PBT	1,893	2,502	2,927	17.0%	3,366	3,949	17.3%
Income tax	321	375	439	17.0%	572	671	17.3%
Minority interests	-1	-2	-2	17.0%	-2	-3	17.3%
Net income	1,571	2,125	2,486	17.0%	2,792	3,276	17.3%
EPS (HK\$)	0.45	0.60	0.71	17.0%	0.78	0.92	17.3%

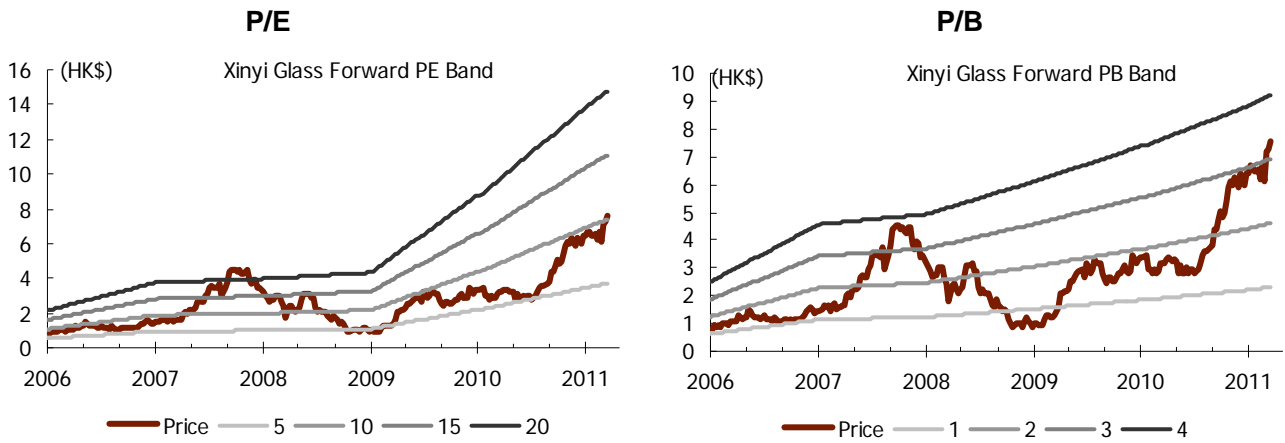
Source: Company data, CICC Research

Figure 5: Historical and forecasted financial data

Income Statement(HK\$ mn)	2007A	2008A	2009A	2010A	2011E	2012E
Turnover	2,775	3,894	3,958	6,364	10,271	14,258
Cost of goods sold	-1,702	-2,683	-2,496	-3,809	-6,264	-8,873
Gross profit	1,072	1,211	1,462	2,555	4,008	5,385
Selling & distribution costs	-286	-318	-268	-365	-569	-761
General & admin expenses	-135	-209	-323	-406	-629	-845
Net interest income/(expense)	-25	-15	-8	-4	-20	-20
Profit before taxation	703	753	824	1,893	2,927	3,949
Taxation	-30	-42	-47	-321	-439	-671
Net profit	671	709	774	1,571	2,486	3,276
Weighted EPS (HK\$)	0.39	0.42	0.44	0.45	0.71	0.92
DPS (HK\$)	0.13	0.20	0.21	0.21	0.33	0.43
Balance Sheet(HK\$ mn)	2007A	2008A	2009A	2010A	2011E	2012E
Cash & cash equivalents	310	436	532	660	587	120
Trade & other receivables	675	661	844	1,537	2,305	3,028
Inventories	511	612	678	820	1,644	1,847
Total current assets	1,559	1,765	2,106	2,999	4,583	5,016
Net fixed assets	3,718	4,627	5,794	7,865	9,463	10,947
Non-current assets	3,811	4,733	5,903	8,017	9,594	11,078
Trade and other payables	626	879	1,447	1,508	3,351	3,532
ST loans	424	722	580	471	471	471
Current liabilities	1,065	1,623	2,052	2,128	3,972	4,155
Shareholder's funds	4,045	4,369	5,411	6,536	7,851	9,582
Cashflow Statement(HK\$ mn)	2007A	2008A	2009A	2010A	2011E	2012E
Operating cashflow	440	1,124	1,323	1,330	3,192	3,169
Investment cashflow	-1,430	-927	-1,359	-2,337	-2,092	-2,092
Financing cashflow	1,107	-62	137	1,136	-1,174	-1,545
Cash & cash equivalent EB	310	436	532	660	587	120
Ratios	2007A	2008A	2009A	2010A	2011E	2012E
Gross margin	39%	31%	37%	40%	39%	38%
ROE	17%	16%	14%	24%	32%	34%
ROA	12%	11%	10%	14%	18%	20%
ROCE	16%	15%	13%	18%	24%	27%
Debt/Equity	0.19	0.13	0.38	0.33	0.33	0.00
Current ratio	1.5	1.1	1.0	1.4	1.2	1.2
Quick ratio	1.0	0.7	0.7	1.0	0.7	0.8
Receivables turnover days	81.8	62.6	69.4	68.3	68.3	68.3

Source: Company data, CICC Research

7: Historical P/E and P/B bands



Source: Bloomberg, CICC Research

Important legal disclosures

General Disclosures

This report has been produced by China International Capital Corporation Hong Kong Securities Limited (CICCHKS). This report is based on information available to the public that we consider reliable, but CICCHKS and its associated company(ies)(collectively, hereinafter "CICC") do not represent that it is accurate or complete. The information and opinions contained herein are for investors' reference only and do not take into account the particular investment objectives, financial situation or needs of any client, and are not an offer to buy or sell or a solicitation of an offer to buy or sell the securities mentioned. Under no circumstances shall the information contained herein or the opinions expressed herein constitute a personal recommendation to anyone. Investors are advised to make their own independent evaluation of the information contained in this research report, consider their own individual investment objectives, financial situation and particular needs and consult their own professional and financial advisers as to the legal, business, financial, tax and other aspects before participating in any transaction in respect of the securities of company(ies) covered in this report. Neither CICC nor its related persons shall be liable in any manner whatsoever for any consequences of any reliance thereon or usage thereof.

The performance information (including any expression of opinion or forecast) herein reflect the most up-to-date opinions, speculations and forecasts at the time of the report's production and publication. Such opinions, speculations and forecasts are subject to change and may be amended without any notification. Past performance is not a reliable indicator of future performance. At different periods, CICC may release reports which are inconsistent with the opinions, speculations and forecasts contained herein.

CICC's salespeople, traders, and other professionals may provide oral or written market commentary or trading ideas that may be inconsistent with, and reach different conclusions from, the recommendations and opinions presented in this report. Such ideas or recommendations reflect the different assumptions, views and analytical methods of the persons who prepared them, and CICC is under no obligation to ensure that such other trading ideas or recommendations are brought to the attention of any recipient of this report. CICC's asset management area, proprietary trading desks and other investing businesses may make investment decisions that are inconsistent with the recommendations or opinions expressed in this report.

This report is distributed in Hong Kong by CICCHKS, which is regulated by the Securities and Futures Commission.

This report is distributed in Singapore only to accredited investors and/or institutional investors, as defined in the Securities and Futures Act and Financial Adviser Act of Singapore, by China International Capital Corporation (Singapore) Pte. Limited ("CICCSG"), which is regulated by the Monetary Authority of Singapore. By virtue of distribution by CICCSG to these categories of investors in Singapore, disclosure under Section 36 of the Financial Adviser Act (which relates to disclosure of a financial adviser's interest and/or its representative's interest in securities) is not required. Recipients of this report in Singapore should contact CICCSG in respect of any matter arising from or in connection with this report.

This report is distributed in the United Kingdom by China International Capital Corporation (UK) Limited ("CICCUK"), which is authorized and regulated by the Financial Services Authority. The investments and services to which this report relates are only available to persons categorized by CICCUK as either a professional client or eligible counterparty. Any investment or investment service to which this report relates is not intended for any other persons and will not be made available to any other persons.

This report may also be made available in other jurisdictions pursuant to the applicable laws and regulations in those particular jurisdictions.

Special Disclosures

CICC may have positions in, and may effect transactions in securities of companies mentioned herein and may also perform or seek to perform investment banking services for those companies. Investors should be aware that CICC and/or its associated person may have a conflict of interest that could affect the objectivity of this report. Investors are not advised to solely rely on the opinions contained in this research report before making any investment decision or other decision.

Distribution of ratings is available at <http://www.cicc.com.cn/CICC/english/operation/page4-4.htm>.

Explanation of stock ratings: "BUY" indicates analyst perceives absolute return of 20% or more within 12 months; "ACCUMULATE" 10%~20%; "HOLD" -10%~10%; "REDUCE" -20%~-10%; "SELL" -20% and below.

Copyright of this report belongs to CICC. Any form of unauthorized distribution, reproduction, publication, release or quotation is prohibited without CICC's written permission.

Beijing

China International Capital Corporation Limited
28th Floor, China World Office 2
1 Jianguomenwai Avenue
Beijing 100004, P.R. China
Tel: (86-10) 6505-1166
Fax: (86-10) 6505-1156

Shanghai

China International Capital Corporation Limited – Shanghai Branch
32nd Floor, Azia Center
1233 Lujiuzui Ring Road
Shanghai 200120, P.R. China
Tel: (86-21) 5879-6226
Fax: (86-21) 5888-8976

Hong Kong

China International Capital Corporation (Hong Kong) Limited
29th Floor, One International Finance Centre
1 Harbour View Street
Central, Hong Kong
Tel: (852) 2872-2000
Fax: (852) 2872-2100

Singapore

China International Capital Corporation (Singapore) Pte. Limited
#39-04, 6 Battery Road
Singapore 049909
Tel: (65) 6572-1999
Fax: (65) 6327-1278

United Kingdom

China International Capital Corporation (UK) Limited
Level 25, 125 Old Broad Street
London EC2N 1AR, United Kingdom
Tel: (44-20) 7367-5718
Fax: (44-20) 7367-5719

Beijing Jianguomenwai Avenue Branch

1st Floor, Capital Tower
6A Jianguomenwai Avenue
Beijing 100022, P. R. China
Tel: (86-10) 8567-9238
Fax: (86-10) 8567-9235

Shanghai Middle Huaihai Road Branch

398 Middle Huaihai Road
Shanghai 200020, P.R.China
Tel: (86-21) 6386-1195
Fax: (86-21) 6386-1180

Shenzhen Fuhuayilu Branch

Rooms 107 & 201, Annex Building
Shenzhen Duty Free Commercial Tower
6 Fuhua 1st Road
Futian District, Shenzhen 518048, P.R. China
Tel: (86-755) 8832-2388
Fax: (86-755) 8254-8243

Hangzhou Jiaogong Road Branch

1st Floor, Euro American Center
18 Jiaogong Road
Hangzhou 310012, P.R. China
Tel: (86-571) 8849-8000
Fax: (86-571) 8735-7743

Nanjing Zhongshan Road (North) Branch

2nd Floor, Greenland Plaza,
1 Zhongshan Road (North)
Nanjing 210008, P.R. China
Tel: (86-25) 8316-8988
Fax: (86-25) 8316-8397

Guangzhou Tianhe Road Branch

40th Floor, Teemtower
208 Tianhe Road
Guangzhou 510620, P.R. China
Tel: (86-20) 8396-3968
Fax: (86-20) 8516-8198

Chengdu Binjiang Road (East) Branch

1st & 16th Floors, Shangri-La Center
9B Binjiang Road (East)
Chengdu 610021, P.R. China
Tel: (86-28) 8612-8188
Fax: (86-28) 8444-7010

Xiamen Lianyue Road Branch

4th Floor, Office Building Paragon Center
1 Lianyue Road
Siming District, Xiamen 361012, P.R. China
Tel: (86-592) 515-7000
Fax: (86-592) 511-5527

Qingdao Middle Hongkong Road Branch

11th Floor, Shangri-La Center
9 Hongkong Road (M)
South District, Qingdao 266071, P.R. China
Tel: (86-532) 6670-6789
Fax: (86-532) 6887-7018

Wuhan Jiefang Road Branch

4th Floor, New World Centre Tower
634 Jiefang Road
Qiaokou District, Wuhan 430032, P.R. China
Tel: (86-27) 8334-3099
Fax: (86-27) 8359-0535

Chongqing Honghu Road (West) Branch

1st & 10th Floors, Ourui Lanjue Center
9 Honghu Road (W)
New North District, Chongqing 401120, P.R. China
Tel: (86-23) 6307-7088
Fax: (86-23) 6739-6636



中国国际金融有限公司
CHINA INTERNATIONAL CAPITAL
CORPORATION LIMITED