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Piper Jaffray Asia Securities Limited

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Piper Jaffray Asia Securities Limited

Related Companies:
712 HK

Share Price:
HK\$2.2

RISKS TO ACHIEVEMENT OF TARGET PRICE:

(1) Cyclical industry; (2) high earnings sensitivity; (3) production ramp risk; (4) concentrated customer base; (5) policy risks; and (6) limited equipment suppliers.

Comtec

712 HK - HK\$2.21

卡姆丹克太阳能

Overweight

Clean Technology & Renewables

Supply Agreement with China Sunergy Reaffirms Robust Demand for 2011

CONCLUSION: Comtec's supply agreement of 100MW monocrystalline solar wafers with China Sunergy (CSUN US) confirms our view that demand for 2011 will be very strong. With increasing order visibility, we are now more confident of Comtec's volume growth story. We expect similar agreements with other major customers over the next few months, which should become positive share price catalysts. Reiterate Overweight and PT of HK\$2.95 (34% upside potential from current levels), based on 8x FY11E P/E.

- **Event: Supplying 100MW to China Sunergy for 2011.** Comtec announced yesterday that it signed a supply agreement to provide China Sunergy with ~100MW of monocrystalline solar wafers in 2011. Pricing will be negotiated on a monthly basis. This will represent ~16% of Comtec's total shipment in 2011 (which we estimate at 610MW) and 10% of its 2011 year-end capacity (1GW).
- **Positive implications on the horizon.** In our view, Comtec's success in securing 16% of its expected 2011 shipment volume has enhanced our belief that the current robust demand has already extended to 2011. We expect to see similar agreements with key customers over the next few months, which will likely become positive share price catalysts.

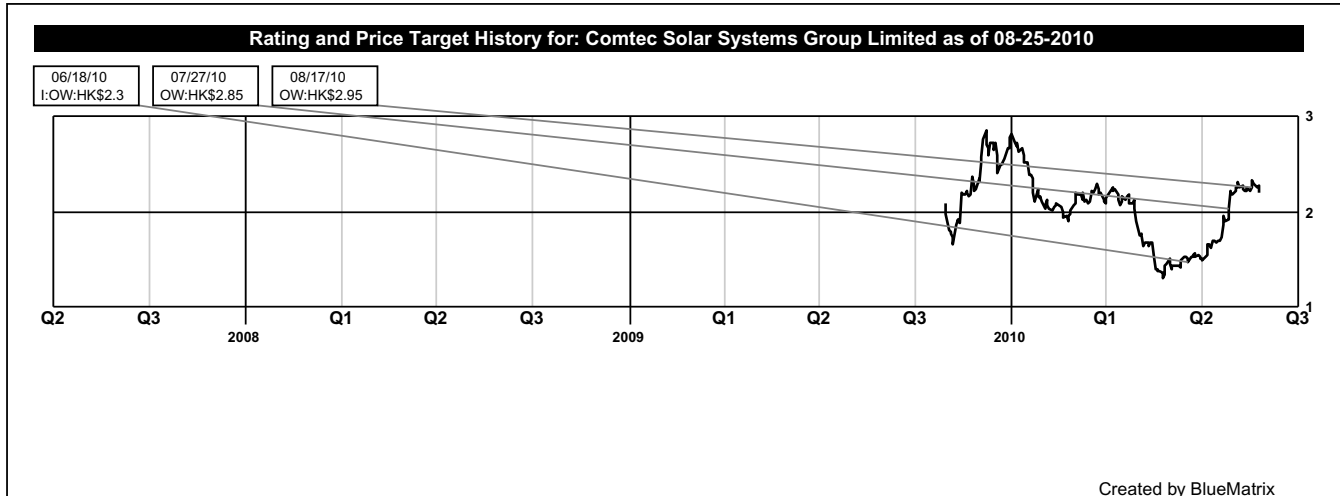
PRICE TARGET AND JUSTIFICATION:

Comtec is now trading at 6x 2011E P/E, implying a 46% discount to global peers. We believe the valuation discount will continue to narrow when more orders from customers are confirmed and capacity ramps up. Reiterate Overweight and PT of HK\$2.95, based on 8x FY11E P/E.

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