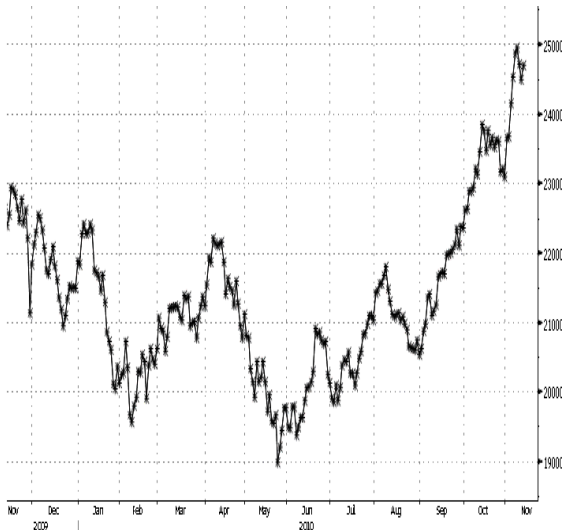


Hang Seng Index Performance



Source: Bloomberg

Index Performance

	Close	Abs Chg		% Change	
		1-Day	1-Day	1-Mth	3-Mth
Hong Kong					
Hang Seng Index	24,700.30	199.69	0.82	6.83	17.03
HSCI	3,480.31	21.65	0.63	6.41	18.00
HSCCI (Red Chips)	4,426.50	48.58	1.11	3.13	11.72
HSCEI (H-Shares)	14,088.03	198.71	1.43	8.54	21.48
Mkt T/O (\$ Mn)	122,788.46	13,508.01	12.36	28.96	100.12
Overseas					
DJIA	11,283.10	-73.94	-0.65	2.48	8.71
NASDAQ	2,555.52	-23.26	-0.90	6.38	15.71
Shanghai SE Composite	3,147.74	32.39	1.04	10.78	22.22
Dec Crude Oil (US\$)	87.81	0.00	0.00	6.81	12.55
Dec Gold (US\$)	1404.00	1.00	0.07	4.28	15.54
USD / Euro	1.3650	-0.0002	-0.01	-1.56	6.24
Yen / USD	82.332	-0.1562	-0.19	0.75	-4.15

	HSCEI	HSI
20-Day MA	13,665.10	23,908.63
50-Day MA	12,851.61	22,811.81
9-Day RSI	65.19	67.28

Market Outlook

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Hang Seng Index surged 200 points or 0.8% to finish at 24,700. HSCEI added 1.4%. Market turnover increased to \$122.8 billion showing that market sentiment remained bullish. **HSBC (5)** advanced 0.9%. **HKEx (388)** plunged 1.5% although its third quarter earnings were higher than expected. Performance of Hong Kong property stocks were mixed. **Sino Land (83)** rose 1.3% whilst **Wharf (4)** declined 1.9%. Coal, oil and insurance stocks outperformed the HSCEI. **Ping An Insurance (2318)** and **PICC P&C (2328)** jumped 4.7% and 3.7% respectively. Rising crude price boosted oil stocks. **CNOOC (883)**, **PetroChina (857)** and **Sinopec (386)** soared 2.9%-3.4%. **China Shenhua (1088)**, **China Coal (1898)** and **Yanzhou Coal (1171)** grew 1.4%-1.6%. **Evergrande (3333)** edged up 7.2% and continued to outperform other Chinese property stocks. **BYD Company (1211)**, the worst performing constituent of the HSCEI, dropped 1.9%. We maintain our view that the Hang Seng Index will move between 24,000 and 25,000 in near term.

Corporate News

Comtec Solar (712, \$3.13)

6M Target \$4.35

BUY

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Event: Comtec Solar System rose 9.4% yesterday with an exceptionally high trading volume.

- Comtec Solar System (CSS) is a pure-play mono-crystalline solar ingot and wafer manufacturer based in China. The company manufactured semiconductor wafers since 2000 and started to shift to solar ingot and wafer since 2004. Currently, CSS's product mix is focused on mono-crystalline solar wafers of 156mm and 125mm squares, accounting for more than 90% of its total revenue.
- CSS's interim results showed significant growth during 1H10, with wafer sales volume surging 218% yoy to 85.3MW, exceeding the total for 2009. Its customer base includes PV module producing giants such as Motech Solar, Suntech, China Sunergy, and JA Solar. The firm should benefit from its strong PRC customer base as the country has made significant progress in promoting the solar industry.
- Although wafers are more or less commodity-like with standard price, wafers from CSS has higher conversion level of ~18%, compared to ~17% industry average according to Solarbuzz. At a standard price, wafer buyers from overseas market such as Taiwan and Germany increased purchase of CSS wafers even in 2009. Quality wafers provides price premium in good times and helps securing sales in difficult times, which lowers per unit cost of production.
- Gross margins grew year-on-year from 10.1% to 22.8% in 1H10, primarily due to a 47.5% plunge in polysilicon prices in the period to Rmb340.7/kg. With international polysilicon prices falling to an all-time

low of around US\$50/kg, CSS should be able to attract customers with increased pricing power due to its gross margin leadership and operational efficiency, with proportionally lower selling, general and administrative expenses than its peers.

- Lagging behind its peers, CSS has a current wafer output of 200MW annually. It intends to expand its capacity to 600MW per year by the end of this year and to 1,000MW by end-2011, this is consistent with its 2011 contracts. The company has secured 770MW wafer orders for 2011 from leading module producers such as JA Solar (JASO US), Suntech Power (STP US), Dongfang Electric (1072 HK) and Sunergy (CSUN US). As the company has raised \$230m by issuing 100m new shares in September 2010, we believe the company may put ~\$200m to boost additional 200MW capacity in 2011, which will bring total capacity to 1,200MW possibly by the end of 3Q 2011.

Company	Ticker	Mkt Cap (HK\$bn)	1H10 Gross Margin	1H10 Net Margin	ROE FY11E	P/E (x) FY11E	2010E-2012E EPS CAGR Growth
Comtec	712 HK	3.51	22.8%	16.0%	26.6%	7.9	61.7%
Solar Giga	757 HK	3.56	12.0%	5.1%	16.4%	11.2	40.1%

Source: GuocoCapital's estimates & Bloomberg

- We forecast CSS's earnings to grow from RMB170mn (EPS RMB 0.161) in 2010 to RMB 381mn (EPS RMB 0.337) in 2011 and RMB 475mn (EPS RMB 0.420) in 2012, representing a strong EPS CAGR of 62% from 2010-2012. Traded at 2011 PER of 7.9x, current valuation of CSS is cheaper than its peer Solargiga and should offer good value to long-term investors given its robust earnings growth momentum in the coming years and strong customer base.
- We initiate coverage on Comtec Solar System with a buy rating and target price of \$4.35 based on 11x 2011 earnings.

Warrant of the day

KC ABC Call (23559, \$0.203)

Underlying asset	Agricultural Bank of China
Exercise price	4.68
Gearing	21.6
Premium	11.5%
Implied volatility	33.4%
Expiry date	1 March 2011

KC ABC Put (25457, \$0.221)

Underlying asset	Agricultural Bank of China
Exercise price	3.98
Gearing	19.8
Premium	14.2%
Implied volatility	36.0%
Expiry date	15 April 2011

RSI Indicator

Overbought (9-day RSI > 80)	43, 57, 73, 81, 148, 162, 174, 226, 269, 280, 319, 349, 375, 448, 450, 467, 472, 503, 566, 611, 655, 715, 750, 827, 861, 889, 933, 945, 1049, 1299, 1638, 1882, 1889, 1999, 2228, 2302, 2333, 2388, 2468, 3300, 3330, 3335, 3823
Oversold (9-day RSI < 20)	851, 1230

Exceptional Turnover & Price Movements

China Timber Resources Group (269)	Share price up 27.5%,	turnover = 31.2x 3-month average
Hutchison Harbour Ring (715)	Share price up 22.0%,	turnover = 22.4x 3-month average
Prosperity Investment (310)	Share price up 19.5%,	turnover = 4.6x 3-month average
Gome Electrical Appliances (493)	Share price up 18.6%,	turnover = 4.3x 3-month average
Chevalier Pacific (508)	Share price up 13.3%,	turnover = 8.2x 3-month average
China Water Industry (1129)	Share price up 12.9%,	turnover = 6.6x 3-month average
United Energy (467)	Share price up 11.6%,	turnover = 2.3x 3-month average
Comtec Solar (712)	Share price up 9.4%,	turnover = 2.9x 3-month average
CNNC International (2302)	Share price up 9.0%,	turnover = 7.7x 3-month average
Tech Pro Technology (3823)	Share price up 8.6%,	turnover = 3.6x 3-month average
Rexlot Holdings (555)	Share price up 7.7%,	turnover = 4.8x 3-month average
Digital China (861)	Share price up 7.3%,	turnover = 2.5x 3-month average
Apollo Solar Energy (566)	Share price up 6.9%,	turnover = 3.4x 3-month average
Xinyi Glass (868)	Share price up 6.9%,	turnover = 2.4x 3-month average
Silver Grant Intl (171)	Share price up 6.8%,	turnover = 3.7x 3-month average
Vinda International Holdings (3331)	Share price up 6.1%,	turnover = 2.3x 3-month average
China Shanshui Cement (691)	Share price up 5.4%,	turnover = 2.2x 3-month average
Brightoil Petroleum (933)	Share price up 5.2%,	turnover = 3.8x 3-month average
Scud Group (1399)	Share price up 5.2%,	turnover = 8.7x 3-month average
China National Materials (1893)	Share price up 5.1%,	turnover = 2.6x 3-month average
Samling Global (3938)	Share price up 4.8%,	turnover = 8.9x 3-month average
Kaisa Group (1638)	Share price up 4.7%,	turnover = 4.2x 3-month average
Lingbao Gold (3330)	Share price up 4.4%,	turnover = 2.7x 3-month average
Vodone (82)	Share price up 4.4%,	turnover = 3.6x 3-month average
Shineway Pharmaceutical (2877)	Share price up 4.3%,	turnover = 2.5x 3-month average
China Oil And Gas (603)	Share price up 3.9%,	turnover = 2.5x 3-month average
Shandong Chenming Paper (1812)	Share price up 3.7%,	turnover = 2.1x 3-month average
Xinjiang Xinxin Mining (3833)	Share price up 3.5%,	turnover = 2.0x 3-month average
Lansen Pharmaceutical (503)	Share price up 3.5%,	turnover = 6.9x 3-month average
Petrochina Co (857)	Share price up 3.3%,	turnover = 2.2x 3-month average
Lenovo Group (992)	Share price up 3.3%,	turnover = 2.8x 3-month average
Hunan Non-Ferrous Metals (2626)	Share price up 3.2%,	turnover = 2.9x 3-month average
Parkson Retail Group Ltd (3368)	Share price up 3.2%,	turnover = 2.6x 3-month average

Upcoming Events

Nov 12	1021	Midas Hldgs	Quarter
Nov 12	18	Oriental Press	Interim
Nov 12	3368	Parkson Group	Quarter
Nov 15	493	Gome	Quarter
Nov 15	423	HKET Hldgs	Interim
Nov 15	322	Tingyi	Quarter
Nov 15	1066	Weigao Group	Quarter
Nov 16	709	Girodano	Quarter
Nov 16	1177	Sino Biopharmaceutical	Quarter
Nov 17	841	Cassava Resources	Interim
Nov 17	283	Goldin Properties	Interim
Nov 17	398	Oriental Watch	Interim
Nov 17	221	PNG Resources	Interim
Nov 17	303	Vtech	Interim

HSI & HSCEI Constituents Performance

Index		Price Change (%)				Outperform	Port, Oilfield Services, Gold				
		5 D	1 M	3 M	vs 3M Low	Underperform	Power Equipment, Shipping, Telecom Equipment				
Hang Seng Index		1	6	16	24	Mixed	Infrastructure, Property (HK), Banking (PRC)				
Hana Seng China Ent Index		1	9	20	20						
Stock Code		Price Change (%)				Company Name		Price Change (%)			
		5 D	1 M	3 M	vs 3M Low			5 D	1 M	3 M	vs 3M Low
358	Jiangxi Copper	13	22	57	62	914	Anhui Conch	0	-3	22	25
2388	BOC Hong Kong	11	14	44	44	3	HK & China Gas	0	-1	-1	3
144	China Mer Hldgs	8	11	17	24	267	CITIC Pacific	0	21	38	41
2899	Zijin Mining	8	6	55	60	1988	Minsheng Bank	0	5	0	7
1171	Yanzhou Coal	6	14	52	56	2	CLP Hldgs	-1	2	11	11
2318	Ping An	6	18	45	45	576	Zhejiangexpress	-1	10	12	20
2883	China Oilfield	6	16	46	53	941	China Mobile	-1	-2	-2	6
753	Air China	6	5	24	35	291	China Resources	-1	0	9	11
857	PetroChina	5	7	20	24	23	Bank of E Asia	-1	4	11	16
13	Hutchison	5	13	39	49	330	Esprit Hldgs	-1	-5	-9	6
1186	China Rail Cons	5	0	2	9	991	Datang Power	-2	-6	-5	1
883	CNOOC	5	6	37	40	1919	China COSCO	-2	-1	9	16
2328	PICC P&C	5	14	53	53	3328	BOCOM	-2	0	2	6
11	Hang Seng Bank	4	4	12	14	66	MTR Corporation	-2	3	7	11
1088	China Shenhua	4	7	29	34	836	China Resources Power	-2	-8	-12	1
1211	BYD	4	-12	-4	10	390	China Railway	-2	4	10	11
762	China Unicom	4	1	12	12	1099	Sinopharm	-2	-5	0	3
902	Huaneng Power	3	-6	0	3	1109	China Res Land	-2	-4	0	7
388	HKEx	3	12	47	57	3323	CNBM	-2	7	40	44
293	Cathay Pac Air	3	1	17	22	1	Cheung Kong	-2	5	25	31
2628	China Life	2	7	7	22	700	Tencent	-2	1	19	28
12	Henderson Land	2	7	18	29	1800	China Comm Cons	-2	1	2	9
2600	CHALCO	2	-1	20	27	3988	Bank of China	-3	15	20	25
1880	Belle Int'l	2	3	18	20	1199	COSCO Pacific	-3	11	33	36
1398	ICBC	2	14	19	22	2777	R&F Properties	-3	3	-4	6
5	HSBC Hldgs	1	6	6	14	998	CITIC Bank	-3	14	14	21
386	Sinopec Corp	1	16	29	30	19	Swire Pacific 'A'	-3	10	27	31
6	HK Electric	1	7	8	10	2038	FIH	-3	-2	-1	17
688	China Overseas	1	-3	1	4	16	SHK Prop	-4	1	19	29
494	Li & Fung	0	3	16	16	1138	China Ship Dev	-4	9	13	22
489	Dongfeng Group	0	11	73	75	939	CCB	-4	14	22	24
1898	China Coal	0	1	34	34	2727	SH Electric	-4	24	46	57
728	China Telecom	0	-4	8	9	1618	MCC	-5	-11	-1	8
17	New World Dev	0	1	17	38	3968	CM Bank	-5	6	10	14
4	Wharf (Hldgs)	0	5	29	37	83	Sino Land	-6	4	15	28
347	Angang Steel	0	-4	8	16	763	ZTE	-6	-7	13	19
168	Tsingtao Brew	0	-5	9	10	101	Hang Lung Prop	-9	-6	8	9

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