Solargiga Energy Holdings Limited
陽光能源控股有限公司

2016 Interim Results Presentation
中期業績公告

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Corporate Overview

Corporate Profile

Focus on vertical integration for monocrystalline products, providing one-stop solutions from ingots, wafers, cells, modules to the development, design, construction, operation and maintenance of PV System

Cross-listed in Hong Kong (00757.HK) and Taiwan (9157.TT)

Shareholding Structure as at 30 June 2016

Tan Wenhua and his associates
21.29%

Hiramatsu International Corp.
10.87%

Wafer Works Corp.
7.75%

Other Directors
0.43%

Public shareholders - Hong Kong
56.01%

Public shareholders - Taiwan (TDR)
3.65%

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Number of issued shares 3,211,780,566

Manufacturing Base – China & Taiwan

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Jinzhou, Liaoning

- Main production base
- 1.2GW monocrystalline silicon ingots
- 900MW monocrystalline silicon wafers
- 330MW photovoltaic cells
- 1.2GW photovoltaic modules
- Joint venture project of multicrystalline silicon ingots and wafers which is 37% owned by the Group

Xining, Qinghai

Joint venture project of 400MW monocrystalline silicon ingots which is 51% owned by the Group.

Shanghai

- Group's marketing center, also includes multicrystalline silicons recycling and upgrading facilities

Taiwan

Established regional office, focusing on serving the local cell manufacturers and module manufacturers with silicon wafer.

Manufacturing Base – Overseas

Germany

- A joint venture company DCH Solargiga GmbH with power plant construction company in Germany, which is mainly engaged in photovoltaic systems business

Other Regions

- Assigned silicon wafer/module sales representatives to Japan and North America
- Developing EPC business in Turkey. Southeast Asia and Africa.

Ghana

A joint venture company with Savannah Accelerated Development Authority (“SADA”).

Market Overview

Market Overview

China

- Demand for solar modules has grown rapidly and it led to an overall increase in solar module sales. With the continued recovery in the global solar market, expected market demand will continue to rally by improving the conversion efficiency and decrease in price of raw materials and Earnings will remain stable in the industry.
- The newly-added volume of photovoltaic power generation to grid connection in China is established to reach 20GW in the first half of 2016, which out-performs forecasts at the beginning of the year. It is expected that the full year newly-added volume of photovoltaic power generation to grid connection could reach 30GW, maintaining its leading position in the world.

Japan

- The annual installation of Japan in 2016 will be slightly down to 10.2GW. The market is expected to shift to rooftops PV systems. From the Bloomberg New Energy Finance ("BNEF") report, between 2016 and 2040, Japan will add 94GW of new solar, including 65GW of rooftop PV.

Market Overview

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USA

- PV installations in the first quarter of 2016 amounted to 1.67GW, represented a 24% growth compared to the corresponding period of 2015. The cumulative solar PV installation reached 27.5GW across the country.
- It is forecasted that it will be another record year for the U.S. PV market in 2016, with installations reaching 14.5 GW, a 94% increase over 2015 and the residential and non-residential PV markets are both expected to grow year-over-year.

Emerging markets

- 127% growth is expected in India market over this year and it is poised to become the fourth largest solar market in 2016. It is forecasted to install as much solar PV capacity in 2020 as all of Europe, by then representing 13% of the global market.
- Latin American capacity is expected to double in size this year, with Mexico and Brazil as the two most promising regions in Latin America. By 2020, Latin America will add a total of 21GW. The Middle East and Turkey will add 16GW from Algeria, Turkey, Jordan, Egypt and the U.A.E. And, Asian countries of Thailand, the Philippines, South Korea, Taiwan and Indonesia will add 15GW in total.

Business Review

Product Range

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Vertical Integration Strategy

Ingot


- 1.2GW

Wafer


- 900MW

Cell

- 330MW

Module

- 1.2GW

System

- German and PRC subsidiaries as our overseas and local bases for developing EPC and O&M businesses in emerging markets and locally
- Actively searching for solar plant opportunities overseas and locally.

Monocrystalline Solar Ingots and Wafers

Ingot and Wafer Business

- The Group maintained a combined annual production capacity of 1.2GW for monocrystalline silicon ingots in the Jinzhou production base in Liaoning and the Xining base in Qinghai, and an annual wafer production capacity of 900MW.

- The market is still dominated by multi-crystalline silicon products, which resulted in the less-than-expected demand for monocrystalline silicon products in the market. However, with the continued realisation of advantages in better potential improvement in conversion efficiency, lower and stabler decay rate in its photovoltaic systems, continued reduction in unit costs, etc, it is expected that the market share of monocrystalline silicon products will increase significantly.

- The photovoltaic conversion efficiency of our monocrystalline silicon products is higher than industry averages. Apart from the traditional P-type products, the Group mainly provides N-type high performance products with a photovoltaic conversion efficiency of 22%–23%.

- During the period under review, approximately 99% of the total external shipment volume of silicon ingots are N-type silicon ingots, targeting primarily the Japanese market where the requirements on quality standard is stringent.

- The Group have disposed of certain obsolete equipment during the period under review, and expedited the overall installation of diamond saw in its wafer slicing capacity, in order to improve production efficiency and to match its expansion of downstream module manufacturing capacity.

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Cell Business

- The annual production capacity of solar cells was 330MW. Focusing on the implementation of the vertical integration strategy, a large portion of solar cells are utilised internally for the production of modules.
- During the period under review, the internally-utilised volume of solar cells was 95% of the total shipment volume of solar cells. Compared to 66% for the corresponding period in 2015, the ratio has increased significantly after the growth in demand for our modules during 2016.

Module Business

- With the continued recovery in the global solar market, expected market demand will continue to rally, the Group expects that earnings will remain stable. The increase of 51% in external shipment was mainly made possible with the commissioning of the additional module manufacturing capacity during the first half of 2016 in order to satisfy more of the orders.
- The Group has developed new customer relationships. Through the expansion of module production capacity in the first half of 2016, it enabled the Group to cope with more orders from the Chinese state-owned enterprises ("SOE"), hence improving the geographical shipment proportion. The proportion has improved from 78% overseas versus 22% local sales in the first half of 2015 to 46% overseas versus 54% local sales, approaching a more healthy and sustainable balance set out by management.

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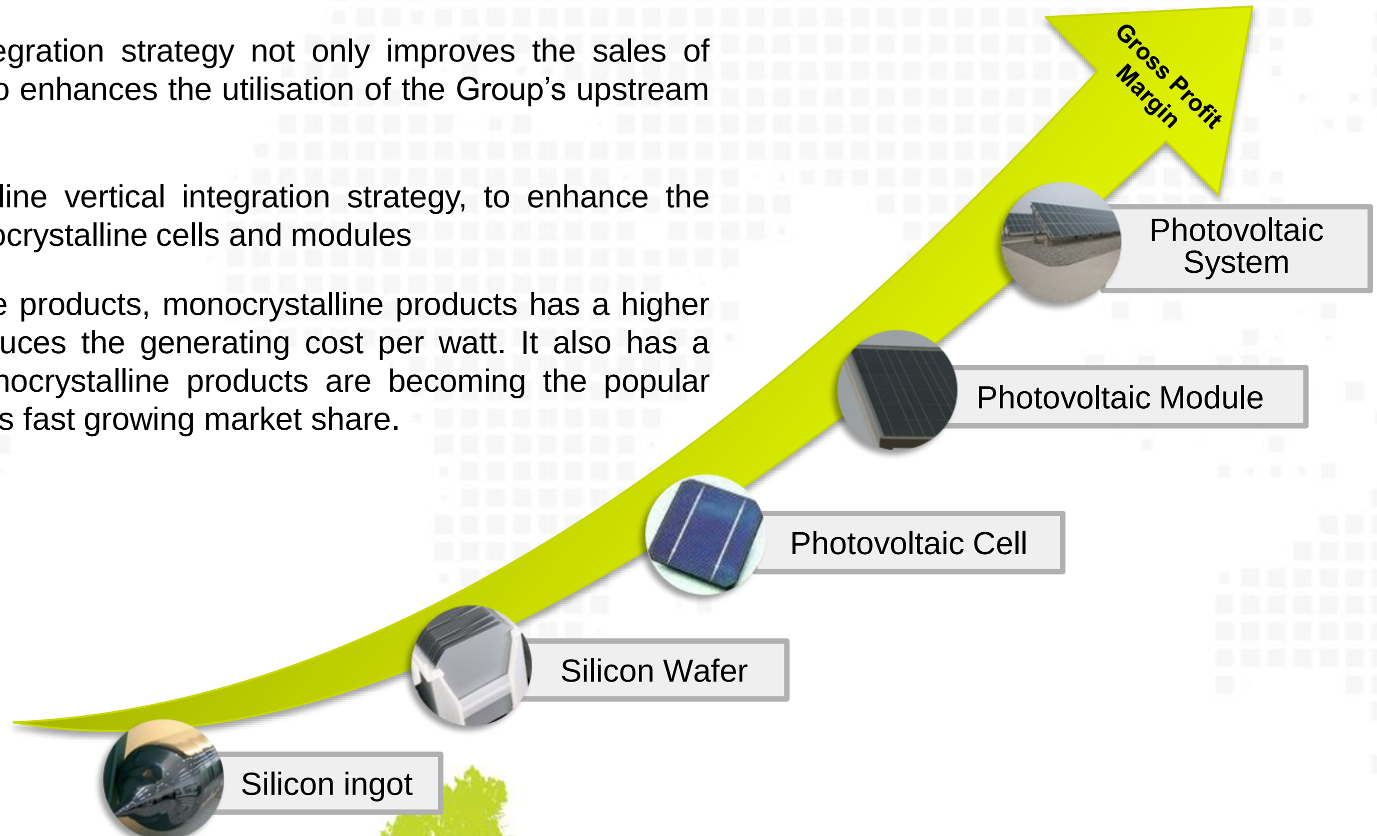
Photovoltaic Power Plant Projects

- The Group entered into agreements with the vendors, pursuant to which the Group has agreed to acquire from the vendors an aggregate of 30% equity interest in Golmud. After completion of the acquisition, the Group is expected to own 100% interest in Golmud. Golmud is principally engaged in the operation of a 20MW large scaled photovoltaic power plant.

- During the period under review, income arising from operating of photovoltaic system business has increased to RMB26.579 million, compared to RMB18.336 million in the corresponding period in 2015, representing an increase of 45%.

Superiorities of Monocrystalline Vertical Integration Strategy

- Our products are not only sold to upstream and midstream customers in photovoltaic industry, but also directly to end-users. Through vertical integration strategy, the Group provides services for applications and development to our clients.
- Monocrystalline vertical integration strategy not only improves the sales of downstream products, it also enhances the utilisation of the Group's upstream production capacity.
- Leveraging on monocrystalline vertical integration strategy, to enhance the gross profit margins of monocrystalline cells and modules
- Compared to multicrystalline products, monocrystalline products has a higher conversion efficiency, it reduces the generating cost per watt. It also has a lower attenuation rate. Monocrystalline products are becoming the popular choice for solar plants, and is fast growing market share.

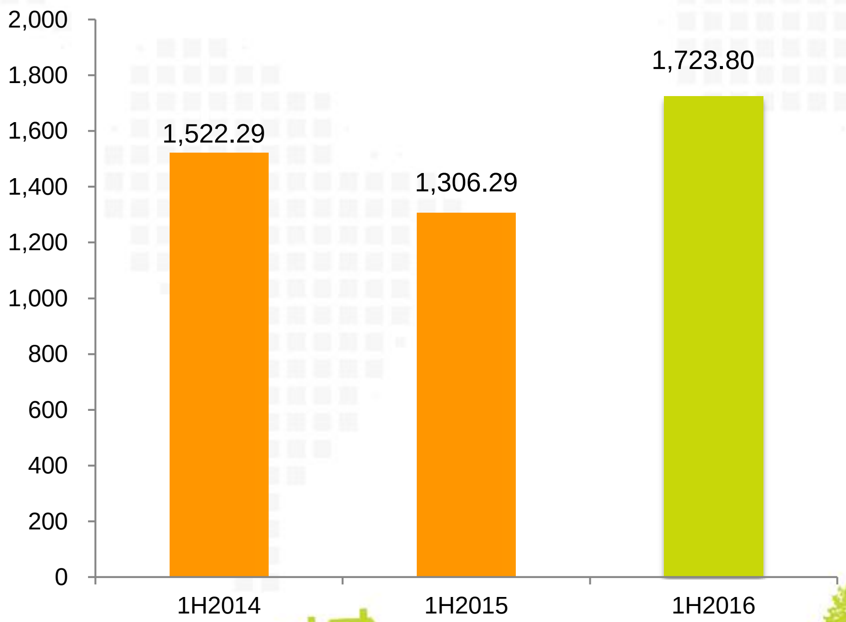


Financial Performance

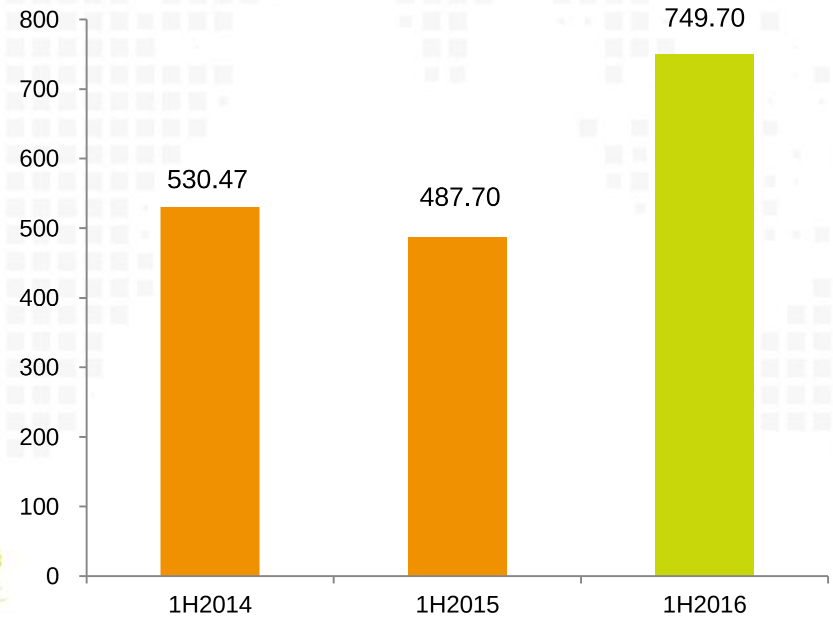
Revenue and Shipment Volume

- The commissioning of the additional module manufacturing capacity during the first half of 2016 enabled the Group to capture this growth in demand. The revenue of the Group was RMB1,723.799 million, representing an increase of 32.0% compared with the corresponding period in 2015.

Revenue (RMB million)



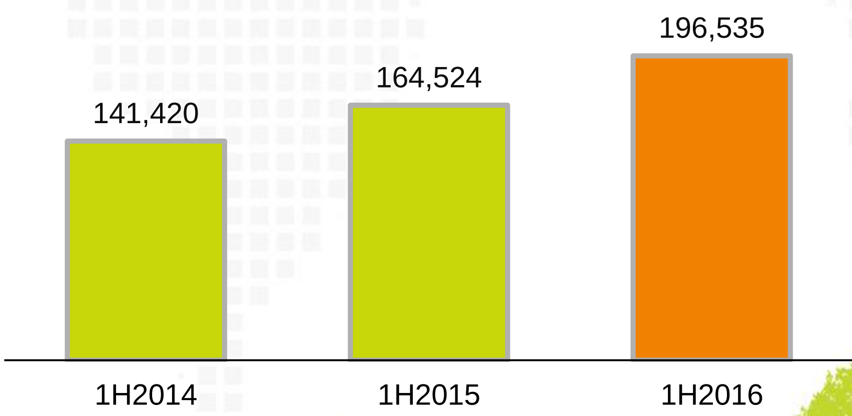
Shipment Volume (MW)



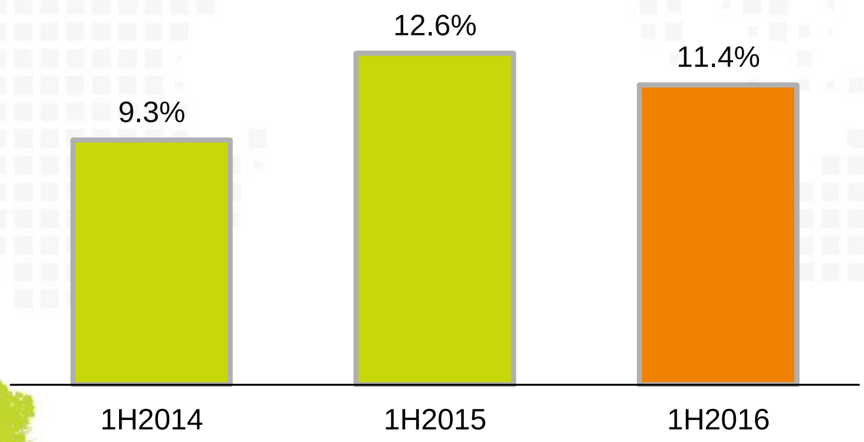
Gross Profit and Gross Profit Margin

- With revenue increased and gross profit margin remained stable, the Group recorded a gross profit of RMB196.535 million and a gross profit margin of 11.4%, as compared to gross profit of RMB164.524 million and gross profit margin of 12.6% for the corresponding period in 2015.

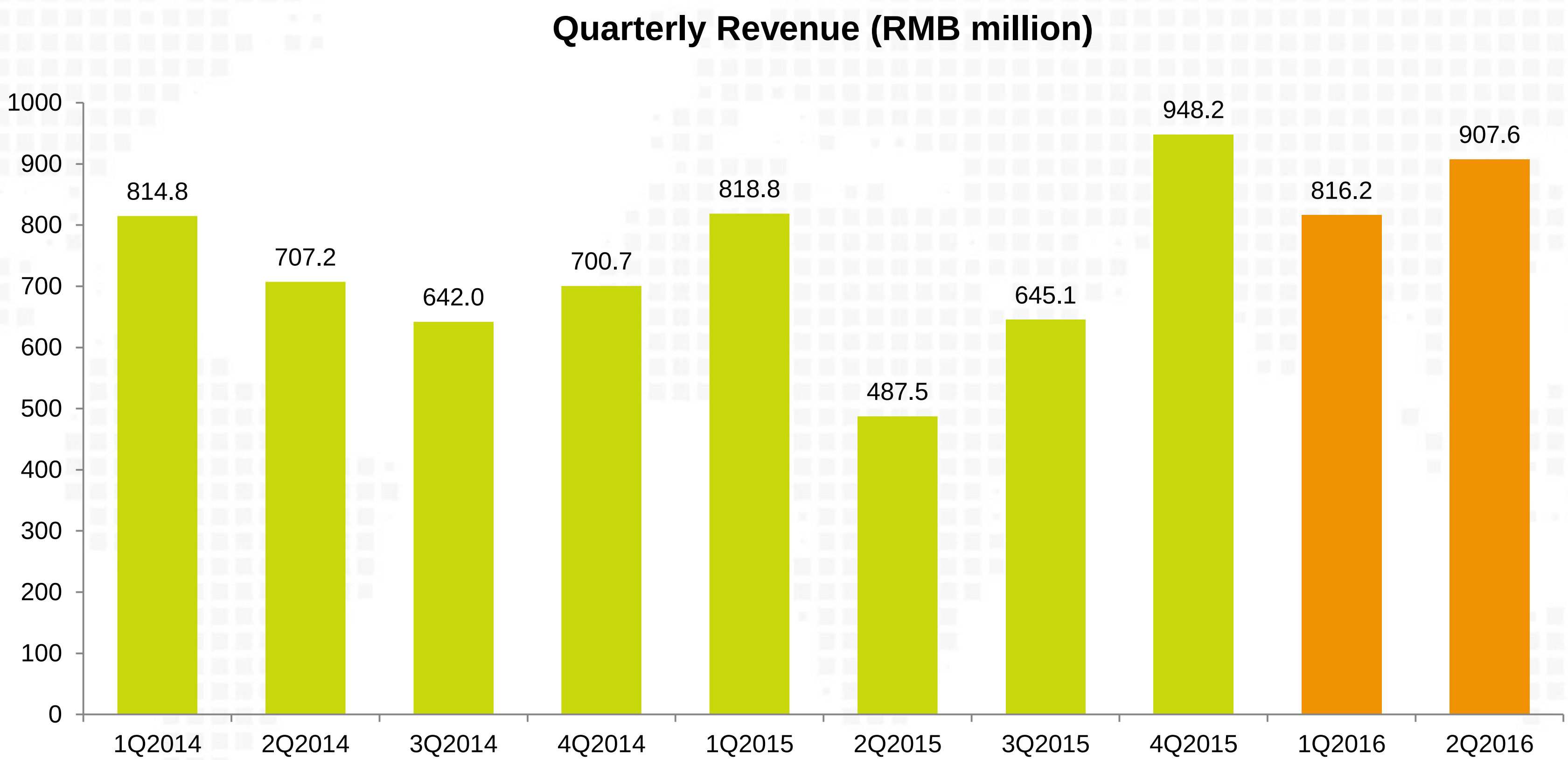
Gross Profit (RMB'000)



Gross Profit Margin (%)



Quarterly Revenue



Results Highlight

- During the period under review, apart from day-to-day business operations, the Group is also actively improving the financial statement position. In order to improve production efficiency, certain obsolete equipment was disposed of, which led to a loss of RMB26.277 million; in order to reduce idle inventory and to replenish working capital, certain amount of polysilicon purchased at high prices have been sold, which led to a loss or RMB23.610 million; Further, according to accounting standards, provision on long-term purchase contract denominated in a foreign currency has to be revalued at period end according to the change in year-end exchange rate, an exchange gain/loss hence arises. As the Renminbi depreciated during the period under review, it led to an exchange loss of RMB10.826 million. In summary, excluding the above extraordinary items, the adjusted net profit was RMB14.071 million.

(RMB'000)	1H2016	1H2015	Change
Turnover	**1,723,799**	1,306,291	31.4%
Reported Gross Profit	**196,535**	164,524	19.5%
Gross Profit Margin (%)	**11.4%**	12.6%	0.8PP
Profit/(Loss) from Operations	**30,283**	71,638	(57.7%)
Loss/(profit) Attributable to Equity Shareholders of the Company	**(49,557)**	10,198	(586%)
Basic Loss/(earnings) per share (RMB cents)	**(1.54)**	0.32	(581%)
EBITDA	**133,510**	170,978	(21.9%)

Financial Position

(RMB '000)	**2016.6.30**	2015.12.31	**Change**
Current Assets	**2,388,854**	2,554,539	(6.5%)
Current Liabilities	**2,797,805**	2,949,853	(5.2%)
Total Assets	**4,491,835**	4,712,767	(4.7%)
Total Liabilities	**3,385,225**	3,549,904	(4.6%)
Net Assets	**1,106,610**	1,162,863	(4.8%)

Financial Ratios

- The Group is putting in enormous effort toward maintaining a level of lower inventory turnover days. During the period under review, in order to reduce idle inventory and to replenish working capital, certain amount of polysilicon purchased at high prices have been sold.
- The increase in trade receivable turnover days was mainly due to an increase in the proportion of module sales (module sales are granted longer credit period) near the end of the period under review.
- As a result of stable business development in an upward market, the proportion of module to overall sales has increased, which led to an increase in solar cell purchases. As solar cell purchases usually has a shorter payment term, it led to a decrease in trade payable turnover days during the period under review to 89 days.

	2016.6.30	2015.6.30	**Change**
Turnover Day Analysis			
Trade Receivables Turnover (Days)	**70**	44	26
Trade Payable Turnover (Days)	**89**	123	(34)
Inventory Turnover (Days)	**67**	124	(57)
Gearing Analysis			
Current Ratio (Times)	**0.85**	0.79	0.06
Net Debt to Equity Ratio (%)	**144.2%**	124.6%	19.6PP

Future Plans and Strategies

Action Plans in 2016

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Plans

- In future, the delivery volume of the Group's module products is expected to increase remarkably and contribute to promising profits of the Group. The Group will adhere to its development strategy of vertical integration. By fully leveraging its technological advantage in monocrystalline products and focusing on the development of monocrystalline products, make good use of its upstream capacity through growth in module demand, to raise the gross profit of the Group's module products and to drive profit growth of the Group.

- Through the expansion of module production capacity in the first half of 2016, it enabled the Group to cope with more orders from the Chinese state-owned enterprises ("SOE"), hence improving the geographical overseas versus local shipment proportion and is approaching a more sustainable balance set out by the management.

- By continually uplifting product quality and refining the structure of its full-industry chain businesses, the Group will, as always, provide the best product application development and one-stop services to the customers along its fully integrated photovoltaic industry chain, and aim at becoming a globally leading supplier of one-stop services in solar power generation.

Q & A