



Key Data

Average FY12E PE (x)	-
Average FY12E PB (x)	0.86

Source: Bloomberg, ABCI Securities

Net income in 1H2012 (Rmb mn)

GCL-Poly (3800)	-330.2
Comtec (712)	-121.1
Solargiga (757)	-660.9
China Singyes (750)	135.9
Goldpoly (686)	-98.2
Apollo Solar (155)	-218.4
Shunfeng (1165)	0.3

Source: Company

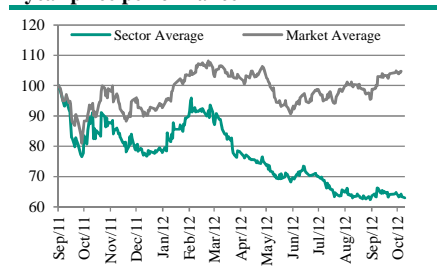
Average share performance (%)

	Absolute	Relative*
1-mth	(5.22)	(7.73)
3-mth	(0.80)	(11.57)
6-mth	(15.96)	(18.12)

*Relative to Hang Seng Index

Source: Bloomberg

1 year price performance



Source: Bloomberg

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Solar Sector

Waiting for final determination by ITC

US Dept of Commerce (DoC) reached its final rulings on imposing AD and CVD on Chinese solar cells exporters but the final results will depend on the final determination made by International Trade Commission (ITC). In our view, the final rulings do not change the fundamentals of the Chinese solar cell producers as they can avoid the duties by shifting their production base elsewhere. However, it makes the similar case in EU much stronger. Policy uncertainties, together with the slow installation demand in 4Q2012 due to seasonality, have added pressures on solar components prices and we remain bearish on the sector outlook.

Waiting for final determination by ITC: US DoC determined in its final decision (on 10 Oct), that solar cells produced in China would be subjected to anti-dumping duties (AD) and countervailing duties (CVD). The ITC is scheduled to make its final determination on or before 23 Nov. If the ITC makes an affirmative final determination that imports of solar cells from China materially injure, or threaten material injury to, the domestic industry, DoC will issue AD and CVD orders on 30 Nov. If the ITC makes a negative determination of injury, the investigations will be terminated.

Chain Effect: Under the ruling, solar modules assembled in China from cells produced in third countries do not fall within the scope of the duties. Therefore, in our view, Chinese producers with sufficient capital can avoid the duties by shifting production to other countries. However, the decision increases the likelihood of potential reaction from China (recall that China is investigating duties on poly imports from the US) and also makes the case for EU tariffs a lot stronger. The market is more concerned on the EU case as it accounted for 70% of the world's demand, and we are worried that apart from solar cells, the EU may expand its investigations to solar wafers and modules, making it harder for Chinese exporters to avoid the duties.

Bearish outlook in the short term: According to PV Insights, average polysilicon price dropped 5.45% to US\$18.5/ton, while solar modules dropped 1.5% to US\$0.68/Watt for the week ended 10 Oct. Due to seasonality, installation demand will drop during winter in Europe, which will continue to put pressures on solar component prices. We see no change to pricing outlook and we remain bearish on the solar sector.

Summary on selected companies in the sector

Company	Ticker	Price HK\$	PB x	Net D/E %	ST/T debt %	YTD perf %
GCL-Poly	3800	1.19	0.95	113.5	44.8	-45.2
Comtec	712	0.68	0.64	10.6	95.2	-30.6
Solargiga	757	0.41	0.48	66.9	45.5	-49.4
China Singyes	750	3.04	1.03	22.9	85.5	+59.7
Goldpoly	686	1.19	1.23	68.3	18.7	+40.2
Apollo Solar	155	0.21	0.27	4.2	0.0	-26.3
Shunfeng	1165	0.18	0.34	199.7	85.5	-43.1

Source: Company, Bloomberg, ABCI Securities



Exhibit 1 - US DoC rulings on anti-dumping duties

	Preliminary rulings	Final rulings
Suntech	31.22%	31.73%
Trina Solar	31.14%	18.32%
Others	31.18%	25.96%
China-wide entity	249.96%	249.96%

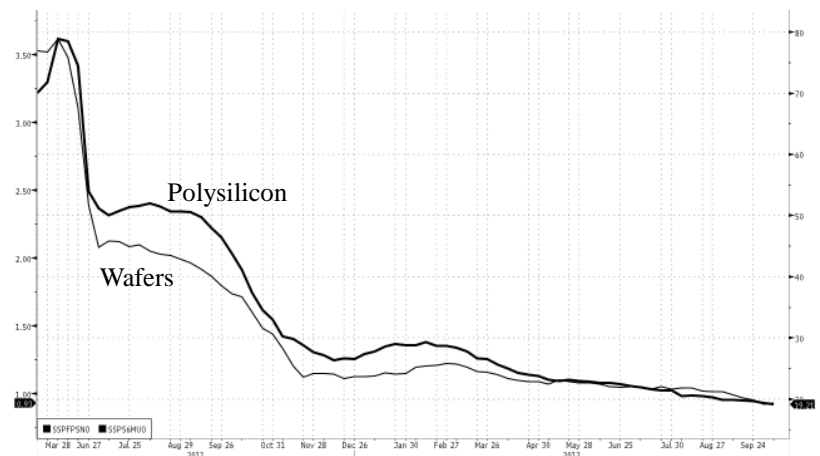
Source: US Department of Commerce

Exhibit 2 - US DoC rulings on countervailing duties

	Preliminary rulings	Final rulings
Suntech	2.90%	14.78%
Trina Solar	4.73%	15.97%
China-wide entity	3.61%	15.24%

Source: US Department of Commerce

Exhibit 3 – Polysilicon (US\$/ton) and wafer prices (US\$/piece)



Source: Bloomberg



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Definition of equity rating

Rating	Definition
Buy	Stock return \geq Market return rate
Hold	Market return - 6% \leq Stock return < Market return rate
Sell	Stock return < Market return - 6%

Stock return is defined as the expected % change of share price plus gross dividend yield over the next 12 months

Time horizon of share price target: 12-month

Definition of share price risk

Rating	Definition
Very high	$2.6 \leq$ 180 day volatility/180 day benchmark index volatility
High	$1.5 \leq$ 180 day volatility/180 day benchmark index volatility < 2.6
Medium	$1.0 \leq$ 180 day volatility/180 day benchmark index volatility < 1.5
Low	180 day volatility/180 day benchmark index volatility < 1.0

We measure share price risk by its volatility relative to volatility of benchmark index. Benchmark index: Hang Seng Index.

Volatility is calculated from the standard deviation of day to day logarithmic historic price change. The 180-day price volatility equals the annualized standard deviation of the relative price change for the 180 most recent trading days closing price.

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