Solar Sector

Anti-dumping investigation

On 6 Sep, EU launched anti-dumping probe into Chinese solar products after an industry association claimed the products were being exported for less than it costs to make them. We believe the imposition of anti-dumping duties will hurt demand for the whole industry and we are still bearish on the solar industry.

EU initiates anti-dumping investigation on Chinese Solar imports: The EU will conduct an investigation into dumping claims initiated by SolarWorld and more than 20 European companies within the PV industry over wafers, cells and modules imported into the EU from Chinese manufacturers.

Newly installed solar power capacity in Europe accounted for 72.7% of total newly installed capacity in the world in 2011. While 50% of solar modules are produced in China, 90% of the products are exported. In particular, China exported solar panels and associated key components worth US$26.5bn to EU (vs US$2.8bn to US) in 2011. Therefore the anti-dumping claims from Europe will have a much larger impact to Chinese solar products exporters than to the US claims which has started investigation since May 2012.

Hurting demand for the whole industry: The investigation is expected to last 15 months but that provisional anti-dumping duties could be imposed within nine months if clear evidence of dumping emerges. In the intense price competitive solar markets, any imposition of anti-dumping tax will largely reduce European demand for Chinese solar products. In our opinion, downstream products demand will shift from Chinese producers to Taiwanese producers. Industry consolidation will continue in China and excess capacity will be eliminated. In addition to the cut in feed-in tariff in Germany and Italy and slower electricity consumption growth due to economy slowdown, the imposition of anti-dumping tax, which will increase installation costs of solar power, will further reduce the incentive of solar power installations in the world's largest solar market. We believe the antidumping duties will hurt the solar industry as a whole and we are still bearish on the solar industry. 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 %	SS ratio %
GCL-Poly	3800	1.19	0.95	113.5	44.8	2.2
Comtec	712	0.68	0.64	10.6	95.2	2.1
Solargiga	757	0.41	0.48	66.9	45.5	8.1
China Singyes	750	3.04	1.03	22.9	85.5	6.7
Goldpoly	686	1.19	1.23	68.3	18.7	-
Apollo Solar	155	0.21	0.27	4.2	0.0	-
Shunfeng	1165	0.18	0.34	199.7	85.5	-

Source: Company, Bloomberg, ABCI Securities

Key Data

Average FY12E PE (x)	-
Average FY12E PB (x)	0.83

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

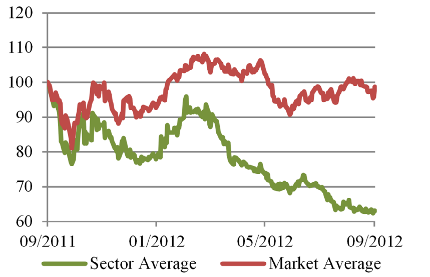
Source: Company

Average share performance (%)

	Absolute	Relative*
1-mth	(0.1)	1.2
3-mth	(10.4)	(16.4)
6-mth	(30.1)	(26.1)

**Relative to Hang Seng Index*
Source: Bloomberg

1 year price performance



Source: Bloomberg

Analyst:
Name: Lisa Lee
Tel: (852) 2147 8809
Email: lisalee@abci.com.hk

Disclosures

I, Lee Oi-yee, Lisa , being the person primarily responsible for the content of this research report, in whole or in part, hereby certify that all of the views expressed in this report accurately reflect my personal view about the subject company or companies and its or their securities. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

Definition of equity rating

Rating	Definition
Buy	Stock return ≥ Market return rate
Hold	Market return – 6% ≤ 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 ≤180 day volatility/180 day benchmark index volatility
High	1.5 ≤ 180 day volatility/180 day benchmark index volatility < 2.6
Medium	1.0 ≤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.

ABCI Securities Company Limited and/or its member companies ("ABCI") may pursue financial interests to the companies mentioned in the report.

Disclaimers

This report is for our clients only and is for distribution only under such circumstances as may be permitted by applicable law. It has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient. It is published solely for informational purposes and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. No representation or warranty, either expresses or implied, is provided in relation to the accuracy, completeness or reliability of the information contained herein. This report should not be regarded by recipients as a substitute for the exercise of their own judgment. Any opinions expressed in this report are subject to change without notice and may differ or be contrary to opinions expressed by other business areas as a result of using different assumptions and criteria. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. The analyst(s) responsible for the preparation of this report may interact with trading desk personnel, sales personnel and other constituencies for the purpose of gathering, synthesizing and interpreting market information. ABCI Securities Company Limited is under no obligation to update or keep current the information contained herein. ABCI Securities Company Limited relies on information barriers to control the flow of information contained in one or more areas within ABCI Securities Company Limited, into other areas, units, Groups or affiliates of ABCI Securities Company Limited. ABCI Securities Company Limited will not pay any research analyst any bonus, salary or other form of compensation that is based upon a specific investment banking transaction. The analysts' compensation shall be based upon several factors. Chiefly among such factors is the quality of the research and financial advice provided to our customers and the impact that the analysts' research has on the success of the Company's overall business. The final compensation of the analyst who prepared this report is determined exclusively by research management and senior management of ABCI Securities Company Limited. The securities described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. The price and value of the investments referred to in this research and the income from them may fluctuate. Past performance is not necessarily indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument mentioned in this report. For investment advice, trade execution or other enquiries, clients should contact their local sales representative. Neither ABCI Securities Company Limited nor any of its affiliates, directors, employees or agents accepts any liability for any loss or damage arising out of the use of all or any part of this report. Additional information will be made available upon request.

Office address : **ABCI Securities Company Limited, 13/F Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong.**

Tel : **(852) 2868 2183**