Prices continue to drop despite a semi-boom in project activities. Only **GCL Poly** still remains above CNY6.0/pc, or $0.83/pc for multi 156mm; all others are selling below. Top tiers like **ReneSola Ltd. (ADR)(NYSE: SOL)** and **Huantai Group** are selling at CNY5.6-5.8/pc, or $0.77-0.79, with smaller manufacturers at CNY5.3-5.5, or $0.72-0.75/pc.

The prices above are combined with hard payment terms, which have become the number one factor in transactions. Now the common payment terms are one- to two-month credit plus six months bank bill (3% deduction for cashing out). Under T/T with advance terms some quote CNY5.1/pc or $0.7/pc, but very rarely are orders done with that term. As yearend is approaching, companies are very conscious about cash flow, and even reluctant to pay overdue bills.

Regular polycrystalline wafer remains as a mainstream supply in China. Even with normal wafer averaging 17.2% efficiency widely achieved, driven by improvements from both wafer and cell production lines, there is an increasing attention to HP wafers, like GCL's S++, Renesola's A++ and **LDK Solar (NYSE:LDK)** M2/3, yet most of it is mainly sampling with fewer commercial orders. Since the majority of manufacturers still in business are turning their focus to domestic projects, demand for cheap module or even B-grade products is rampant.

While demand during October and November was driven by the domestic projects, December is seeing utilization levels drop again as orders are slowing down. Despite lower inventories, oversupply is still a factor for wafers; therefore, pricing fluctuates along with demand and has been falling currently.

During the year, GCL sold a lot wafers in the 1:3 ratio of modules to wafers (Watt), but this year this ratio has been down to 1:1 as its OEM partners (**Hanwha SolarOne Co Ltd(NASDAQ:HSOL)** , **Trina Solar Limited (ADR)(NYSE:TSL)** , **Realforce** ,

Zhongli Talesun
) are cautious not to build excessive wafer inventory. With this in place, GCL has placed 400MW of orders for the last two quarters, to its OEMs, with the condition of purchasing wafers of equivalent volume. This helped the company to keep higher market pricing for wafers at $0.83/pc and poly >$16.4/kg. Most of GCL's deals are discussed and settled between executives, with conditions varying each time. As a result, there are very little spot market sales from the company.

This week, GCL has announced two 75MW projects in South Africa under the Solar Capital De Aar (Pty) Ltd and Kathu Solar Energy Facility projects, which will have Hanwha SolarOne's modules built on GCL wafers. A total of 155MW announced by Hanwha for Letsatsi Power Company and Lesedi Power Company projects are suspected to be built on GCL`s wafers as well.

China's manufacturing had a busy two months associated with domestic EPC. However, deeper investigation shows that the old problems still remain, such as connecting to the grid and receiving FiT properly, resulting in a lack of cash flow. While the government has not explained the rules around financing activities, there are more signs that those details are being addressed. The industry's sentiment is that those obstacles will be overcome sooner than thought; therefore, many manufacturers, including foreign entities, are betting on it. China is expected to become the top PV installation country in 2013, driven by new policies announced recently.

We have described a few projects recently, including one from **Zhongwei Yinyang Energy**, a 500MW wafer manufacturer in Ningxia province, who has been in the solar project business in west China for the last three years. Yinyang announced a 200MW project in the deserts of Ningxia, cooperating with
Beijing Jingyuntong Technology Co Ltd
(JYT), the puller maker, and GCL -Poly.

Another interesting pronouncement was from **Chint Solar**/ **Astronergy**, announcing two 50MW projects in Gansu, west China, with expected cooperation from American
MEMC Electronic Materials, Inc.(NYSE:WFR).
SunEdison
, a subsidiary of MEMC, had landed a $314M/58MW project in South Africa at the end of November, and will procure modules from Chint. Chint's exports in the month of October exceeded Yingli's and Trina's combined export shipments (
October 2012 Export Data

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TBEA, state-owned enterprise, with production of poly, wafer, cell, module and inverters, announced it had come back to running full utilization as the company has 600MW project prospects in Xinjiang Province, where it is located.

Yingli Green Energy Hold. Co. Ltd. (ADR)(NYSE:YGE) had a high production rate the last few months for Chinese PV projects (but cut down a lot since last week), as they have secured a number of FiT and Gold-Sun-based projects in China (288MW reported today), helped by the high profile of the company. The company also announced 200MW of module supply to California, 24MW to Puerto Rico and 25MW to Arizona in recent weeks.

American companies are also coming to China. **First Solar, Inc.(NASDAQ:FSLR)** announced this week it would supply its thin film module to a 2.4MW project developed by
Zhenfa New Energy
, a big PV project private company in China. This is the first deal in China for First Solar since it set up its Chinese subsidiary this summer.

SunPower Corp.(NASDAQ:SPWR) this week officially announced its cooperation in a 7.5GW project, the biggest for a foreign company, working with wafer maker
Tianjin Zhonghuan Semiconductor
, and State-grid Company
Inner Mongolia Electric
. The project will be completed by 2017; EPC will be mostly by Sunpower, wafers from Zhonghuan, and administered by Inner.