

COMPANY NOTE

Estimate Change

China | Clean Technology | Alternative Energy

14 May 2015

Jefferies

GCL-Poly Energy Holdings (3800 HK) Taking Down Estimates To Reflect Weaker Poly/Wafer Pricing

Key Takeaway

Polysilicon prices have fallen by more than expected thus far in the year and we are lowering our 2015 estimates by 13% to reflect this. We believe polysilicon prices will likely disappoint in the second half. We believe shares of the company, now trading on 11x 2016 P/E, are undemanding as we believe the company's downstream aspirations are not fully reflected. We maintain our PT to HK\$2.60 and reiterate Buy.

According to PVinsight, polysilicon have fallen by 17% YTD while wafer prices have fallen by 7% YTD. We would expect polysilicon price to experience a slight recover in the second half driven by a seasonal demand pick up and as the last batch of approved polysilicon imports last year expires, but a recovery will likely be limited. We are forecasting poly and wafer ASP to decline by 21% and 7% YoY in 2015.

Partially offset by polysilicon cost declining by 5% YoY in 2015 and 2016, respectively, as a result of efficiency gain and FBR polysilicon production of 5,000t and 10,000t in 2015 and 2016, respectively. Given the on-going delays and uncertainty in regards to execution, we have not embedded any cost savings from captive power plant or the injection of the Jinshanqiao cogeneration project (still subject to HKex).

China's demand is an x-factor. According to NEA, China has connected over 5.0GW of solar capacity in 1Q15; we believe a large portion was projects constructed completed late last year. The interested in distribution generation projects appears to be increasing but we believe it's not yet ready to take off, making it difficult for China to reach its 17.8GW target.

Downstream business is where we'd position ourselves. We believe the downstream is the part of the value chain where it is possible to build sustainable value. The company targeted to build 2.0/2.5/3.0GW of solar farms in 2015/16/17, respectively. Execution will be difficult, especially given the company's lofty ambitions. According to GCL New Energy, only ~660MW of capacity are currently under construction as of March with ~1.4GW of capacity in the pipeline. We are forecasting GCL New Energy to install 1.0GW and 1.5GW for 2015 and 2016, respectively.

Valuation/Risks

We arrive at the PT of HK\$2.60 based on a SOTP valuation business with a conglomerate discount of 15% to arrive at our HK\$2.60 PT, implying 19% upside. The key risks to our estimates and PT are execution on its solar farm expansion; fluctuation in the poly price; difficulty in cutting costs; and new entrants.

HKD	Prev.	2013A	Prev.	2014A	Prev.	2015E	Prev.	2016E
Rev. (MM)	--	25,530.0	34,792.7	37,224.7	35,644.9	36,832.8	36,060.0	38,584.4
EBITDA (MM)	5,214.8	5,229.1	9,720.3	9,131.2	13,023.2	11,124.7	15,893.3	13,091.2
Net Profit	--	(664.3)	2,188.4	1,955.0	2,908.1	2,538.6	3,489.0	3,036.1
ROE	--	(4.1)%	12.8%	11.3%	15.0%	12.9%	15.8%	13.5%
P/B		2.1x		1.8x		1.6x		1.4x
EPS								
FY Dec	--	(0.04)	0.14	0.13	0.19	0.16	0.23	0.20
FY P/E		NM		17.3x		13.3x		11.1x

BUY

Price target HK\$2.60
Price HK\$2.18

Bloomberg: 3800 HK
Reuters: 3800.HK

Financial Summary

Net Debt (MM): HK\$22,200.9

Market Data

52 Week Range: HK\$3.08 - HK\$1.64

Total Entprs. Value (MM): HK\$55,938.8

Market Cap. (MM): HK\$33,737.9

Shares Out. (MM): 15,476.1

Float (MM): 10,453.1

Avg. Daily Vol.: 141,232,900

Joseph Fong, CFA *

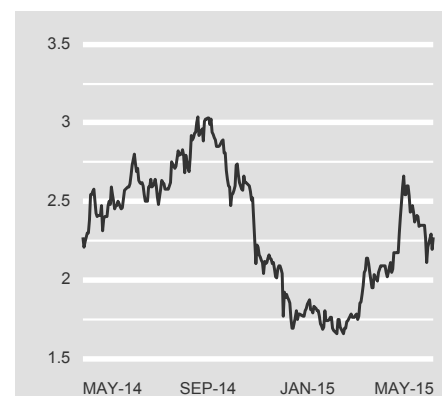
Equity Analyst
+852 3743 8074 jfong@jefferies.com

Howard Lau *

Equity Associate
+852 3743 8082 howard.lau@jefferies.com

* Jefferies Hong Kong Limited

Price Performance



Scenarios

Target Investment Thesis

- Wafer production increased 4% in 2015 and remain flat in 2016
- Total revenues decrease by 1% and increase by 5% in 2015 and 2016, respectively
- Gross margins expand by 3.5ppts in 2015 and an additional 2.9ppts in 2016
- 2015 EPS: HK\$0.16; 2016 EPS: HK\$0.20
- Target Price: HK\$2.60 based on a SOTP valuation

Upside Scenario

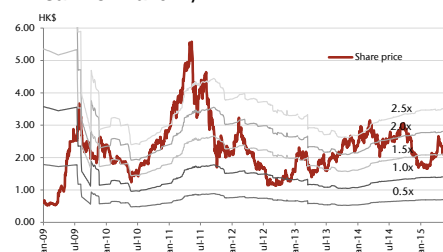
- Wafer production increased 14% and 13% in 2015 and 2016, respectively
- Total revenues increase by 5% and 12% in 2015 and 2016, respectively
- Gross margins expand by 5.0ppts in 2015 and an additional 4.2ppts in 2016
- 2015 EPS: HK\$0.20; 2016 EPS: HK\$0.29
- Target Price: HK\$3.20 based on a SOTP valuation

Downside Scenario

- Wafer production decreased 10% in 2015 and remain flat in 2016
- Total revenues decrease by 9% and increase by 5% in 2015 and 2016, respectively
- Gross margins expand by 2.0ppts in 2015 and an additional 2.0ppts in 2016
- 2015 EPS: HK\$0.12; 2016 EPS: HK\$0.13
- Target Price: HK\$2.10 based on a SOTP valuation

Long Term Analysis

1 Year Forward P/B



Source: Bloomberg, Jefferies estimates

Financial Model Drivers

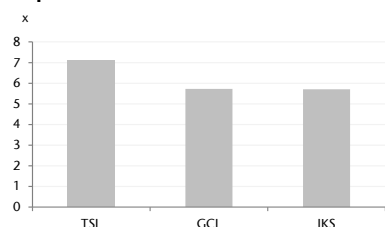
Earnings (FY14-16E) CAGR	25%
Volume CAGR (FY14-16E)	13%
Revenue CAGR (FY14-16E)	2%
EBIT CAGR (FY14-16E)	21%

Other Considerations

As of 2014 YE, GCL's power business consisted of 13 coal-fired co-gen plants, 3 gas-fired co-gen plants, 2 biomass co-gen plants, 2 WTE plant, 1 wind power plant. Total attributable capacity was 889MW.

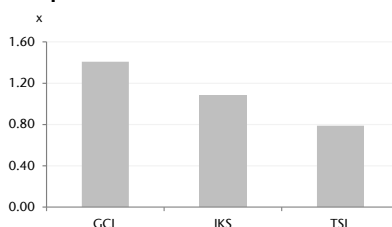
Peer Group

Group 2016 EV/EBITDAs



Source: Bloomberg, Jefferies estimates

Group 2016 P/Bs



Source: Bloomberg, Jefferies estimates

Ratings / Price Target

Ticker	Rec.	PT
3800 HK	Buy	HK\$2.60
TSL US	Buy	US\$16.20
JKS US	Buy	US\$35.30

Catalysts

- Global PV demand accelerates, leading to a polysilicon shortage and higher prices
- Injection of Jinshanqiao cogeneration project
- Captive power plan begins operation

Company Description

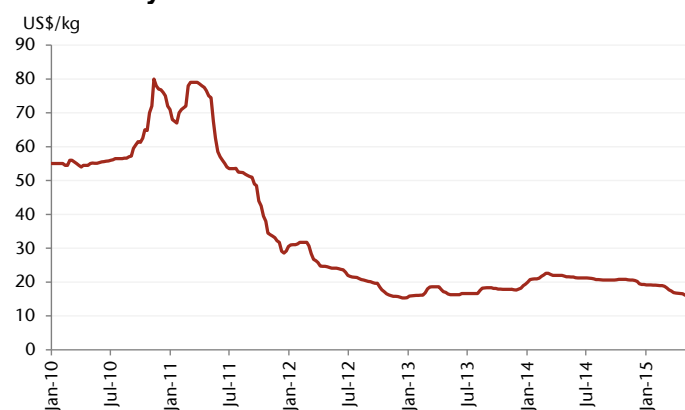
GCL-Poly Energy Holdings is a Chinese power company that produces solar grade polysilicon and operates cogeneration plants and in China.

Taking Down Estimates To Reflect Weaker Poly/Wafer Pricing

Polysilicon prices have fallen by more than expected thus far in the year and we are lowering our 2015 estimates by 13% to reflect this. We believe polysilicon prices will likely disappoint in the second half. We believe shares of the company, now trading on 11x 2016 P/E, undemanding as we believe the company's downstream aspirations are not fully reflected. We maintain our PT to HK\$2.60 and reiterate Buy.

According to PVinsight, polysilicon have fallen by 17% YTD while wafer prices have fallen by 7% YTD. We would expect polysilicon price to experience a slight recover in the second half driven by a seasonal demand pick up and as the last batch of approved polysilicon imports last year expires, but a recovery will likely be limited. We are forecasting poly and wafer ASP to decline by 21% and 7% YoY in 2015.

Chart 2: Polysilicon Price



Source: PVInsights, Jefferies

Chart 3: Polysilicon Price, since Jan 2013



Source: PVInsights, Jefferies

Partially offset by polysilicon cost declining by 5% YoY in 2015 and 2016, respectively, as a result of efficiency gain and FBR polysilicon production of 5,000t and 10,000t in 2015 and 2016, respectively. Given the on-going delays and uncertainty in regards to execution, we have not embedded any cost savings from captive power plant or the injection of the Jinshanqiao cogeneration project (still subject to HKex).

China's demand is an x-factor. According to NEA, China has connected over 5.0GW of solar capacity in 1Q15; we believe a large portion was projects constructed completed late last year. The interested in distribution generation projects appears to be increasing but we believe it's not yet ready to take off, making it difficult for China to reach its 17.8GW target.

Downstream business is where we'd position ourselves. We believe the downstream is the part of the value chain where it is possible to build sustainable value. The company targeted to build 2.0/2.5/3.0GW of solar farms in 2015/16/17, respectively. Execution will be difficult, especially given the company's lofty ambitions. According to GCL New Energy, only ~660MW of capacity are currently under construction as of March with ~1.4GW of capacity in the pipeline. We are forecasting GCL New Energy to install 1.0GW and 1.5GW for 2015 and 2016, respectively.

New capacity in 2015 to put more pressure on the cost curve

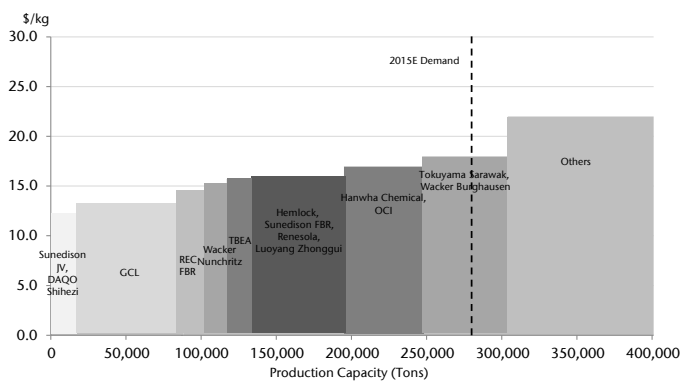
Based on announced plans and discussions with listed companies, we are forecasting Tier I poly manufacturers to add 72kt of new capacity by the end of 2015, increasing existing capacity by 22% YoY from 322kt tons to 394kt tons. We expect capacity additions for 2015 will place more pressure on the cost curve in 4Q15 and forward.

We list the new Tier I capacity additions in 2015 below.

- DAQO Shihezi's expansion plans to increase its capacity by 6,000 tons and is expect to be fully ramp up by 3Q15;
- OCI's expansion plans of 10,000 tons of new capacity has started running in 1Q15;
- GCL Poly's FBR plant with 25,000 tons of new capacity is targeted to ramp up in 2H15, however, only 3,000 tons of the FBR capacity has started operation. In addition, the company is expanding its existing Siemen capacity by 10,000 tons through debottlenecking;
- Wacker's plant in Charleston, Tennessee, should be completed in 2015, adding 20,000 tons of new capacity. The company expect to ramp up 15,000 tons plus capacity by 2H15; and
- SMP, a JV between SunEdison and Samsung Fine Chemical with 10,000 tons of capacity, is set to expand its capacity by 3,500 ton this year

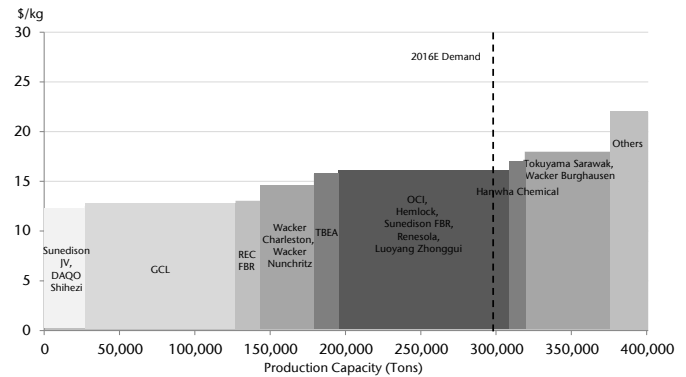
The ~72kt of capacity will be added at a lower production costs, flattening out the left and middle part of the cost curve. We believe the new capacity will largely be operational in the latter part of the year and the price in 2015 will still effectively be set by the YE2014's cost curve.

Chart 6: Polysilicon Cost Curve (YE2014)



Source: Company data, Jefferies

Chart 7: Polysilicon Cost Curve (YE2015)



Source: Company data, Jefferies

We are lowering our 2015 and 2016 EPS by 13%, respectively, to reflect decline in poly prices.

Chart 1: Revising 2015-16 Forecasts

HK\$ m	Old	New		%		2015E	2016E
		2015E	2016E	2015E	2016E		
Poly Production	mt	76,000	85,000	75,000	85,000	-1%	0%
Poly ASP	US\$/kg	19.4	17.9	17.2	16.2	-11%	-9%
Poly Cost	US\$/kg	14.7	14.3	14.7	14.1	0%	-2%
Wafer Production	MW	13,650	13,650	13,650	13,650	0%	0%
Wafer ASP	US\$/W	0.20	0.19	0.21	0.20	1%	6%
Wafer Cost	US\$/W	0.15	0.15	0.15	0.15	2%	0%
Revenues	HK\$ m	35,645	36,060	36,833	38,584	3%	7%
Gross profit	HK\$ m	9,895	11,737	8,864	10,417	-10%	-11%
Margin %	%	28%	33%	24%	27%	-4%	-6%
Operating Profit	HK\$ m	7,319	8,944	6,144	7,454	-16%	-17%
Profit before taxation	HK\$ m	4,377	5,419	3,793	4,687	-13%	-13%
Income tax expense	HK\$ m	(1,094)	(1,355)	(948)	(1,172)	-13%	-13%
Effective tax rate	%	25%	25%	25%	25%	0%	0%
Profit	HK\$ m	3,283	4,064	2,844	3,516	-13%	-13%
Non-controlling interests	HK\$ m	(375)	(575)	(306)	(479)	-18%	-17%
NPT	HK\$ m	2,908	3,489	2,539	3,036	-13%	-13%
Margin %	%	8%	10%	7%	8%	-1%	-2%
EPS	HK\$	0.19	0.23	0.16	0.20	-13%	-13%

Source: Company data, Jefferies

Valuation

We believe shares of GCL Poly could be worth HK\$2.60 per share. We used to an EVA analysis to value the solar farm business, an EV/EBITDA multiple of 5.5x for the power business and an EV/EBITDA multiple of 4.5x for solar material business. We thereafter applied a conglomerate discount of 15% to arrive at our price target of HK\$2.60, implying 19% upside.

We have summarized our analysis below.

Exhibit 1: GCL-Poly Energy SOTP valuation

		GCL-Poly	
Solar/Wafer Manufacturing Business		Target Enterprise Value	88,869
EBITDA (2016E)	8,584	- Net Debt	28,762
x Target multiple	4.5	- Minorities	13,466
Target Enterprise Value (HK\$ m)		Target Market Cap (HK\$ m)	46,642
Solar Farm		÷ Shares outstanding (m)	15,489
Enterprise Value (Rmb m)	32,713	Share price (HK\$/share)	3.01
Rmb to HKD	1.24	Discount to NAV	-15%
Enterprise Value (HK\$m)	40,565	Target Price	2.56
Power Business		Rounded to HK\$0.10/share	2.60
EBITDA (2016E)	1,759	Latest price	2.18
x Target multiple	5.5	Upside	19%
Enterprise Value (HK\$ m)	9,675		

Source: Jefferies estimates, company data

Our sum-of-the-parts analysis results in a target enterprise value of HK\$88.9bn. After subtracting net debt and minorities, we arrive at a target market price of HK\$46.6bn, which translates to a target price of HK\$2.60 after we applying a 15% discount to partially reflect conglomerate discount and concerns over corporate governance.

Risks

The key risks to our estimates and target price are: fluctuation in the polysilicon price; difficulty in lowering production costs; new entrants into the market; competitive pressures increasing; changes to China's regulatory regime; and project execution.

Table 3: Global Polysilicon manufacturers

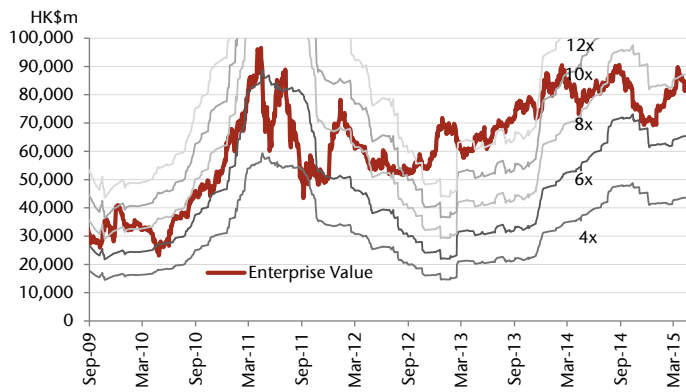
Company	Ticker	Price	Mkt cap				P/E (X)			P/B (X)			ROE (%)		
			(US\$ bn)	Target	Rec.	Upside	2014	2015E	2016E	2014	2015E	2016E	2014	2015E	2016E
TBEA	600089 CH	17.30	9.0	-	NC	-	23.6	22.2	18.1	2.0	2.7	2.5	9.7	12.9	14.0
Wacker Chemie	WCH GR	107.10	6.4	-	NC	-	22.2	36.7	19.9	2.4	2.6	2.3	9.9	7.1	12.5
GCL-Poly Energy	3800 HK	2.18	4.4	2.60	Buy	19%	17.3	13.3	11.1	1.8	1.6	1.4	11.3	12.9	13.5
OCI Co Ltd	010060 KS	99,600	2.2	-	NC	-	nmf	49.4	17.0	0.7	0.8	0.8	-0.7	2.1	5.5
Tokuyama Corp	4043 JP	269.00	0.8	100.00	UNPF	-63%	nmf	nmf	nmf	0.6	0.6	0.6	-34.2	0.0	0.0
REC Silicon ASA	REC NO	1.80	0.6	-	NC	-	2.7	nmf	61.1	0.5	0.5	0.5	21.2	-0.8	-0.9
DAQO	DQ US	24.64	0.3	-	NC	-	13.2	8.5	5.8	1.1	0.8	0.7	9.7	13.6	16.3
Total/average			23.6				15.8	26.0	22.2	1.3	1.4	1.3	3.8	6.8	8.7

Source: Jefferies estimates, Bloomberg

Trading below historical trading range

Shares of GCL-Poly is trading within its historical trading range whether on a P/E, P/B or EV/EBITDA basis off are ours or consensus estimates. Our price target of HK\$2.60 has an implied a 2016 EV/EBITDA of 6x, below historical average, and an implied a 2016 P/B of 1.7x, in-line with historical average. Our price target has an implied 2016 P/E of 13x.

Chart 8: Enterprise Value and EV/EBITDA Band



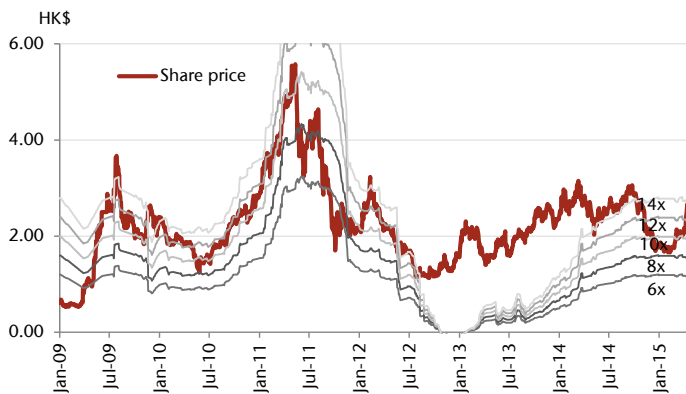
Source: Bloomberg, Jefferies

Chart 9: Historical Forward EV/EBITDA



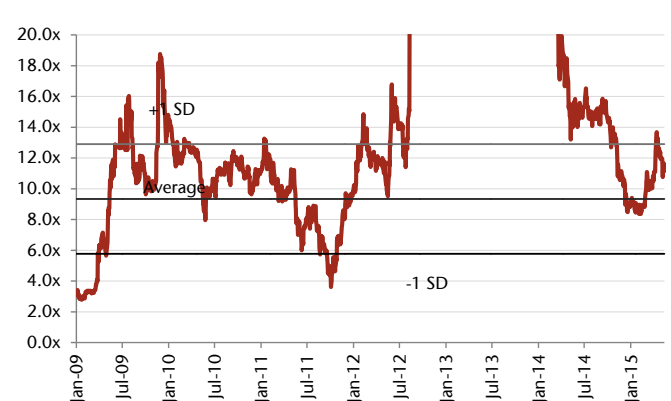
Source: Bloomberg, Jefferies

Chart 10: Share Price and P/E Band



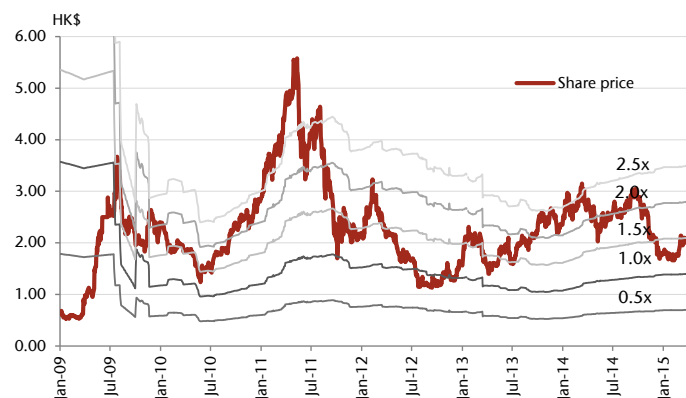
Source: Bloomberg, Jefferies

Chart 11: Historical Forward P/E



Source: Bloomberg, Jefferies

Chart 12: Share Price and P/B Band



Source: Bloomberg, Jefferies

Chart 13: Historical Forward P/B Band



Source: Bloomberg, Jefferies

Key Financials

Table 4: Income Statement

Income Statement					
HK\$ m	2012A	2013A	2014A	2015E	2016E
Total revenues	22,348	25,530	37,225	36,833	38,584
<i>YoY growth</i>	-12%	14%	46%	-1%	5%
Total cost of sales	(20,599)	(22,490)	(29,574)	(27,969)	(28,167)
Total gross profit	1,749	3,040	7,651	8,864	10,417
<i>YoY growth</i>	-79%	74%	152%	16%	18%
Margin	8%	12%	21%	24%	27%
SG&A	(1,953)	(1,828)	(2,585)	(2,560)	(2,795)
Share-based payment expenses	(42)	(26)	(161)	(160)	(167)
Total operating expenses	(1,995)	(1,854)	(2,746)	(2,720)	(2,963)
Operating profit	(246)	1,186	4,904	6,144	7,454
<i>YoY growth</i>	-104%	-582%	314%	25%	21%
Margin	-1%	5%	13%	17%	19%
Net interest expenses	(2,126)	(2,207)	(2,713)	(2,977)	(3,392)
Share of results of associates & JV	(4)	16	48	41	41
Others	(885)	750	556	584	584
Profit before taxation	(3,261)	(256)	2,795	3,793	4,687
Income tax expense	(124)	(190)	(639)	(948)	(1,172)
Effective tax rate	-4%	-74%	23%	25%	25%
Profit	(3,385)	(446)	2,155	2,844	3,516
Non-controlling interests	(130)	(218)	(200)	(306)	(479)
Net profit attributable to shareholders	(3,516)	(664)	1,955	2,539	3,036
<i>YoY growth</i>	-182%	<i>nmf</i>	-394%	30%	0
Margin	-16%	-3%	5%	7%	8%
Basic EPS	(0.23)	(0.04)	0.13	0.16	0.20
Diluted EPS	(0.23)	(0.04)	0.13	0.16	0.20
<i>YoY growth</i>	-182%	-81%	-394%	30%	20%

Source: Jefferies estimates, company data

Table 5: Balance Sheet

Balance Sheet					
HKS m	2012A	2013A	2014A	2015E	2016E
Current assets					
Cash and equivalents	4,496	6,169	5,529	4,709	4,720
Restricted cash	5,015	8,080	11,809	10,809	8,809
Short term investment	15	12	22	22	22
Inventory	3,425	1,657	2,696	2,299	2,315
Account Receivable	8,858	11,176	13,783	9,207	6,468
Loan to associates	80	67	-	-	-
Prepaid and other	40	43	41	41	41
Deferred income taxes	209	48	21	21	21
Assets classified as held for sale	31	-	-	-	-
Total current assets	22,169	28,057	34,319	27,526	22,814
Non-current assets					
Property, plant and equipment, net	42,233	43,995	50,612	59,510	72,255
Prepayment	1,727	1,811	1,773	1,732	1,690
Goodwill	676	652	634	634	634
Intangibles	223	201	173	146	120
Asset from JV	216	341	310	351	391
Asset from associates	236	195	252	252	252
Available-for-sale investment	-	292	-	-	-
Convertible bonds	-	246	175	175	175
Capex prepayment	134	674	1,461	1,461	1,461
Restricted cash	206	163	158	158	158
	45,650	48,585	55,685	64,556	77,273
Total assets	67,818	76,643	90,004	92,082	100,087
Current liabilities					
Accounts payable	9,128	13,737	20,833	15,325	14,662
Amounts due to related companies	130	735	735	735	735
Advances from customers	811	955	973	973	973
Deferred revenue	114	121	122	122	122
Income taxes payable	88	165	234	234	234
Current portion of long-term debt	19,705	24,916	21,951	21,951	21,951
Current portion of leasing expenses	464	654	932	932	932
Total current liabilities	30,439	42,045	48,072	42,565	41,902
Non-current liabilities					
Deferred income taxes	514	418	524	524	524
Long-term debt	15,876	13,044	17,588	22,329	27,481
Other non-current liabilities	3,218	3,131	2,456	2,456	2,456
	19,609	16,593	20,569	25,310	30,462
Total liabilities	50,048	58,638	68,641	67,875	72,363
Minority interest	1,560	1,859	2,958	3,263	3,743
Equity attributable to owners of the Company	16,210	16,146	18,406	20,944	23,980
Total equity	17,770	18,005	21,363	24,208	27,723
Total liabilities and shareholder's equity	67,818	76,643	90,004	92,082	100,087

Source: Jefferies estimates, company data

Table 6: GCL-Poly Energy

Income statement					Cash flow				
HK\$ m	2013	2014	2015E	2016E	HK\$ m	2013	2014	2015E	2016E
Revenue	25,530	37,225	36,833	38,584	Profit before tax	-256	2,795	3,793	4,687
COGS	-22,490	-29,574	-27,969	-28,167	Change in working cap.	3,458	-147	-534	2,060
Operating expense	1,854	2,746	2,720	2,963	Tax paid	-78	-533	-948	-1,172
Operating profit	1,186	4,904	6,144	7,454	Others	5,383	6,926	7,292	8,363
Share of results of assoc. & JCE	16	48	41	41	CF from operations	8,507	9,041	9,602	13,939
Other income	-2,423	-3,473	-3,223	-3,610	Capex	-4,045	-7,127	-13,186	-17,689
Interest income	208	320	246	218	Acquisitions and others	-2,623	-2,322	1,246	2,218
Interest expense	757	996	584	584	CF from investing	-6,668	-9,449	-11,940	-15,471
Pre-tax profit	-256	2,795	3,793	4,687	Equity raised/ (repaid)	6	744	0	0
Tax	-190	-639	-948	-1,172	Debt raised/ (repaid)	1,506	2,285	4,741	5,152
Profit	-446	2,155	2,844	3,516	Dividends, interest and others	-1,841	-3,257	-3,223	-3,610
Minority interest	-218	-200	-306	-479	CF from financing	-329	-228	1,518	1,542
Net profit	-664	1,955	2,539	3,036	Net cash flow	1,510	-636	-820	11
Basic EPS (Rmb)	-0.04	0.13	0.16	0.20	Exchange gain	163	-4	0	0
Diluted EPS (Rmb)	-0.04	0.13	0.16	0.20	Cash at end of year	6,169	5,529	4,709	4,720
Balance sheet					Ratio & financial metrics analysis				
HK\$ m	2013	2014	2015E	2016E		2013	2014	2015E	2016E
Cash	14,249	17,338	15,519	13,529	Revenue Growth	14.2%	45.8%	-1.1%	4.8%
Inventories	1,657	2,696	2,299	2,315	Operating Profit Growth	-582.1%	313.5%	25.3%	21.3%
A/R net of allowances	11,057	13,658	9,082	6,343	EPS Growth	-81.1%	-394.2%	29.8%	19.6%
Other current assets	1,094	627	627	627	Operating Profit Margin	4.6%	13.2%	16.7%	19.3%
Fixed assets	43,995	50,612	59,510	72,255	Net Profit Margin	-2.6%	5.3%	6.9%	7.9%
Others assets	4,590	5,073	5,045	5,018	Payout Ratio	0.0%	0.0%	0.0%	0.0%
Total assets	76,643	90,004	92,082	100,087	Valuation metrics				
ST debt	24,916	21,951	21,951	21,951	PER (x)	nmf	17.3	13.3	11.1
Other current liabilities	17,129	26,121	20,613	19,951	EV/EBITDA (x)	11.7	6.7	6.1	5.7
LT debt	13,044	17,588	22,329	27,481	Price to Book (x)	2.1	1.8	1.6	1.4
Other LT liabilities	3,549	2,981	2,981	2,981	Balance Sheet Ratios				
Total liabilities	58,638	68,641	67,875	72,363	ROE	-4.1%	11.3%	12.9%	13.5%
Shareholder's equity	16,146	18,406	20,944	23,980	ROA	-0.6%	2.6%	3.1%	3.7%
Minority interests	1,859	2,958	3,263	3,743	Net debt to Equity	131.7%	103.9%	118.8%	129.5%
Total liability & equity	76,643	90,004	92,082	100,087	Interest coverage (x)	2.2	3.0	3.5	3.6
					Book value per share	1.04	1.19	1.35	1.55

Source: Jefferies estimates, company data

Company Description

GCL-Poly Energy Holdings Limited, together with its subsidiaries, is engaged in the manufacturing of polysilicon and wafers for the solar industry, the development, management and operation of environmental friendly power plants, as well as the operation of solar system integration business. It has two segments: solar business, which manufactures and sells polysilicon and wafer to companies operating in the solar industry, and power business, which comprises the development, construction, management and operation of power plants and sales of coals. Power plants include coal fueled cogeneration plants, resources comprehensive utilization cogeneration plants, gas fueled cogeneration plants, biomass fueled cogeneration plants, an incineration plant, a wind power plant and others.

Analyst Certification:

I, Joseph Fong, CFA, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security(ies) and subject company(ies). 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 research report.

I, Howard Lau, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security(ies) and subject company(ies). 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 research report.

Registration of non-US analysts: Joseph Fong, CFA is employed by Jefferies Hong Kong Limited, a non-US affiliate of Jefferies LLC and is not registered/qualified as a research analyst with FINRA. This analyst(s) may not be an associated person of Jefferies LLC, a FINRA member firm, and therefore may not be subject to the NASD Rule 2711 and Incorporated NYSE Rule 472 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst.

Registration of non-US analysts: Howard Lau is employed by Jefferies Hong Kong Limited, a non-US affiliate of Jefferies LLC and is not registered/qualified as a research analyst with FINRA. This analyst(s) may not be an associated person of Jefferies LLC, a FINRA member firm, and therefore may not be subject to the NASD Rule 2711 and Incorporated NYSE Rule 472 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst.

As is the case with all Jefferies employees, the analyst(s) responsible for the coverage of the financial instruments discussed in this report receives compensation based in part on the overall performance of the firm, including investment banking income. We seek to update our research as appropriate, but various regulations may prevent us from doing so. Aside from certain industry reports published on a periodic basis, the large majority of reports are published at irregular intervals as appropriate in the analyst's judgement.

Company Specific Disclosures

Within the past twelve months, JinkoSolar Holding Co., Ltd. has been a client of Jefferies LLC and investment banking services are being or have been provided.

Explanation of Jefferies Ratings

Buy - Describes securities that we expect to provide a total return (price appreciation plus yield) of 15% or more within a 12-month period.

Hold - Describes securities that we expect to provide a total return (price appreciation plus yield) of plus 15% or minus 10% within a 12-month period.

Underperform - Describes securities that we expect to provide a total return (price appreciation plus yield) of minus 10% or less within a 12-month period.

The expected total return (price appreciation plus yield) for Buy rated securities with an average security price consistently below \$10 is 20% or more within a 12-month period as these companies are typically more volatile than the overall stock market. For Hold rated securities with an average security price consistently below \$10, the expected total return (price appreciation plus yield) is plus or minus 20% within a 12-month period. For Underperform rated securities with an average security price consistently below \$10, the expected total return (price appreciation plus yield) is minus 20% or less within a 12-month period.

NR - The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Jefferies policies.

CS - Coverage Suspended. Jefferies has suspended coverage of this company.

NC - Not covered. Jefferies does not cover this company.

Restricted - Describes issuers where, in conjunction with Jefferies engagement in certain transactions, company policy or applicable securities regulations prohibit certain types of communications, including investment recommendations.

Monitor - Describes securities whose company fundamentals and financials are being monitored, and for which no financial projections or opinions on the investment merits of the company are provided.

Valuation Methodology

Jefferies' methodology for assigning ratings may include the following: market capitalization, maturity, growth/value, volatility and expected total return over the next 12 months. The price targets are based on several methodologies, which may include, but are not restricted to, analyses of market risk, growth rate, revenue stream, discounted cash flow (DCF), EBITDA, EPS, cash flow (CF), free cash flow (FCF), EV/EBITDA, P/E, PE/growth, P/CF, P/FCF, premium (discount)/average group EV/EBITDA, premium (discount)/average group P/E, sum of the parts, net asset value, dividend returns, and return on equity (ROE) over the next 12 months.

Jefferies Franchise Picks

Jefferies Franchise Picks include stock selections from among the best stock ideas from our equity analysts over a 12 month period. Stock selection is based on fundamental analysis and may take into account other factors such as analyst conviction, differentiated analysis, a favorable risk/reward ratio and investment themes that Jefferies analysts are recommending. Jefferies Franchise Picks will include only Buy rated stocks and the number can vary depending on analyst recommendations for inclusion. Stocks will be added as new opportunities arise and removed when the reason for

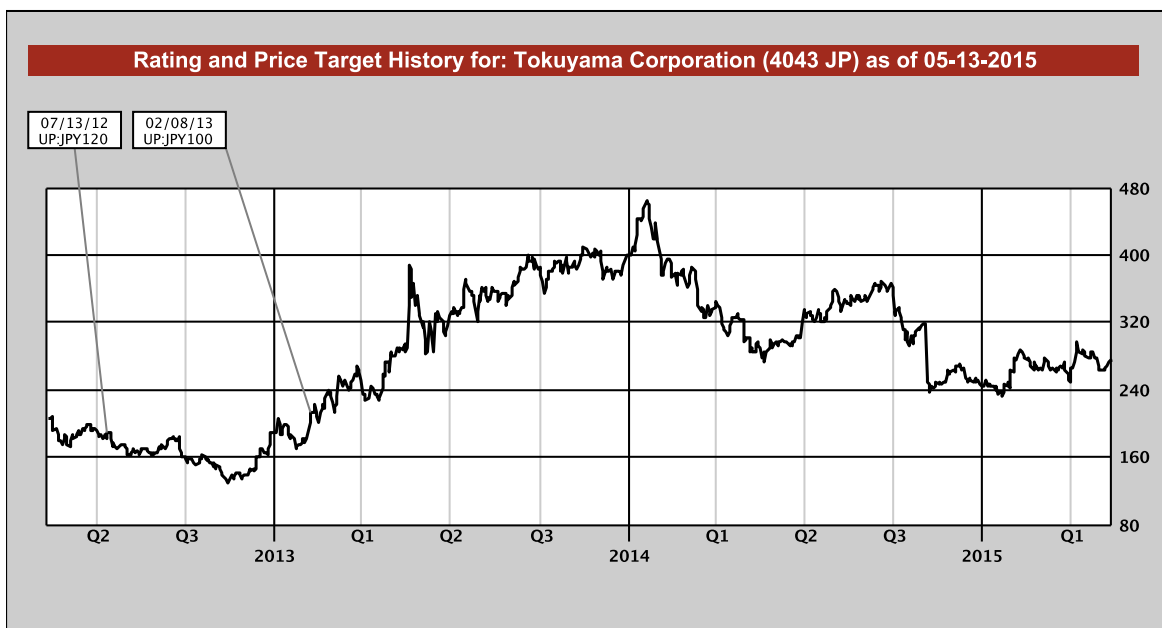
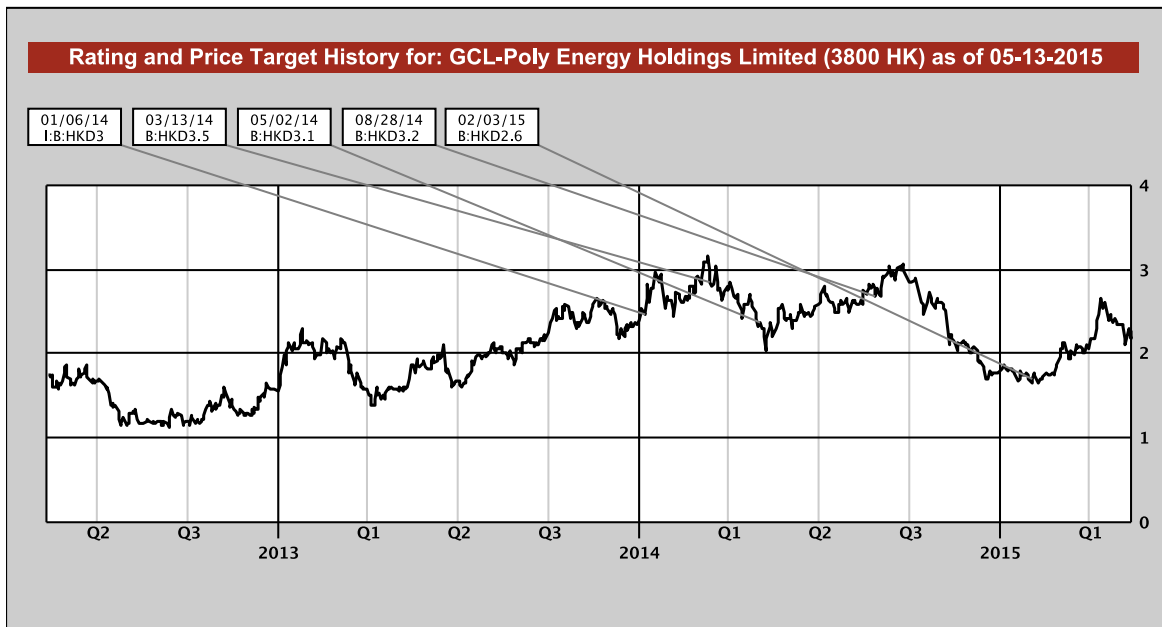
inclusion changes, the stock has met its desired return, if it is no longer rated Buy and/or if it triggers a stop loss. Stocks having 120 day volatility in the bottom quartile of S&P stocks will continue to have a 15% stop loss, and the remainder will have a 20% stop. Franchise Picks are not intended to represent a recommended portfolio of stocks and is not sector based, but we may note where we believe a Pick falls within an investment style such as growth or value.

Risks which may impede the achievement of our Price Target

This report was prepared for general circulation and does not provide investment recommendations specific to individual investors. As such, the financial instruments discussed in this report may not be suitable for all investors and investors must make their own investment decisions based upon their specific investment objectives and financial situation utilizing their own financial advisors as they deem necessary. Past performance of the financial instruments recommended in this report should not be taken as an indication or guarantee of future results. The price, value of, and income from, any of the financial instruments mentioned in this report can rise as well as fall and may be affected by changes in economic, financial and political factors. If a financial instrument is denominated in a currency other than the investor's home currency, a change in exchange rates may adversely affect the price of, value of, or income derived from the financial instrument described in this report. In addition, investors in securities such as ADRs, whose values are affected by the currency of the underlying security, effectively assume currency risk.

Other Companies Mentioned in This Report

- JinkoSolar Holding Co., Ltd. (JKS: \$29.30, BUY)
- Tokuyama Corporation (4043 JP: ¥269, UNDERPERFORM)
- Trina Solar Limited (TSL: \$12.37, BUY)



3800 HK

Estimate Change

14 May 2015

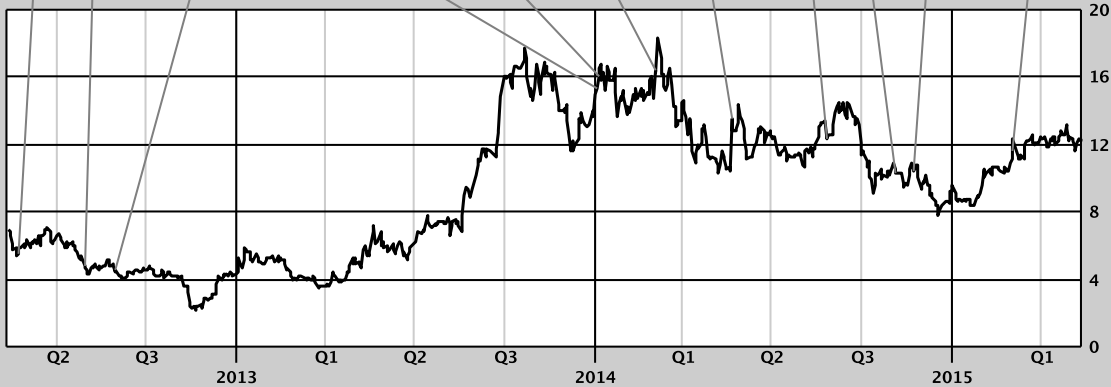
Rating and Price Target History for: JinkoSolar Holding Co., Ltd. (JKS) as of 05-13-2015

01/06/14 I:B:\$45.6	03/03/14 B:\$49.2	05/27/14 B:\$48.9	08/18/14 B:\$43.5	11/05/14 B:\$38.8	11/21/14 B:\$37.7	03/02/15 B:\$35.3
------------------------	----------------------	----------------------	----------------------	----------------------	----------------------	----------------------



Rating and Price Target History for: Trina Solar Limited (TSL) as of 05-13-2015

05/23/12 H:\$6	07/30/12 H:\$5	08/31/12 D:H:\$5	01/03/14 B:\$23.1	01/06/14 I:B:\$23.1	03/04/14 B:\$23.7	05/21/14 B:\$23.9	08/26/14 B:\$20.1	11/05/14 B:\$18.1	11/24/14 B:\$16.5	03/04/15 B:\$16.2
-------------------	-------------------	---------------------	----------------------	------------------------	----------------------	----------------------	----------------------	----------------------	----------------------	----------------------



Distribution of Ratings

Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
BUY	1067	51.37%	290	27.18%
HOLD	840	40.44%	160	19.05%
UNDERPERFORM	170	8.18%	11	6.47%

Other Important Disclosures

Jefferies Equity Research refers to research reports produced by analysts employed by one of the following Jefferies Group LLC ("Jefferies") group companies:

United States: Jefferies LLC which is an SEC registered firm and a member of FINRA.

United Kingdom: Jefferies International Limited, which is authorized and regulated by the Financial Conduct Authority; registered in England and Wales No. 1978621; registered office: Vintners Place, 68 Upper Thames Street, London EC4V 3B; telephone +44 (0)20 7029 8000; facsimile +44 (0)20 7029 8010.

Hong Kong: Jefferies Hong Kong Limited, which is licensed by the Securities and Futures Commission of Hong Kong with CE number AT5546; located at Suite 2201, 22nd Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong.

Singapore: Jefferies Singapore Limited, which is licensed by the Monetary Authority of Singapore; located at 80 Raffles Place #15-20, UOB Plaza 2, Singapore 048624, telephone: +65 6551 3950.

Japan: Jefferies (Japan) Limited, Tokyo Branch, which is a securities company registered by the Financial Services Agency of Japan and is a member of the Japan Securities Dealers Association; located at Hibiya Marine Bldg, 3F, 1-5-1 Yuraku-cho, Chiyoda-ku, Tokyo 100-0006; telephone +813 5251 6100; facsimile +813 5251 6101.

India: Jefferies India Private Limited (CIN - U74140MH2007PTC200509), which is licensed by the Securities and Exchange Board of India as a Merchant Banker (INM000011443) and a Stock Broker with Bombay Stock Exchange Limited (INB011491033) and National Stock Exchange of India Limited (INB231491037) in the Capital Market Segment; located at 42/43, 2 North Avenue, Maker Maxity, Bandra-Kurla Complex, Bandra (East) Mumbai 400 051, India; Tel +91 22 4356 6000.

This material has been prepared by Jefferies employing appropriate expertise, and in the belief that it is fair and not misleading. The information set forth herein was obtained from sources believed to be reliable, but has not been independently verified by Jefferies. Therefore, except for any obligation under applicable rules we do not guarantee its accuracy. Additional and supporting information is available upon request. Unless prohibited by the provisions of Regulation S of the U.S. Securities Act of 1933, this material is distributed in the United States ("US"), by Jefferies LLC, a US-registered broker-dealer, which accepts responsibility for its contents in accordance with the provisions of Rule 15a-6, under the US Securities Exchange Act of 1934. Transactions by or on behalf of any US person may only be effected through Jefferies LLC. In the United Kingdom and European Economic Area this report is issued and/or approved for distribution by Jefferies International Limited and is intended for use only by persons who have, or have been assessed as having, suitable professional experience and expertise, or by persons to whom it can be otherwise lawfully distributed. Jefferies International Limited has adopted a conflicts management policy in connection with the preparation and publication of research, the details of which are available upon request in writing to the Compliance Officer. Jefferies International Limited may allow its analysts to undertake private consultancy work. Jefferies International Limited's conflicts management policy sets out the arrangements Jefferies International Limited employs to manage any potential conflicts of interest that may arise as a result of such consultancy work. For Canadian investors, this material is intended for use only by professional or institutional investors. None of the investments or investment services mentioned or described herein is available to other persons or to anyone in Canada who is not a "Designated Institution" as defined by the Securities Act (Ontario). In Singapore, Jefferies Singapore Limited is regulated by the Monetary Authority of Singapore. For investors in the Republic of Singapore, this material is provided by Jefferies Singapore Limited pursuant to Regulation 32C of the Financial Advisers Regulations. The material contained in this document is intended solely for accredited, expert or institutional investors, as defined under the Securities and Futures Act (Cap. 289 of Singapore). If there are any matters arising from, or in connection with this material, please contact Jefferies Singapore Limited, located at 80 Raffles Place #15-20, UOB Plaza 2, Singapore 048624, telephone: +65 6551 3950. In Japan this material is issued and distributed by Jefferies (Japan) Limited to institutional investors only. In Hong Kong, this report is issued and approved by Jefferies Hong Kong Limited and is intended for use only by professional investors as defined in the Hong Kong Securities and Futures Ordinance and its subsidiary legislation. In the Republic of China (Taiwan), this report should not be distributed. The research in relation to this report is conducted outside the PRC. This report does not constitute an offer to sell or the solicitation of an offer to buy any securities in the PRC. PRC investors shall have the relevant qualifications to invest in such securities and shall be responsible for obtaining all relevant approvals, licenses, verifications and/or registrations from the relevant governmental authorities themselves. In India this report is made available by Jefferies India Private Limited. In Australia this information is issued solely by Jefferies International Limited and is directed solely at wholesale clients within the meaning of the Corporations Act 2001 of Australia (the "Act") in connection with their consideration of any investment or investment service that is the subject of this document. Any offer or issue that is the subject of this document does not require, and this document is not, a disclosure document or product disclosure statement within the meaning of the Act. Jefferies International Limited is authorised and regulated by the Financial Conduct Authority under the laws of the United Kingdom, which differ from Australian laws. Jefferies International Limited has obtained relief under Australian Securities and Investments Commission Class Order 03/1099, which conditionally exempts it from holding an Australian financial services licence under the Act in respect of the provision of certain financial services to wholesale clients. Recipients of this document in any other jurisdictions should inform themselves about and observe any applicable legal requirements in relation to the receipt of this document.

This report is not an offer or solicitation of an offer to buy or sell any security or derivative instrument, or to make any investment. Any opinion or estimate constitutes the preparer's best judgment as of the date of preparation, and is subject to change without notice. Jefferies assumes no obligation to maintain or update this report based on subsequent information and events. Jefferies, its associates or affiliates, and its respective officers, directors, and employees may have long or short positions in, or may buy or sell any of the securities, derivative instruments or other investments mentioned or described herein, either as agent or as principal for their own account. Upon request Jefferies may provide specialized research products or services to certain customers focusing on the prospects for individual covered stocks as compared to other covered stocks over varying time horizons or under differing market conditions. While the views expressed in these situations may not always be directionally consistent with the long-term views expressed in the analyst's published research, the analyst has a reasonable basis and any inconsistencies can be reasonably explained. This material does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Clients should consider whether any advice or recommendation in this report is suitable for their particular circumstances and, if appropriate, seek professional advice, including tax advice. The price and value of the investments referred to herein and the income from them may fluctuate. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur. Fluctuations in exchange rates could have adverse effects on the value or price of, or income derived from, certain investments. This report has been prepared independently of any issuer of securities mentioned herein and not in connection with any proposed offering of securities or as agent of any issuer of securities. None of Jefferies, any of its affiliates or its research analysts has any authority whatsoever to make any representations or warranty on behalf of the issuer(s). Jefferies policy prohibits research personnel from disclosing a recommendation, investment rating, or investment thesis for review by an issuer prior

3800 HK

Estimate Change

14 May 2015

to the publication of a research report containing such rating, recommendation or investment thesis. Any comments or statements made herein are those of the author(s) and may differ from the views of Jefferies.

This report may contain information obtained from third parties, including ratings from credit ratings agencies such as Standard & Poor's. Reproduction and distribution of third party content in any form is prohibited except with the prior written permission of the related third party. Third party content providers do not guarantee the accuracy, completeness, timeliness or availability of any information, including ratings, and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such content. Third party content providers give no express or implied warranties, including, but not limited to, any warranties of merchantability or fitness for a particular purpose or use. Third party content providers shall not be liable for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including lost income or profits and opportunity costs) in connection with any use of their content, including ratings. Credit ratings are statements of opinions and are not statements of fact or recommendations to purchase, hold or sell securities. They do not address the suitability of securities or the suitability of securities for investment purposes, and should not be relied on as investment advice.

Jefferies research reports are disseminated and available primarily electronically, and, in some cases, in printed form. Electronic research is simultaneously available to all clients. This report or any portion hereof may not be reprinted, sold or redistributed without the written consent of Jefferies. Neither Jefferies nor any officer nor employee of Jefferies accepts any liability whatsoever for any direct, indirect or consequential damages or losses arising from any use of this report or its contents.

For Important Disclosure information, please visit our website at <https://javatar.bluematrix.com/sellside/Disclosures.action> or call 1.888.JEFFERIES

© 2015 Jefferies Group LLC