



Key Data

Average FY12E PE (x)	-
Average FY12E PB (x)	0.89

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
Shunfeng (1165)	0.3

Source: Company

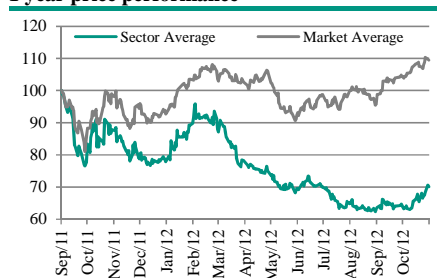
Average share performance (%)

	Absolute	Relative*
1-mth	23.0	17.66
3-mth	31.0	21.34
6-mth	6.5	(0.35)

*Relative to Hang Seng Index

Source: Bloomberg

1 year price performance



Source: Bloomberg

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Solar Sector – Underweight

China’s move in response to EU case

China has filed a World Trade Organization case challenging subsidies provided by some European Union members to promote the solar panel industry. However, the market urgently needs strong catalysts to boost domestic and overseas demand. No bottoming signal is observed on product prices and cash call risk of highly leveraged players is mounting.

China files anti-subsidy complaint against EU: On 5 Nov, the Chinese Ministry of Commerce (MOFCOM) has filed a complaint with the WTO claiming EU member states ‘illegally’ subsidized PV manufacturers. In particular, solar projects in Italy and Greece, which consumed domestically produced solar components, can receive additional subsidies of 10% by-law. These subsidies are said to violate WTO rules on import subsidies which negatively affect Chinese PV exports. China PV exports to Italy dropped by 78.8% YoY to US\$0.8bn for the first nine months in 2012 after the new subsidy rule is announced in 2011. MOFCOM has asked for consultations with the EU. Should no solution be reached within 60 days, China has the right to demand that the WTO pass a final ruling.

We believe the anti-subsidy complaint filed by the MOFCOM is a response to the EU’s decision to launch a similar investigation against Chinese manufacturers on 6 Sep. The complaint might make the case of EU tariffs weaker. Since EU accounted for 70% of the world’s solar demand, any evidences that weaken the EU cases against the Chinese exporters provide short term catalysts to the industry. In addition, the new move from China has showed its determination to promote solar industry growth in China.

Product price trend is a good yardstick to indicate supply outstripping demand significantly: Solar stocks rebounded after Chinese government announced on 25 Oct that they are planning to provide further subsidy to the solar power projects in China. Domestic demand is expected to be boosted subsequently. However, we believe the over-supply phenomenon cannot be turnaround in the short term and the rebound of share prices could be short-lived. According to PV Insights, average polysilicon price dropped 3.4% to US\$16.6/ton, while solar modules dropped 0.5% to US\$0.67/Watt for the week ended 31 Oct. We expect seasonality factor will affect installation demand and will continue to put pressures on solar component prices. In addition, Solargiga (757) plunged after it unveiled to raise HK\$93mn (at right issue price of HK\$0.375/share) by way of a 1-for-9 offer in order to repay outstanding bank loans. The move reflects bankers are unwilling to renew credit facilities to players in the solar industry. Cash call risk of highly leveraged stocks is mounting.

Summary on selected companies in the sector

Company	Ticker	Price HK\$	PB x	Net D/E %	ST/T debt %	YTD perf %
GCL-Poly	3800	1.50	1.20	113.5	44.8	-30.9
Comtec	712	1.10	0.67	10.6	95.2	1.9
Solargiga	757	0.43	0.50	66.9	45.5	-44.9
China Singyes	750	4.53	1.51	22.9	85.5	+81.8
Goldpoly	686	1.27	1.52	68.3	18.7	+46.0

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%

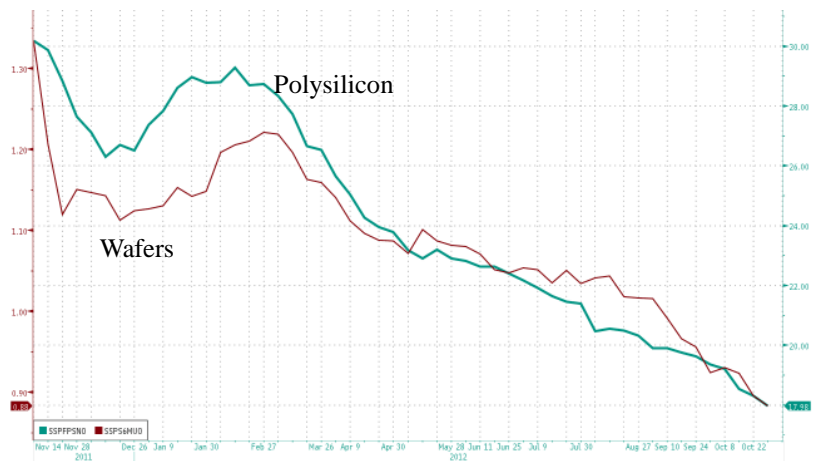
Source: US Department of Commerce

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	$2.6 \leq 180 \text{ day volatility} / 180 \text{ day benchmark index volatility}$
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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