

What's catching our eyes...

- **Comtec Solar (0712 HK, HK\$1.27, BUY) – market news on solar demand and potential repurchase of CB**
- **IRC (1029 HK, HK\$1.18, NR) – Better than expected production volume**
- **APAC resources (1104 HK, HK\$0.38, NR) – Cash is king**
- **Gayety Holdings (8179 HK, HK\$3.8, NR) – company visit note**

Research Team

(852) 2533 3700
 sbie2research@sbie2capital.com

Research updates...

Comtec Solar (0712 HK, HK\$1.27, BUY) – market news on solar demand and potential repurchase of CB

Kevin Mak, (852) 2533 3708, kevinmak@sbie2capital.com

What's new? Germany announced earlier this week that the country installed a record of 3GW solar panels in December. It added up to 7.5GW for the full year last year. On the other hand, head of China's National Energy Administration Liu Tienan said the country plans to double the amount of solar capacity in operation by installing 3,000MW this year. Solar stocks rose across the board. Comtec solar issued an announcement yesterday during lunch break adding that it is in discussion of a potential repurchase of its CB and warrants.

Our view and implication. In 2011, solar panel producers generally face suicidal prices on slower-than-expected growth in downstream demand and increase in overall supply. Sentiment turns negative since Q2 last year and a new round of consolidation began. Nevertheless, we continue to believe low cost producer with healthy balance sheet should stay profitable in short-run while less competitive peers would be driven out of market. Certain solar companies including Solyndra have gone bankrupt in 2011. Last Nov, Suntech (STP US) CEO Zhengrong Shi indicated that while top 6 panel producers only accounted for 25% global supply in mid 2010, by the end of 2011 together they captured 50%+ market share. We believe recent news supported our view that solar market momentum is reduced; but not reversed. As for the RMB654.5m nil-coupon CB of Comtec Solar, in case of full repurchase, there would be liquidity pressure which would affect our view on the company.

Wednesday and Thursday trading. Chinese solar makers climbed on Wednesday in US market. JA Solar (JASO US) gained 34.7% and Trina Solar (TSL US) rose 29%. On Thursday, Comtec Solar rose 19% while GCL Poly (3800 HK) and Solargiga (0757 HK) rose 14% and 16% respectively. We have a BUY rating with HK\$3.47 TP on Comtec Solar and would review the company shortly. According to Bloomberg consensus, the counter is trading at 7.5x and 5.8x P/E for FY12/11F and FY12/12F.

Ticker	0712 HK
Rating	BUY
Price (HK\$)	1.27
Target Price (HK\$)	3.47 (+173%)
12m Price Range (HK\$)	0.94 - 4.80
Market cap. (US\$m)	183.2
Daily t/o (US\$m)	0.5
Free float (%)	36.6

IRC (1029 HK, HK\$1.18, NR) – Better than expected production volume

Isaac Lau, (852) 2533 3723, isaaclau@sbie2capital.com

What's new? IRC released 4Q update. Company is a medium scale iron ore miner in Far East Russia. The current operating mine - **Kuranakh** commenced production in May 10 and fully ramped up in 11. According to the company announcement, IRC achieved and exceeded its production target on Kuranakh that iron production and ilmenite production are 6.7% and 22.1% higher than targeted volume. The average selling price for iron ore dropped by 13% QoQ to US\$131/t whereas the average selling price for ilmenite rose by 34% QoQ to US\$259/t. For the 1H FY12/11A, roughly 97% of revenue was contributed by iron ore sales. The vanadium JV with Jianlong steel (建龍), which is the largest private-owned enterprises in Hebei, had started up production in late 2011, which will slightly off set the adverse effect on iron ore price dump. On the other hand, the company's major asset **K&S**, which is a 16.7x larger in resource and reserve than Kuranakh, consistently completed its construction as planned and expected to start commencing in 2013.

Our view. Kaurakh is a relative small project as compared K&S, which the later one expected to have significant lower direct mining cash cost and railway transportation cost. Coupled with the IRC successfully draw down of US\$346m ICBC loans for K&S, we see IRC as a good mid to long term investment.

Ticker	1029 HK
Rating	NR
Price (HK\$)	1.18
Target Price (HK\$)	n.a.
12m Price Range (HK\$)	0.91-2.52
Market cap. (US\$m)	508.6
Daily t/o (US\$m)	0.5
Free float (%)	26.23

APAC resources (1104 HK, HK\$0.38, NR) – Cash is king

Isaac Lau, (852) 2533 3723, isaaclau@sbi2capital.com

What's new? APAC resources (APAC) disposed all of its 13.14% shares in LSE listed company – Kalahari (KAH) at offer price GBP2.4355 as a result of an unconditional cash offer bid from CGNPC-URC and CAD fund for a total cash consideration of HK\$978.9m (GBP81.5m). The earliest potential recommended offer was made at offer price GBP2.9 1Q11, and subsequently market rumour offer price revised down to GBP2.43 in late last year. APAC originally acquired 7% of Kalahari on May 2010 at subscription price GBP1.82 for consideration of GBP29.6m. and subsequently acquire further interest to 14.82% via open market and subscription of new shares at placing price GBP2.32 during 2010. Assuming the average purchase price of KAH to be –GBP2.00, hence the expected gain of disposal is around HK\$213.0m (22% gain).

Our view and valuation. The extra cash provides APAC stronger cash position. In our view, company might therefore issue special dividend and more active to seek for potential mining related investment opportunities. The current P/E is trading at 1.7x.

Ticker	1104 HK
Rating	NR
Price (HK\$)	0.38
Target Price (HK\$)	n.a
12m Price Range (HK\$)	0.22-0.54
Market cap. (US\$m)	342.5
Daily t/o (US\$m)	0.2
Free float (%)	48.52

Gayety Holdings (8179 HK, HK\$3.8, NR) – company visit note

Research Team, (852) 2533 3700, sbie2research@sbi2capital.com

Description: Gayety is in the restaurant business engaging in providing food catering services and operating service of restaurants. The business is classified in two services categories: Chinese cuisine and banquet services. Chinese cuisine including Cantonese dim sum and main courses, fresh seafood delicacies and specialty Chinese cuisine such as roast suckling pigs, dishes cooked with charcoal stoves and traditional walled village cuisine. The banquet service provides Chinese wedding banquet and dining services for large-scale gathering events.

Financials: Last reported financial showed that revenue for FY09/2011A increased 15% YoY to HK\$63.7m. Operating profit increased 2.1x to HK\$4.2m. Profit attributable to the owners of the company increased 2.8x to HK\$3m. EPS increased 3.8x to HK\$1.25 cents.

Two brands: The Company operates six restaurants under two brands: Red Seasons Aroma Restaurant and Plentiful Delight Banquet. The restaurants under Red Seasons Aroma Restaurant focuses on serving Cantonese dim sum and specialty Chinese cuisine, such as roast suckling pigs, fried lotus root cakes and pork ribs with plum sauce. Currently there are five restaurants under this brand, one just opened at the end of 2011. Plentiful Delight Banquet serves Cantonese dim sum, fresh seafood delicacies and specialty Chinese cuisine, such as traditional walled village cuisine.

Awards: The Red Seasons restaurant in Lam Tei was awarded by the Michelin Guide Hong Kong Macau with the “Michelin Bib Gourmand” for the second consecutive year in December 2011. The “Michelin Bib Gourmand” is the Michelin Guide distinction awarded to those restaurants which are considered to be “wonderful restaurants with top-quality cuisine at highly affordable prices”.

Ticker	8179 HK
Rating	NR
Price (HK\$)	3.8
Target Price (HK\$)	n.a.
12m Price Range (HK\$)	1.00-4.2
Market cap. (US\$m)	155.9
Daily t/o (US\$m)	0.1
Free float (%)	25

Market Dynamics...

Marco

- David Bonderman's TPG Capital is studying whether to invest in American Airlines parent AMR Corp (AAMRQ US) in bankruptcy, and US Airways Group (LCC US) has hired advisers to assess a possible bid. TPG's review remains in the early stages, and no decisions have been reached about whether to take an AMR stake or buy the company outright.
- Spain sold 10 billion euros of bonds, twice the target for the sale, while Italy sold 12 billion euros of bills, easing concerns the countries would struggle to finance their debts. European Central Bank President Mario Draghi said there are signs the economy is stabilizing.

Corporate

- Superb Summit International (1228 HK, HK\$0.132) – lapsed a placing agreement made on 23 Nov 2011 to place HK\$214.5m worth of 3% 3 years CB at conversion price HK\$0.3, which represent 16.35% of enlarged share capital. The lapse of placing was due to unable complete before long stop date of the placing. (ICBC)
- China Star Entertainment Ltd(0326HK, HK\$0.211) - acquire 50% interest Lan Kwai Fong(Macau), in HK\$13m of cash consideration, representing 1% of the total issued quotas, engaged in entertainment business.
- CVM Minerals (0705HK, HK\$0.12) - acquire 51% of the issued share capital of Victory Dragon, total consideration of HK\$200m, HK\$10m in cash, HK\$106.8min CB, and the rest in consideration shares; HK\$83.2m worth of new shares will be issued at price HK\$0.126, upon fully completion of transaction representing 30.5% of enlarged share, engaged in manufacturing and distributing bottled natural mineral water in China.

- Dalian Port (PDA) (2880 HK, HK\$1.89) – released an estimated annual result. The company expects to record between 15% and 20% YoY higher net profit in 2010, while the net profit in 2010 was RMB813.2m, as a result of growth in ore business, bulk grain business, passenger and Ro-Ro business and general cargo business.
- China Titans Energy Technology (2188 HK, HK\$0.59) – expects a substantial decline in profit for YE FY12/11A as a result of delays in proposed government related projects, vigorous competition from other manufacturers and the increase of relevant cost.
- Midland (1200 HK, HK\$4.08) – expects to incur a loss for 2H FY12/11A and substantial decline in net profit for YE FY12/11A, due to sluggish property market transactions in Hong Kong and in Mainland China.
- Midland IC&I (0459 HK, HK\$) – expects a decline in net profit for YE FY12/11A, due to sluggish property market transactions in Hong Kong and in Mainland China
- Shanghai Growth Investment (0770 HK, HK\$0.039) – expects to record a loss for YE FY12/11A due to (i) realized losses on disposal of the Company's listed securities, (ii) unrealized fair value losses on the Company's direct investments and listed securities, and (iii) a reduction in dividend income from such investment.
- China Taiping Insurance (0966 HK, HK\$14.14) – expects to incur a loss of its major subsidiary TPre with an estimated loss of HK\$94m which largely contributed by the significant claims from the recent flood in Thailand for a total claim of HK\$480m.
- Top Form International (0333 HK, HK\$0.36) – expects to incur a loss for 1H FY06/12A due to lower in sales as a result of weaker market sentiment.
- China Strategic (0235 HK, HK\$0.161) – expects to record material loss on financial assets at fair value for YE FY12/11A.
- Unity Investment (0913 HK, HK\$0.122) – expects to record a widening loss for YE FY12/11A due to realized and unrealized on financial assets.

Upcoming events

Date	Company	Ticker	Events
17/01/2012	PUBLIC FIN HOLD	626	FIN RES
31/01/2012	PICO FAR EAST	752	FIN RES/DIV
15/02/2012	VALE COMMON-DRS	6210	FIN RES
	VALE PREF-DRS	6230	FIN RES
29/02/2012	HKEX	388	FIN RES/DIV
05/03/2012*	GLENCORE-S	805	FIN RES/DIV
07/03/2012	CHONG HING BANK	1111	RESULTS/FIN DIV
14/03/2012	TENCENT	700	FIN RES/DIV
15/03/2012	CHINA SHIP DEV	1138	FIN RES/DIV
13/04/2012	VALE COMMON-DRS	6210	1ST ORD SHAREHOLDER
	VALE PREF-DRS	6230	1ST ORD SHAREHOLDER
25/04/2012	VALE COMMON-DRS	6210	1ST QUARTER RES
	VALE PREF-DRS	6230	1ST QUARTER RES
25/07/2012	VALE COMMON-DRS	6210	2ND QUARTER RES
	VALE PREF-DRS	6230	2ND QUARTER RES
21/08/2012*	GLENCORE-S	805	INT RES/DIV
16/10/2012	VALE COMMON-DRS	6210	2ND ORD SHAREHOLDER
	VALE PREF-DRS	6230	2ND ORD SHAREHOLDER
24/10/2012	VALE COMMON-DRS	6210	3RD QUARTER RES
	VALE PREF-DRS	6230	3RD QUARTER RES

Source: HKEx

Coverage summary

Company	Ticker	Latest update	Rating	Target (HK\$)	Spot (HK\$)	Market cap (US\$m)	Fiscal year end	Target P/E (x)			Consensus P/E (x)			ROE (%)
								Current	1-Yr	2-Yr	Current.	1-Yr	2-Yr	
Comtec Solar	712 HK	18/08/11	BUY	3.47	1.27	183.2	12/2010	13.9	14.3	7.8	4.4	7.5	5.8	17.3
CITIC Telecom	1883 HK	15/08/11	BUY	2.67	1.68	507.8	12/2010	15.9	13.0	11.7	8.7	8.0	7.2	17.2
Larry Jewelry	8351 HK	17/11/11	BUY	1.05	0.72	77.6	03/2011	7.3	9.3	7.6	-	13.2	9.7	(23.3)
Leoch Intl	842 HK	06/01/12	BUY	3.41	1.84	314.5	12/2010	23.8	30.3	24.6	6.0	5.2	3.4	20.0
Ming Fai Intl	3828 HK	05/01/12	BUY	1.80	1.03	87.5	12/2010	7.1	6.3	5.0	4.7	4.9	4.3	13.1
Tongda	698 HK	23/08/11	BUY	0.565	0.215	129.0	12/2010	12.6	10.5	9.3	4.4	4.0	3.3	13.6
Tontine	389 HK	25/08/11	BUY	1.64	0.91	234.9	12/2010	11.4	14.6	11.8	6.2	7.2	5.9	15.9

Source: Bloomberg, SBI E2-Capital

Research archive

Date	Company	Ticker	Rating	Report (click title to get full report)	Analyst
11/01/12	Sanjiang Chemicals	2198 HK	Not Rated	Largest private EO producer in China	SBI Research
10/01/12	Tianjin TEDA	8189 HK	Not Rated	A fertilizer play diversifying into healthcare products...	SBI Research
06/01/12	Leoch International	0842 HK	BUY	Weakened competition for growing demand	Kevin Mak
05/01/12	China Oriental Culture	2371 HK	Not Rated	One-stop media solution provider	SBI Research
05/01/12	Ming Fai International	3828 HK	BUY	Latest corporate announcement...	Baron Sun
30/12/11	HL Technology	1087 HK	Not Rated	Yet to wait for market recovery	SBI Research
06/12/11	Ming Fai International	3828 HK	BUY	Magic in the making...	Baron Sun
17/11/11	Larry Jewelry	8351 HK	BUY	Uncovering a gem	SBI Research
14/11/11	SBI strategy 4Q11	--	--	SBI strategy 4Q11	SBI Research
14/11/11	APAC Resources	1104 HK	Not Rated	Resource Investment and Commodity Business	SBI Research
28/10/11	China Kingstone	1380 HK	Not Rated	Third quarter company update	SBI Research
13/10/11	Soundwill Holdings	0878 HK	Not Rated	More than one single Soundwill Plaza	SBI Research
03/10/11	Singyes Solar	0750 HK	Not Rated	Hunan plant commencing operation	Kevin Mak
27/09/11	Sage International	8082 HK	Not Rated	Attractive discount to NAV	SBI Research
16/09/11	Addchance	3344 HK	Not Rated	Factory land re-development in progress	SBI Research
15/09/11	China Kingstone	1380 HK	Not Rated	Delivering maiden net profit	SBI Research
07/09/11	Solargiga Energy	0757 HK	Not Rated	Cushioned by vertical integration model	Kevin Mak
01/09/11	EcoGreen	2341 HK	Not Rated	Aroma chemicals continue to drive sales	SBI Research
29/08/11	Sage International	8082 HK	Not Rated	High-end funeral service provider	SBI Research
25/08/11	Leoch International	0842 HK	Not Rated	1H in line; expecting more in 2H	Kevin Mak
25/08/11	Tontine	0389 HK	BUY	Sweet wine drives revenue	SBI Research
23/08/11	Tongda Group	0698 HK	BUY	Market is recovering after a bit slow 1H	SBI Research
22/08/11	SBI strategy 3Q11	--	--	SBI strategy 3Q11	SBI Research
22/08/11	Eternite Int'l	8351 HK	Not Rated	Steps into Luxury - completion of Larry Jewelry acquisition	SBI Research
18/08/11	Comtec Solar	0712 HK	BUY	Turning into a defensive year	Kevin Mak
18/08/11	HL Technology	1087 HK	Not Rated	Growth on track though mild margin pressure spotted	SBI Research
15/08/11	Truly International	0732 HK	Not Rated	Riding on two wheels	SBI Research
15/08/11	CITIC Telecom	1883 HK	BUY	Results better than expectation	Kevin Mak
11/08/11	Natural Beauty	0175 HK	Not Rated	Turnaround opportunity watch!	Baron Sun
04/08/11	Comtec Solar	0712 HK	BUY	Short-term earning risk reflected	Kevin Mak
27/07/11	Solargiga Energy	0757 HK	Not Rated	Survived the dark times in 1H	Kevin Mak
21/07/11	NewOcean Energy	0342 HK	Not Rated	Sign of harvest ahead	Kevin Mak
19/07/11	Leoch International	0842 HK	Not Rated	To ramp-up while peers on suspension	Kevin Mak
19/07/11	Heng Xin China	8046 HK	Not Rated	Penetrating in digital cable TV market	SBI Research
15/07/11	Tongda Group	0698 HK	BUY	Will interim be a boost?	SBI Research
30/06/11	YGM Trading	0375 HK	Not Rated	Strong growth in sales of garments and margin improvements	Baron Sun
28/06/11	Ming Fai Int'l	3828 HK	Not Rated	Expanding into a retail consumption play	Baron Sun

Source: SBI E2-Capital

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