

Singyes Solar

More solar products to come

to summarize...

- New solar products, solar powered houses, contracted to Nigeria
- Expect the company to launch more solar products
- The 20MW roof top farm short-listed in 2010 Golden Sun demonstration project
- BIPV component awarded government financial support
- Ticker rose to HK\$5.89, 12.3x FY12/10F P/E based on Bloomberg consensus

New solar products, solar powered houses, contracted to Nigeria. We have been to Singyes facilities in Zhuhai a week ago, where we could see a number of solar products demos. At an early time, the company announced a supply contract of US\$13m that provide 1,300 environment friendly solar power houses in Nigeria, where 780 units will be delivered by 2011F end and another 520 by 2012F end. Each of the solar powered house brought US\$10,000 revenue, which should be close to its cost that possibly yield single digit net margin, in our view. We believe this contract essentially have no short-term impact on earnings in 2010F and 2011F.

Longer-term impact of solar powered houses. We believe emerging countries should find solar powered houses interesting. Singyes essentially manufactures or prepares standard components inside their production facilities, where those parts could be easily transported and assembled at the exact location as requested. Developing area or remote area is usually without proper utilities, while this low cost housing unit can be self powered that supports hot water supply and air-conditioning. Residential housing, industrial site accommodations or even guard posts are possible uses. Therefore, we believe the US\$13m Nigeria contract is possibly a small scale test on feasibility. Upon satisfaction, the company can substantially increase capacity to supply this standard product at reducing cost, and the upside potential cannot be determined at this point.

Diagram 1. Singyes solar powered houses in Zhuhai



Source: SBI E2-Capital

Ticker	0750 HK
Rating	Not Rated
Price (HK\$)	5.79
Target Price (HK\$)	n.a.
12m Price Range (HK\$)	3.13-6.08
Market cap. (US\$m)	364.4
Daily t/o (US\$m)	2.20
Free float (%)	55.6

Financial summary

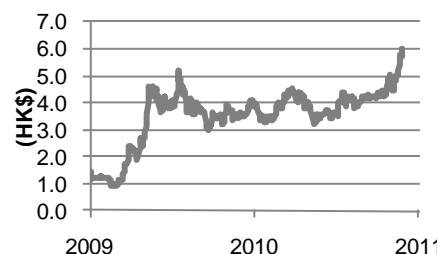
Year to Dec	07A	08A	09A
Turnover (RMBm)	604.7	903.3	1,247.4
Net Profit (RMBm)	70.3	103.5	151.1
EPS (RMB)	0.143	0.211	0.308
P/E (x)	34.6	23.5	16.1
P/B (x)	9.0	5.6	3.0
EV/EBITDA (x)	29.6	20.3	12.1
Yield (%)	0.0	0.0	1.0
ROE (%)	31.0	29.5	24.1
ROCE (%)	31.0	29.5	24.1
N. Gear. (%)	12.5	Net cash	Net cash

Source: SBI/Bloomberg

	10F	11F	12F
Consensus EPS (RMB)	0.412	0.545	0.688
Previous earnings (RMBm)	-	-	-
Previous EPS (RMB)	-	-	-

Price performance

Year to Dec	1m	3m	12m
Relative to HSI (%)	22.5	26.5	59.1
Actual price changes (%)	15.8	37.9	69.8



Source: Bloomberg

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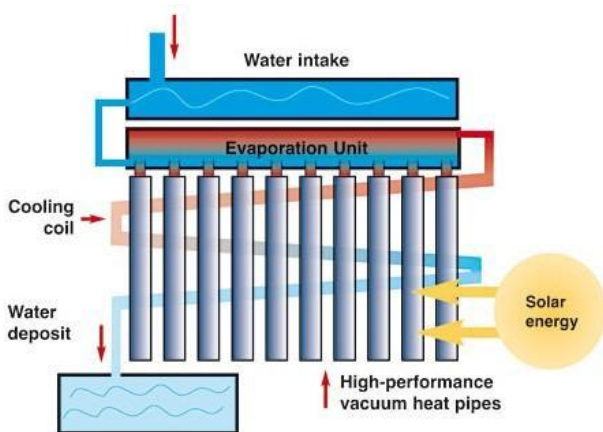
Expect the company to launch more solar products. Singyes emerges to develop solar products of higher complexity. BIPV/T and solar sea water desalination system are examples. BIPV/T is an integrated system that captures both solar photovoltaic and solar thermal energy. Solar water desalination systems utilize high performance vacuum heat pipes without the use of chemical or radiation treatment. With gradual delivery of new solar products, increasing contribution from this segment is likely.

Diagram 2. BIPV/T



Source: company courtesy

Diagram 3. Solar sea water desalination system



Source: compiled SBI E2-Capital

The 20MW roof top farm short-listed in 2010 Golden Sun project. Besides progress in solar products, the company also made progress in BIPV projects. In late Nov, a 20MW roof top solar farm project on the roof top of the Company's new factory premises in Hunan was short-listed in the "2010 Golden Sun Demonstration Project". With an estimated pre-subsidy cost of RMB300m (around RMB15m per W, which is essentially very low), post-subsidy initial cash investment may drive down to RMB100m+. Here we estimate 6 hours sunlight a day for 300 days with electricity tariff at RMB1.0 per W. Upon completion, the 20MW project could deliver RMB36m a year, which is a handsome return itself. Besides, since it is the largest project among the 83 projects of merely 170MW (essentially 2MW each on average), it would probably serve as demonstration that further attracts BIPV contracts for Singyes.

BIPV component awarded government financial support. In addition to getting in subsidy list of "2010 Golden Sun Demonstration Project", Singyes also receive support from local government. Also in Nov this year, government of the Guangdong Province awarded RMB3m to Zhuhai Singyes Green Building Technology, BIPV component manufacturing and improving technology of the subsidiary of the Company. Again, although the amount is not especially huge, we see this is indication of government support on both central government level as well as provincial government level.

Valuation. Based on Bloomberg consensus, Singyes is trading at 12.3x and 9.3x P/E for FY12/10F and FY12/11F, which is among mid-to-low range within HK-listed solar companies.

Table 1. Valuation comparison

Company	Ticker	Fiscal year end	Mkt Cap (US\$m)	P/E (x) 1-year forward	2-year forward
GCL ENERGY HLDGS	3800 HK Equity	12/2009	3,941.9	14.2	10.0
COMTEC SOLAR	712 HK Equity	12/2009	462.4	13.6	7.1
SOLARGIGA ENERGY	757 HK Equity	12/2009	433.5	17.1	10.4
TRONY SOLAR HOLD	2468 HK Equity	06/2010	844.9	11.1	9.3
CHINA SINGYES SO	750 HK Equity	12/2009	370.9	12.3	9.3

Source: Bloomberg, SBI E-2 Capital

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SELL : absolute downside of >10% over the next six months

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