Solargiga Energy

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

2015 Interim Results Presentation
中期業績公告

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Corporate Overview

Corporate Profile

We focus on vertical integration for monocrystalline products, providing one-stop solutions from ingots, wafers, cells, modules and 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 2015

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

- 800MW monocrystalline silicon ingots
- 900MW monocrystalline silicon wafers
- 300MW photovoltaic cells
- 600 MW 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 (Phase One 200MW completed, Phase Two 200MW will be put into production successively upon reaching the conditions to achieve production levels, enabling the annual production capacity of silicon ingots to duly reach 1.2 GW)

Shanghai

- Group 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

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Germany

- Established 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

Established a joint venture company with Savannah Accelerated Development Authority ("SADA") and intended to construct solar energy power plants of 200MW (Phase One 40MW, Phase Two 160MW)

Product Range

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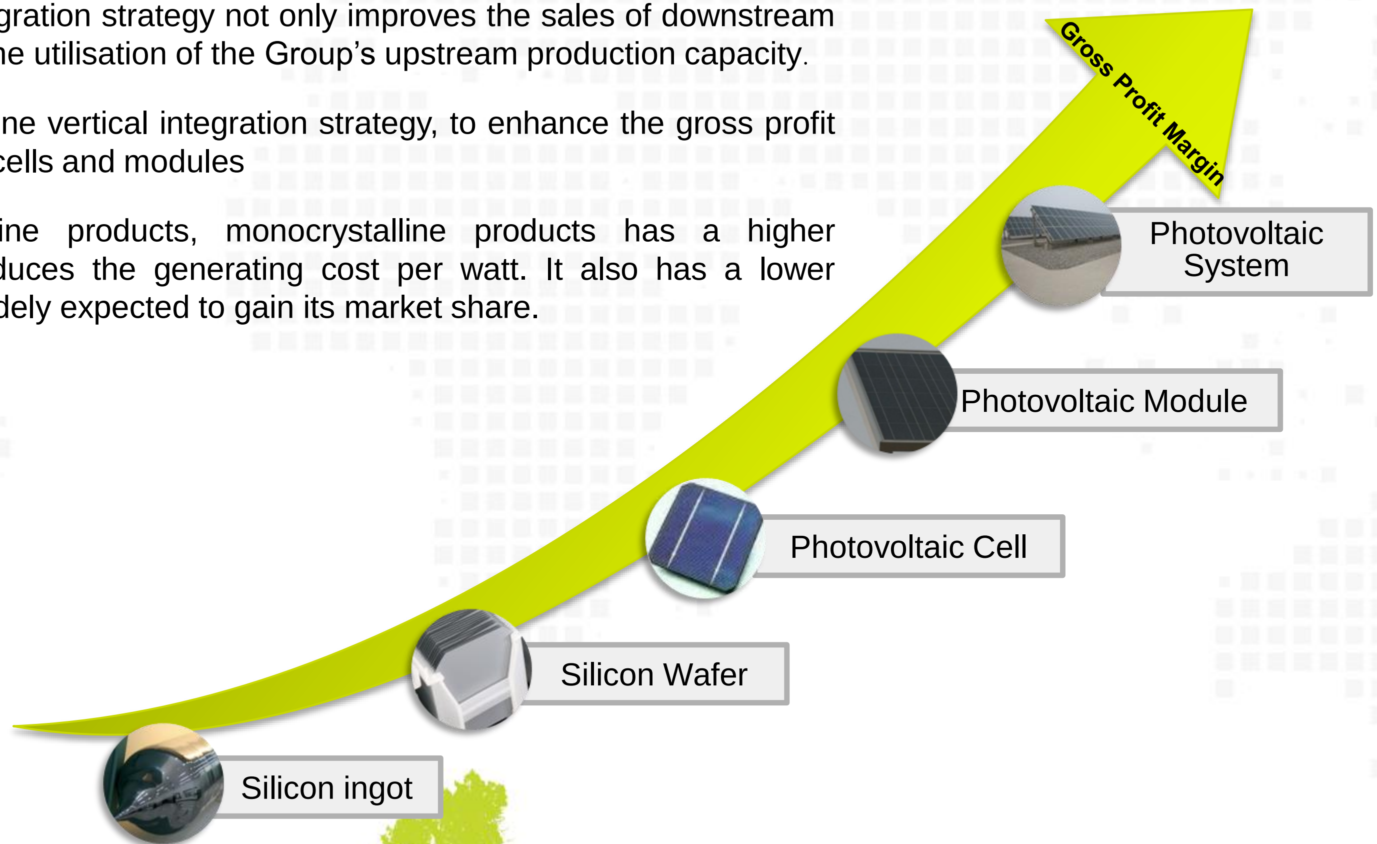
Ingot	 	• 800MW in Jinzhou + 400MW in Xining (put into production successively) = Total 1.2GW
Wafer	 	• 900MW
Cell		• 300MW
Module		• 600MW
System		• Established a subsidiary with SADA and intend to construct solar energy power plants of 200MW in Ghana • German subsidiary as our overseas base for developing EPC business in emerging market • Acquired a professional photovoltaic power plant construction company to expand EPC and O&M business in PRC • Search for solar plant opportunities overseas and locally

Vertical Integration Strategy

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, which is widely expected to gain its market share.



Market and Operation Highlights

- Despite favourable market policies and the recovery of photovoltaic industry in the Chinese market, the supporting measures has not yet been rolled out. As a result, combining with the typical seasonal fluctuations, the pace of growth in the overall industry in the first half of 2015 slowed down a little and the overall market demand for solar products eased slightly. Further, with continuous technological improvement in the production process, the overall Average Market Selling Price ("ASP") of all products maintained a steady downward trend toward healthier and more sustainable prices.
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- During the period under review, 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 continuing 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 in the next couple of years.

- While maintaining the highest product quality, as a result of technological improvement in the production process, production has become more efficient. The Group was hence able to improve its Gross Profit Margin and also capture a higher overall Gross Profit and EBITDA.

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Financial Performance

Results Highlight - Turnaround

- Through successful implementation of cost control measures, the Group has turned around its performance and recorded net profit for the period.
- Improved Gross Profit Margin and captured higher overall Gross Profit. Gross Profit Margin increased from 9.3% in the first half of 2014 to 12.6% in the first half of 2015. Further, the Group recorded an operating profit of RMB71.638 million during the period, as compared to an operating profit of RMB46.374 million for the same period of last year.
- The Group recorded EBITDA of RMB170.978 million (loss of RMB143.428 in the corresponding period last year). The driving force behind the improvement in EBITDA was the Group's continued improvement in its production efficiency and cost control measures. EBITDA for FY2015 was RMB285.244 million.

(RMB'000)	**1H2015**	1H2014	**Change**
Turnover	**1,306,291**	1,522,285	(14.2%)
Reported Gross Profit	**164,524**	141,420	16.3%
Gross Margin (%)	**12.6%**	9.3%	3.3PP
Profit/(Loss) from Operations	**71,638**	46,374	54.5%
Profit/(Loss) Attributable to Equity Shareholders of the Company	**10,198**	(16,295)	162.5%
Basic (Loss) Per Share (RMB cents)	**0.32**	(0.51)	162.7%
EBITDA	**170,978**	143,428	19.2%

Financial Position

As at 30 June (RMB '000)	1H2015	FY2014	Change
Current Assets	**2,215,929**	1,798,519	23.2%
Current Liabilities	**2,819,390**	2,477,881	13.8%
Total Assets	**4,572,552**	4,281,040	6.8%
Total Liabilities	**3,401,589**	3,105,022	9.6%
Net Assets	**1,170,963**	1,176,018	(0.4%)

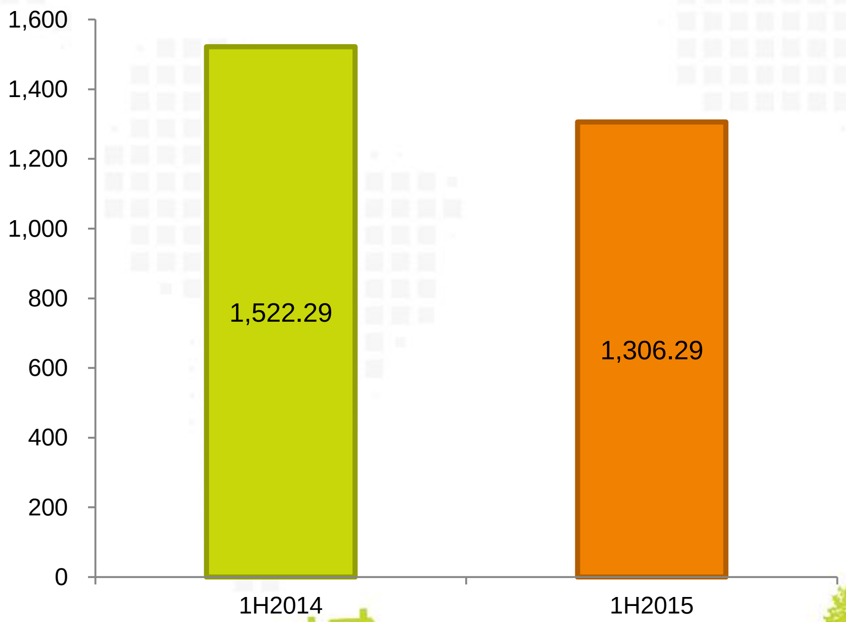
Key Financial Ratios

As at 30 June	**1H2015**	1H2014	**Change**
Turnover Day Analysis			
Trade Receivables Turnover (Days)	**44**	39	5
Trade Payable Turnover (Days)	**123**	60	63
Inventory Turnover (Days)	**124**	52	72
Gearing Analysis			
Current Ratio (Times)	**0.79**	0.71	0.08
Net Debt to Equity Ratio (%)	**124.6%**	122.8%	(1.8PP)

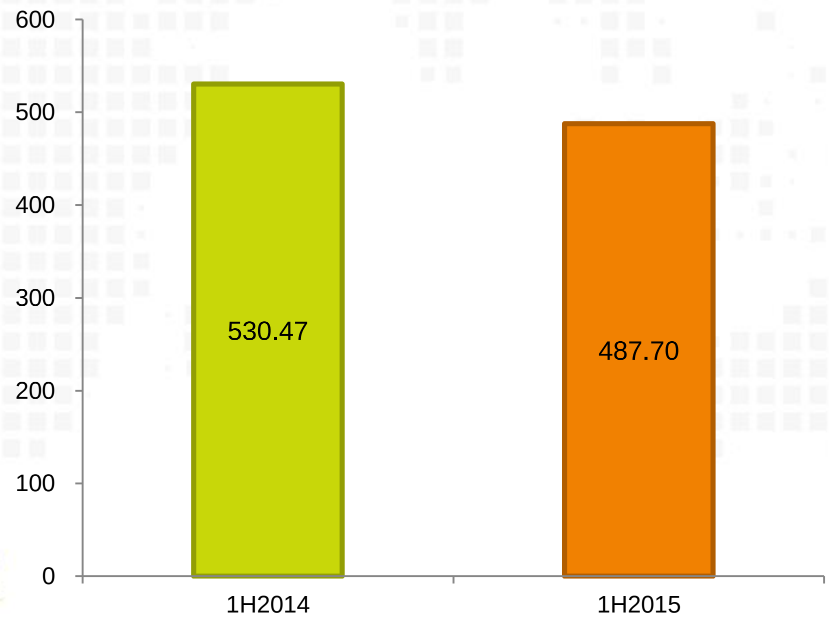
Revenue and Shipment Volume

- As mentioned above, overall pace of growth in installation of the industry has slowed slightly in the first half of 2015. Under this influence, combined with the decrease in Average Market Selling Price ("ASP") during the period, the Group recorded a turnover of RMB1,306.291 million, compared with RMB1,522.285 million for the corresponding period last year. External shipment volume amounted to 487MW during the year.

Revenue (RMB million)



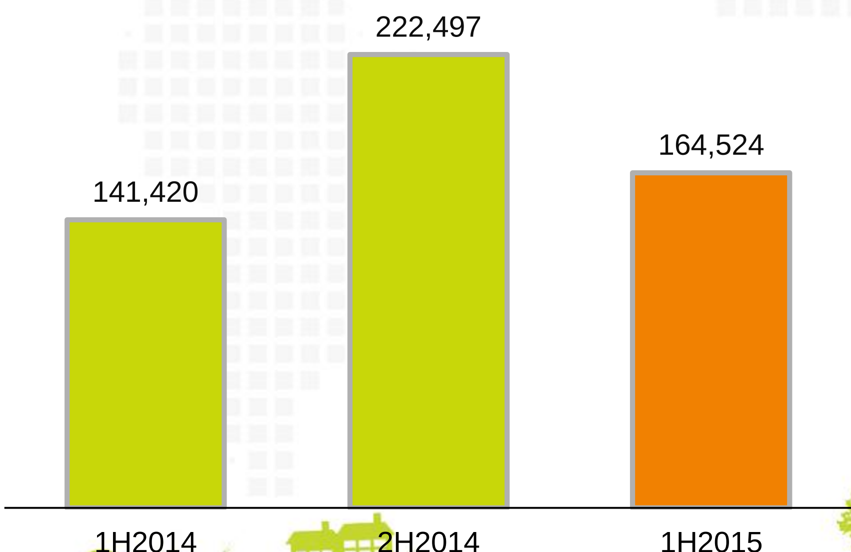
Shipment Volume (MW)



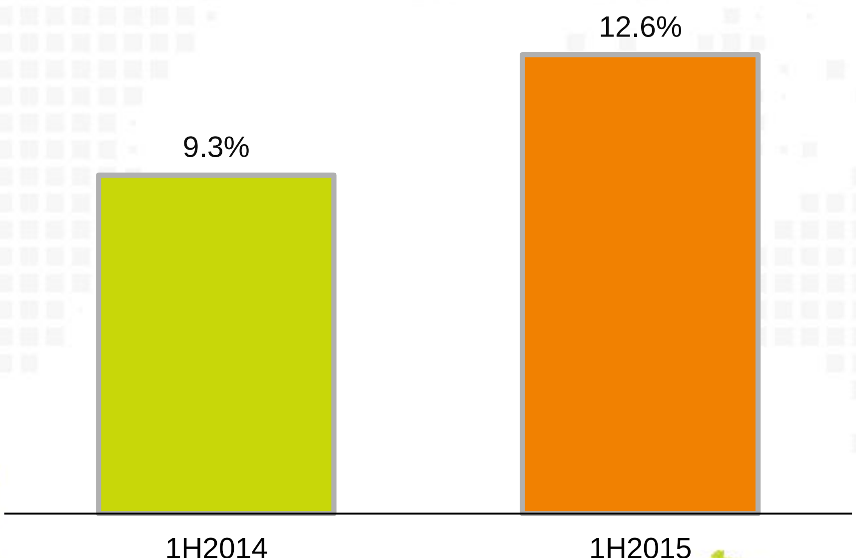
Gross Profit and Gross Profit Margin

- As mentioned above, while maintaining the highest product quality, as a result of technological improvement in the production process, production has become more efficient. The Group was hence able to improve its Gross Profit Margin and also capture a higher overall Gross Profit. Gross Profit increased by RMB23.104 million to RMB164.524 million as compared to RMB141.420 million for the corresponding period last year. Gross Profit Margin increased from 9.3% in the first half of 2014 to 12.6% in the first half of 2015. Further, the Group recorded an operating profit of RMB71.638 million during the period, as compared to an operating profit of RMB46.374 million for the same period of last year.
- From the success in the technological improvement in the production process, the Group was driving significant improvement overall gross profit margin. In 1H2015, the Group recorded a gross profit of RMB164.524 million. The gross profit margin improved significantly from 9.3% in 1H2014 to 12.6% in 1H2015.

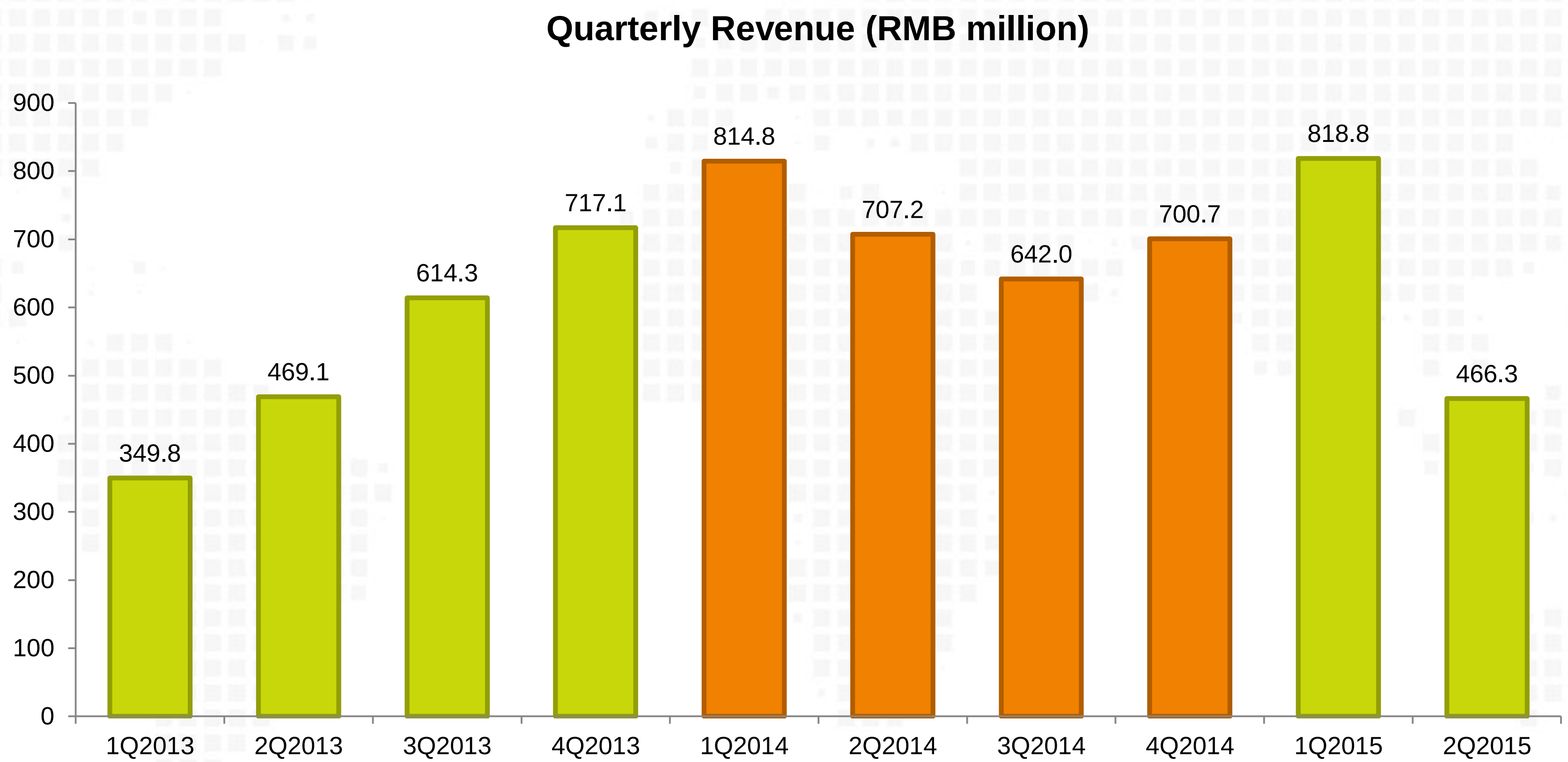
Gross Profit (RMB'000)



Gross Profit Margin (%)



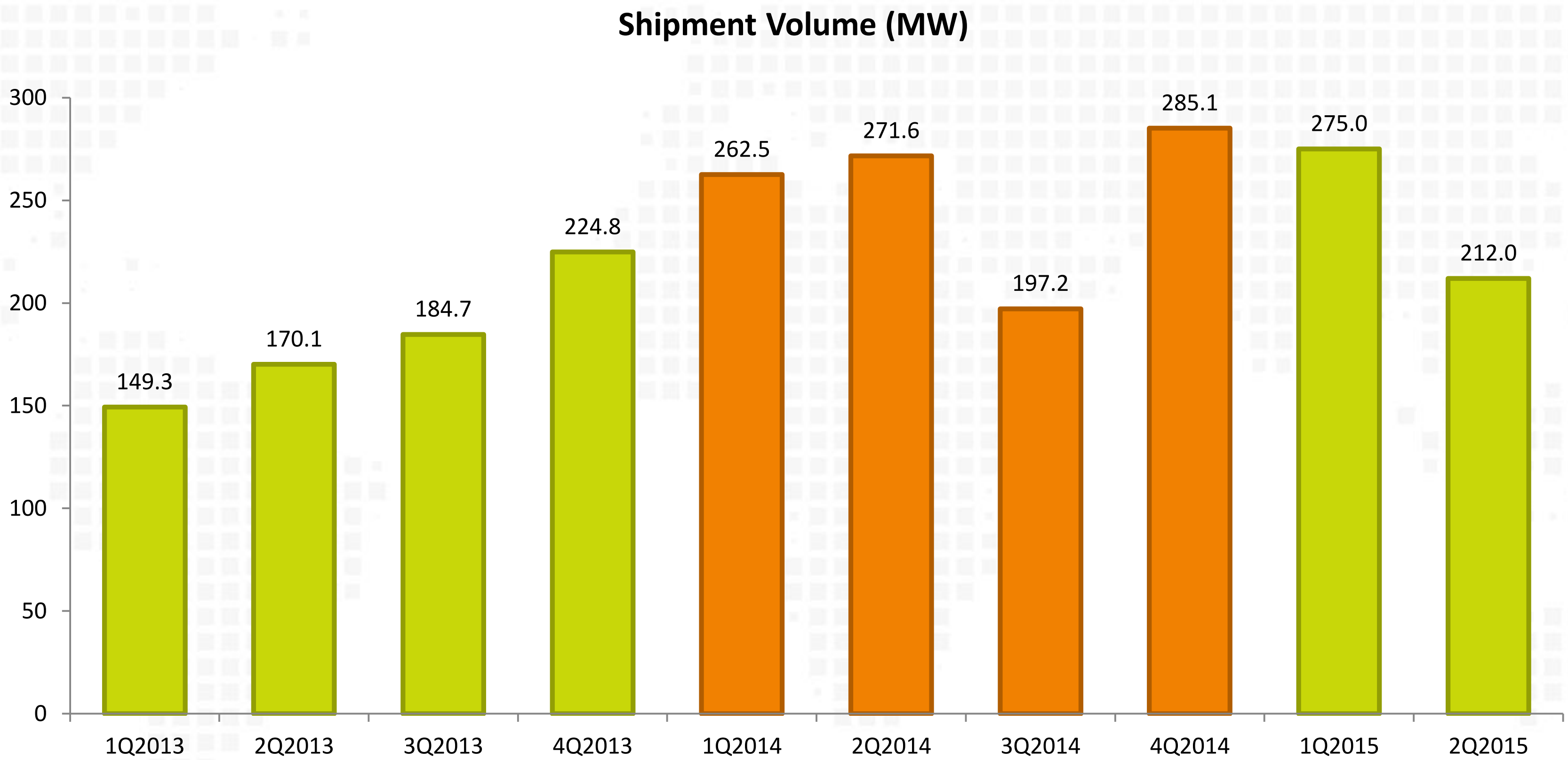
Quarterly Revenue



Revenue – Quarterly by Products

(RMB million)	1Q2014	2Q2014	1H2014	3Q2014	4Q2014	2H2014	1Q2015	2Q2015	1H2015
Processing Business	15.6	64.9	80.5	10.3	191.5	201.8	56.9	55.2	112.1
Sell - Ingot	22.5	3.0	25.5	2.4	0.5	2.9	-	0.1	0.1
Sell - Wafer	107.8	91.2	199.0	35.2	49.4	84.6	77.0	75.1	152.1
Sell - Cell	88.3	79.7	168.0	71.0	46.6	117.6	63.5	63.7	127.2
Sell - Monocrystalline module	218.3	165.4	383.7	132.5	177.2	309.7	133.8	138.5	272.3
Sell – Multicrystalline module	344.6	289.5	634.1	354.2	218.6	572.8	474.4	133.6	608.0
Power Plant EPC Business	-	-	-	21.8	4.9	26.7	-	0.1	0.1
Electricity income	8.4	7.1	15.5	8.7	8.5	17.2	7.5	9.6	17.1
Reclaiming and others	9.3	6.4	15.7	5.9	3.5	9.4	5.7	11.6	17.3
Total	814.8	707.2	1,522.0	642.0	700.7	1,342.7	818.8	487.5	1,306.3

Quarterly Shipment Volume



Shipment Volume – Quarterly by Products

(MW)	1Q2014	2Q2014	1H2014	3Q2014	4Q2014	2H2014	1Q2015	2Q2015	1H2015
Processing Business	15.60	64.80	80.4	25.60	131.00	156.6	39.2	49.5	88.7
Sell - Ingot	9.70	3.60	13.3	2.20	0.40	2.6	-	0.1	0.1
Sell - Wafer	79.80	66.50	146.3	25.70	40.80	66.5	55.7	60.2	115.9
Sell - Cell	32.90	29.00	61.9	25.70	17.30	43.0	23.8	27.4	51.2
Sell – Monocrystalline module	47.70	38.40	86.1	32.10	41.90	74.0	31.7	37.9	69.6
Sell – Multicrystalline module	76.80	69.30	146.1	85.90	53.70	139.6	123.5	38.0	161.5
Total	262.50	271.60	534.1	197.20	285.10	482.3	273.9	213.1	487.0

Polysilicon long-term supply contract - Update

- In order to secure a stable supply of polysilicon materials, the Group entered into short-term and long-term contracts with certain raw material suppliers and made advance payments to these suppliers which are to be offset against future purchases.
- As at 31 December 2014, management assessed the prepayment for potential impairment and identified a supplier. Due to the uncertainty caused by anti-dumping and anti-subsidy investigation against solar grade polysilicon manufactured in the United States of America, the Group did not purchase the stated quantities from the year 2012 to 2014 under a long-term contract. We are currently in discussion with this supplier to seek a solution acceptable to both parties on the performance of the long-term supply contract and management is confident in reaching a resolution.
- However, exercising prudence in preparation of the financial statements, a provision for prepayment for raw materials of RMB70,369,000 and a provision for inventory purchase commitment of RMB43,582,000 have been recognized for the year ended 31 December 2014. By excluding the one-off provisions mentioned above, adjusted net profits was RMB53,580,000.
- Based on the assessment updated for the six months ended 30 June 2015, no further impairment was provided as at 30 June 2015.

Business Review

Monocrystalline Solar Ingots and Wafers

Silicon Ingot Business

- Annual production capacity of silicon ingots will soon reach 1.2GW.
- The Group provides mass production of N-type high performance products with a photovoltaic conversion efficiency of 22-23%. In 2014, the external shipment volume of self-manufactured and processed N-type silicon ingots contributed approximately 99% (2014: 89%) of aggregate external shipment volume of all types of silicon ingots in aggregate. N-type products are mainly targeted at Japanese market where the requirements on quality standard is most stringent.

Wafer Business

- During the period, the market is still dominated by multi-crystalline silicon wafers, which resulted in the less-than-expected demand for monocrystalline silicon wafers in the market. However, with the continuing realisation of advantages in better potential improvement in conversion efficiency, lower and stabler decay rate in its PV systems, continued reduction in unit costs, etc, it is expected that the market share of monocrystalline silicon wafers will increase significantly. Combined with internal utilisation of monocrystalline silicon wafers in the Group's production into monocrystalline solar modules, sales of wafer is expected to increase in the next couple of years.
- The Group focus on monocrystalline silicon wafers and is ready to capitalise on this change in market demand. As at 30 June 2015, the Group has an annual production capacity of 900MW. During the period, external shipment volume of self-manufacturing and processing of silicon solar wafers of the Group was 143.5MW.

Photovoltaic Cells and Modules

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Cell Business

- The manufacturing base of the Group in Jinzhou is equipped with production lines of solar cells having a production capacity of 300MW, which mainly provides cells for the production of the Group's downstream modules.
- During the period under review, the internally-utilised volume of solar cells increased to 66% of the total shipment volume of solar cells.

Module Business

- Continuing strong co-operations with its key customers, including Chinese state-owned enterprise, Japanese conglomerate and new and existing customers with stable demand, external shipment volume of solar modules remained stable, amounted to approximately 231.1MW as compared with 232.1MW for the same period of last year.

Photovoltaic Power Plant Projects

- The Group fully utilized the advantages of its vertical integration, actively expanding the business of end market, which increased the demand of the products from downstream to upstream.

- The Group's 20MW large-scale photovoltaic power plants project in Golmud, Qinghai Province is in operation, and generates an average of approximately 33 million kWh electricity per year. The project enjoys the photovoltaic power generation feed-in tariff policy of RMB 1.15 per kWh as set out by the National Development and Reform Commission.

- The Group maintained its overseas presence through its base in Germany, DCH Solargiga GmbH, and marched into Turkey and Pakistan and other areas to develop its EPC business.

20MW PV Power Plant Completed in Golmud, Qinghai Province

The Factory and Office of Germany DCH-Solargiga in Turkey

Future Plans and Strategies

Our Mission

- Global leading vertically integrated solar power play with exclusive strengths to provide better services for applications, development and one-stop solutions to our clients from every segment in photovoltaic industry.

- Leveraging on its current German design and crafts, the quality of products recognised by the Japanese market and the cost advantages of Chinese production. The Group actively develops its EPC business and O&M business so as to contribute our endless efforts to protect our green living environment.

Action Plans in 2015

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Policy Guidance

A major document on the photovoltaic industry named "Opinions on Further Optimizing the Market Conditions for Mergers and Restructuring for the Photovoltaic Industry (the "Opinions") issued by the Ministry of Industry and Information Technology of China in late 2014 pointed to the strengthened financial support for photovoltaic enterprises for their expedited structural optimization, transformation and upgrade through mergers and acquisitions, and to the formation of some core enterprises in the industry with strong international competitiveness by the end of 2017. In accordance with national policy, the Group will consolidate its industry leading position through the following action plans. .

Action Plans

- Adhering to vertical integration strategy, the Group will focus on the development of monocrystalline products by fully leveraging its technological advantage in monocrystalline products
- Leveraging monocrystalline vertical integration strategy to integrate the Group's production capacity with a view to improving the gross profit of the Group's module products and driving the Group's profit growth
- Apart from maintaining a stable cooperation with its customers in Japan, the Group will also take an active role in expanding its cooperation with Mainland and Taiwan customers
- The Group will actively expand its downstream business of constructing, operating and maintaining photovoltaic power plants with a view to promoting the development of power plants projects in emerging markets including Africa, Southeast Asia, Turkey, Pakistan and other Balkan countries

Solargiga Energy

Q & A

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