



Key Data

Average FY12E PE (x)	-
Average FY12E PB (x)	0.71

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	7.2	4.1
3-mth	-10.0	-17.7
6-mth	-22.3	-21.7

*Relative to Hang Seng Index

Source: Bloomberg

1 year price performance



Source: Bloomberg

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Solar Sector

India may launch investigation on China solar panels

Following US and EU, India may launch anti-dumping investigation against solar panels made in China. The move might force Chinese solar components manufacturers to move their production base to these countries. In the short term, we believe the chain action brought by the US investigation continues to add uncertainties to the solar sector in China.

Endless drop in solar components price: As system demand growth from China, Japan and the US are not enough to fully cover the Europe system connection loss, the oversupply in solar component continuously pose price cut pressure on the solar value chain. According to PV Insight, polysilicon price dropped 1.3% to US\$19.85/kg, while 156mm x 156mm wafer dropped 3.8% to US\$0.96/piece for the week ended 19 Sep.

India may launch anti-dumping investigation against solar panels made in China:

After EU decided to initiate anti-dumping investigation on Chinese Solar imports in Sep this year, India's Department of Commerce has accepted a request for anti-dumping investigation from its domestic solar industry against their Chinese counterparts.

Although India, only accounts for less than 5% of China export market for solar panels, (compared to 80% of Europe and 10% of US), it may become the first emerging country that launch the investigation against Chinese solar products. We are concerned that other countries, both developed and emerging countries, will follow suit if China lose the case.

Still bearish on sector outlook: With the antidumping accusations made from the US and EU, these major solar products consumers in the world are facing increase in installation costs, which may potentially hurt demand for the whole solar supply chain. Therefore, it is likely that component price downtrend is likely to persist. And the chain reaction, such as the India case, brought from the EU and US investigations, continue to bring uncertainties to the sector.

We maintain our Sell rating for both GCL-Poly (3800) and Comtec (712). In particular, avoid Shunfeng (1165) which has high gearing with 85.5% of debt needed to be repayable within one year.

Summary on selected companies in the sector

Company	Ticker	Price HK\$	PB x	Net D/E %	ST/T debt %	14-RSI
GCL-Poly	3800	1.28	1.03	113.5	44.8	53.8
Comtec	712	0.80	0.52	10.6	95.2	61.9
Solargiga	757	0.41	0.48	66.9	45.5	53.5
China Singyes	750	3.35	1.13	22.9	85.5	58.4
Goldpoly	686	1.14	1.18	68.3	18.7	79.3
Apollo Solar	155	0.03	0.27	4.2	0.0	48.4
Shunfeng	1165	0.18	0.33	199.7	85.5	42.1

Source: Company, Bloomberg, ABCI Securities



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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	$2.6 \leq 180 \text{ day volatility} / 180 \text{ day benchmark index volatility}$
High	$1.5 \leq 180 \text{ day volatility} / 180 \text{ day benchmark index volatility} < 2.6$
Medium	$1.0 \leq 180 \text{ day volatility} / 180 \text{ day benchmark index volatility} < 1.5$
Low	$180 \text{ day volatility} / 180 \text{ day benchmark index volatility} < 1.0$

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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