





Solargiga Energy

Solargiga Energy Holdings Limited

阳光能源控股有限公司

2021 Interim Results
二零二一年度中期业绩
香港聯交所上市股份編號：757

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PART 01

Corporate Overview



- Established in 2001, the largest in Northeast China, high ranked photovoltaic manufacturer of the country. Focus on manufacturing monocrystalline products, providing one-stop solutions from ingots, wafers, modules to the development, design, construction, operation and maintenance of PV System.
- Listed in Hong Kong on 31 March 2008 (757.HK)
- 2021 Global New Energy Top 500 Enterprises (173); 2021 and 2020 Global Solar Top 20 Enterprises – PRC Module Enterprise (11); 2020 China Energy Group Top 500 Enterprises (303); Top 100 New Energy Enterprise Global Competitiveness (92); Top 3 Industrial Enterprises in Jinzhou City, Liaoning Province, China

In January 2021, the Company entered into a subscription agreement with Madam SZE Tan Hung, an independent third party, the Company allotted and issued 180,000,000 subscription shares at the subscription price of HK\$0.29 per subscription share. The total consideration amounted to HK\$52,200,000.



Tan Wenhua and his
associates
21.43%



Hiramatsu International
Corp.
9.15%



Madam
Sze Tan Hung
7.14%



Public
Shareholders
60.55%

Other
Directors
1.73%



Solargiga Energy

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Number of issued shares 3,323,771,133

Adopted "one base, three wings" layout strategy, with Jinzhou, Liaoning as the base, Qujing, Yunnan and Yancheng, Jiangsu as two side wings, Xining, Qinghai as the tail wing.

Mainland China

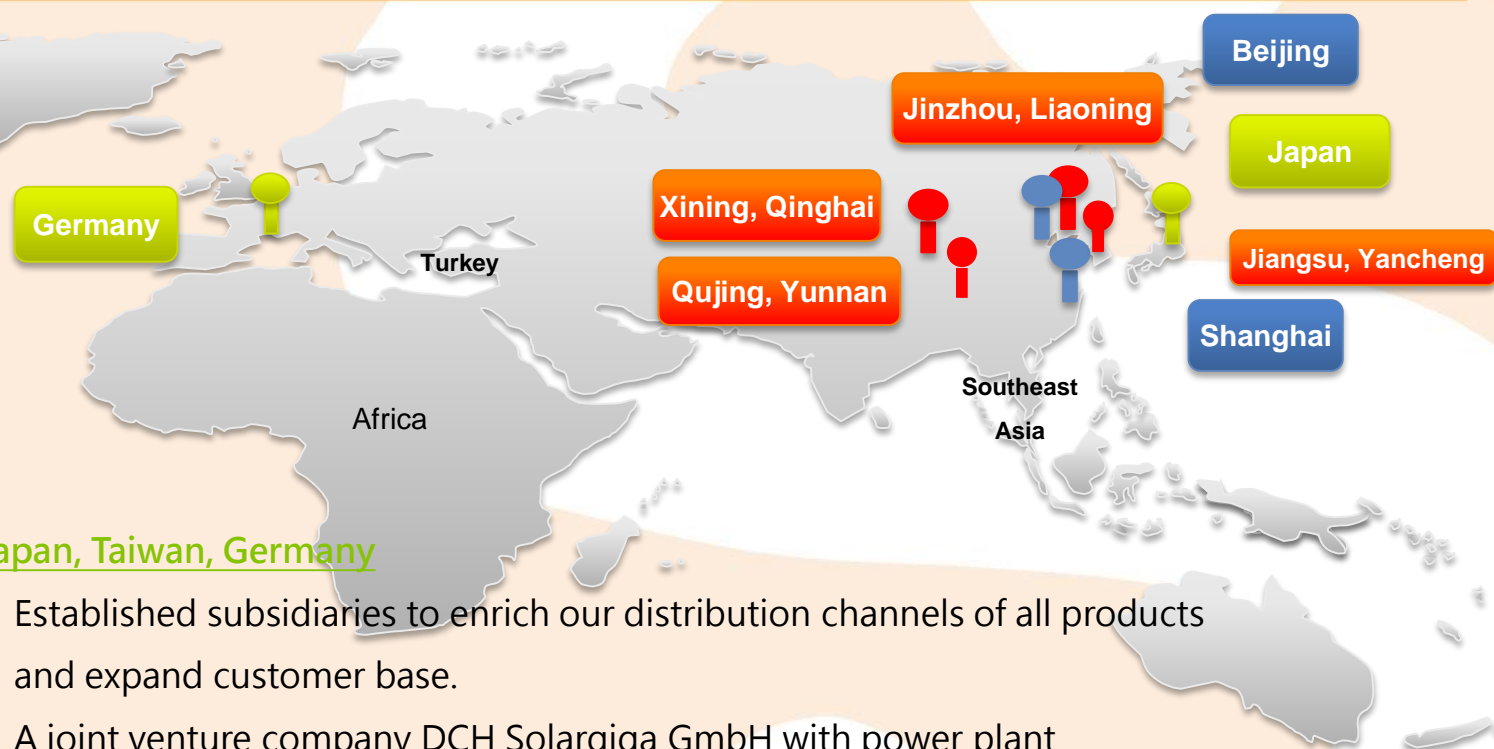
- monocrystalline silicon ingot capacity: 6.05GW.
- monocrystalline silicon wafer capacity: 2.90GW.
- photovoltaic module capacity 4GW
- Group's marketing centers located in Shanghai and Beijing.

Japan, Taiwan, Germany

- Established subsidiaries to enrich our distribution channels of all products and expand customer base.
- A joint venture company DCH Solargiga GmbH with power plant construction company in Germany, which is mainly engaged in photovoltaic systems business

Others

- Developing EPC business in America, Turkey, Pakistan, Southeast Asia and Africa.



Map note:

- Manufacturing base
- Marketing centers
- Subsidiaries

Ingot



- Annual production capacity of 6.05GW

Wafer



- Annual production capacity of 2.90GW

Module



- Annual production capacity of 4GW






Photovoltaic System



- Besides establishing internal photovoltaic power plant system by wholly owned subsidiaries, the Group also establish new companies with cross-industries cooperation to expand the market.








- Solargiga Energy focuses on monocrystalline production. So far, it has 20 years of experience in the production of N-type/P-type monocrystalline silicon ingots. The Group is the only monocrystalline silicon manufacturer who has obtained the national product quality exemption certificate. Currently, we own 38 national utility model patents.
- In recent years, through the transformation and upgrading of the ingot growing furnace (長晶爐), and participated in the research and design of the TDR140-CL and TDR160-CL ingot growing furnace (單晶爐), the amount of the material put into production has reached more than 800kg and is capable for production of 10 inch and 12 inch ingot. This achieved continuous drawing of multiple output resulted in strengthen the advanced electronic liquid level control system, automatic control process, reducing labour costs and being stable quality of the crystalline ingots. During the research and development process, we obtained 1 invention patent, 14 utility model patents, and 2 software copyrights.
- The Group's monocrystalline silicon ingot production system adopted fast closing technology, which shortened the closing time by 70%. Further, through the transformation and upgrading of the water cooling device, the growth rate of monocrystalline silicon ingot can be increased from 1.25mm/min to 2.0mm/min, which improve the yield rate and production efficiency of silicon ingots, and become more advanced within the industry.





-  We had developed a 500-hour long-life quartz crucible, a major auxiliary material for the production of monocrystalline silicon ingot, jointly with specific suppliers, it could realise the RCZ production process of continuously drawing more than 9 ingots in one pot, which can significantly reduce the production cost.
-  Monocrystalline silicon ingots are excellent in terms of technical indicators, and oxygen content is controlled to below 14 ppm, forming a strictly reliable crystalline ingot index detection system.
-  The Group has accomplished technical breakthrough and product marketisation of monocrystalline N-type silicon ingot at an earlier time. N-type silicon ingots and wafers have also been supplied to domestic and foreign customers at an earlier time, and N-type ingots are in a leading position in the industry in respect of various indicators.
-  According to customer's requirements, the Group provides various specifications and sizes of N-type and P-type monocrystalline products, and also provides the highest quality silicon ingots for downstream modules.
-  It is estimated that the production capacity of monocrystalline silicon ingot/ wafer would be expanded from the current 6.05GW to 8.55GW by the end of 2021, and further expanded to 18.55GW by the end of 2022.











-  Solargiga Energy has 15 years of wafer slicing experience and is one of the pioneers of large-size silicon wafers in the industry. According to customers' requirements, the Group provides various specifications and sizes of N-type and P-type monocrystalline products, and also provides the highest quality silicon wafers for downstream modules. Currently, we have 2 national invention patents and 8 national utility model patents.
-  The 170 μ m thin-slice technology was matured and has been supplying to the market in batches. It has also developed and put thinner silicon wafers into production, effectively increasing the output rate by more than 5%.
-  Diamond wire of abrasive slicing machines are in use and the output of wafer increased by more than 17% which reduced the manufacturing costs.
-  The research and development of the thin wire technology was carried out, the original 52 μ m electroplated diamond saw wire (金鋼綫) of the entire production line has switched to 45 μ m electroplated diamond saw wire, and the output increased by more than 15% over the same period of last year.
-  The production capacity of monocrystalline silicon wafer would be expanded from the current 2.90GW to 4.60GW by the end of 2021, and further expanded to 14.60GW by the end of 2022.



-  The first largest OEM module manufacturer in PRC supplied to Sharp Japan for nine consecutive years. Developed the anti-PID technology of module and mastered the design and production of high-end module in the Japanese market. Its OEM module accounted for more than 90% of the Sharp's total shipments of photovoltaic module.
-  The unique quality control standards for Japanese production include a total of 104 inspection items from the auxiliary materials, process control requirements, and 3 to 10 times the finished module products in the environmental testing system requirements of the IEC standard.
-  Master core technologies for the design and production of different modules such as lightweight components, ski components, and high-load components. Mastered the design and production technology of two-sided cell (P-PERC, N-PERT.HIT) module, and shipment for double glass components in batches for seven consecutive years.
-  Developed and mastered half-slice modules, multi-gate cell modules, double-sided cell modules, high-efficiency ribbon modules and other design techniques related to Super Top Runner Program high-end products.



-  BS module products of N-type monocrystalline IBC cell uses the internationally leading and the first domestic FPC for module packaging, and is in the leading position in the industry. Having a black surface with beautiful design, the products are uniquely produced as rectangular, square, triangular and other special-shaped modules. It could be connected to each other with perfectly matching roof shape to achieve efficient.
-  The FPC packaging process of BS modules is the highest-precision packaging process known for modules at present. It is the benchmark for the monocrystalline N-type IBC cell modules products, leading the monocrystalline N-type cell module industry packaging technology for 3 to 5 years.
-  The module production line of the Group can also produce multi-busbar half-cell double-sided double glass of 182mm and 210mm large-size modules which the conversion could reach more than 660 watts. Such large sized modules are scarce products on the market and modules with specifications of 182mm or above account for more than 2/3 of the specifications of products tendered in the Chinese photovoltaic market.
-  The Group is also carrying out a number of research projects for G12 and BIPV products, aiming to upgrade the mass production technology of large-size module products and BIPV products.
-  Owned 85 national utility model patents and 11 invention patent.
-  The production capacity of modules would be expanded from the current 4.0GW to 8.20GW by the end of 2021, and further expanded to 12.50GW by the end of 2022.



TUV/JET/UL/VDE/CE/BIS/CQC Certification



First batch of Photovoltaic Power Generation Top Runner Program (領跑者) certified enterprises



TUV Certified



VDE Certified

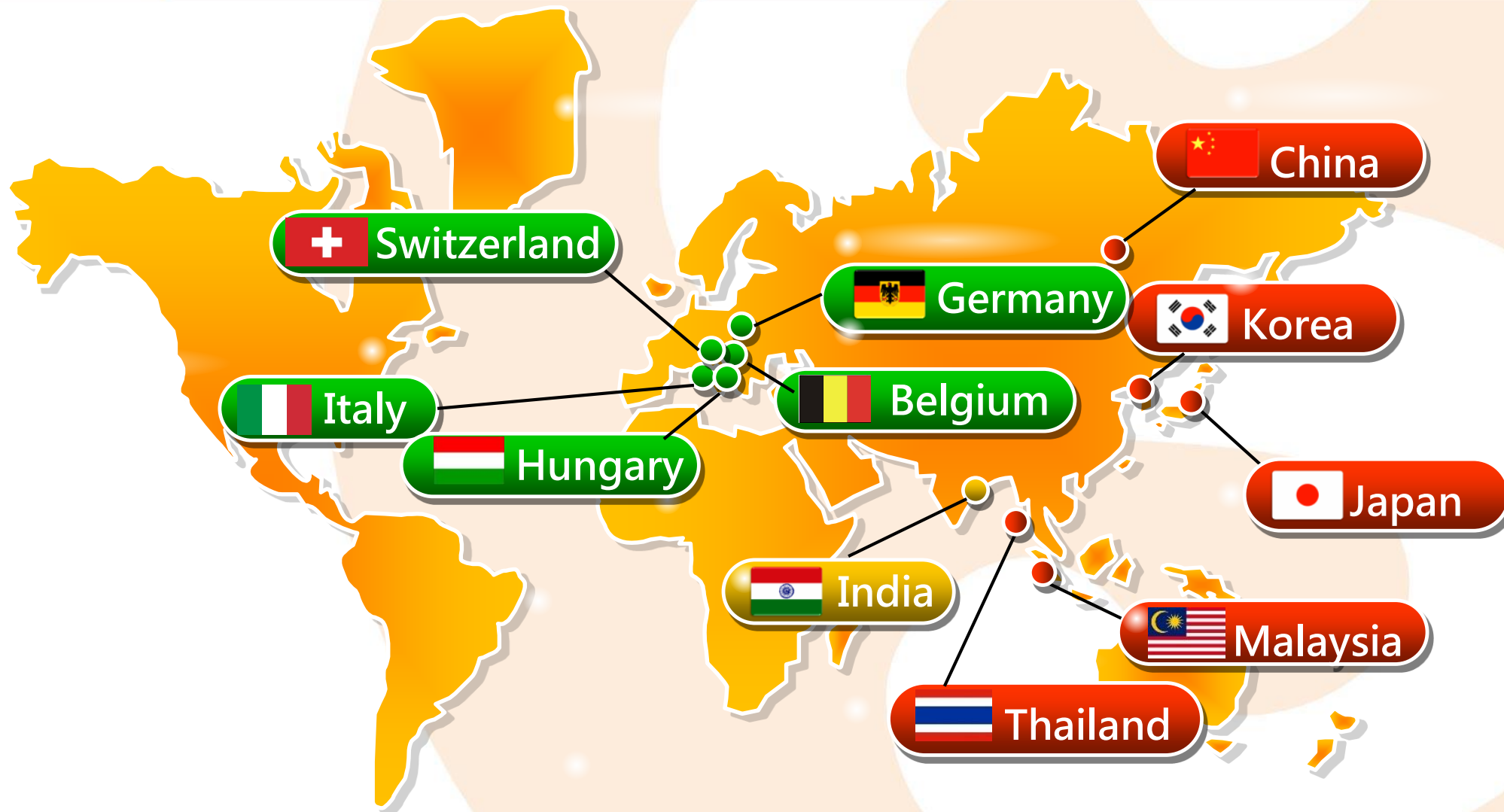
- The Group's photovoltaic system business includes traditional distributed power station EPC business, Building Applied Photovoltaics (BAPV) business and Building Integrated Photovoltaics (BIPV) business. Against the policy background of the PRC government's vigorous advocacy of "hit peak emissions" and "carbon neutrality" and the construction of "green buildings" and "zero energy buildings", given the current huge building volume in the PRC, it is anticipated that BIPV business would have broad development prospects and become a new development hotspot in the photovoltaic industry.
- Currently four series of BIPV products have passed CCC certification, CQC certification, and GB8624-2012 building materials and products combustion performance test certification.





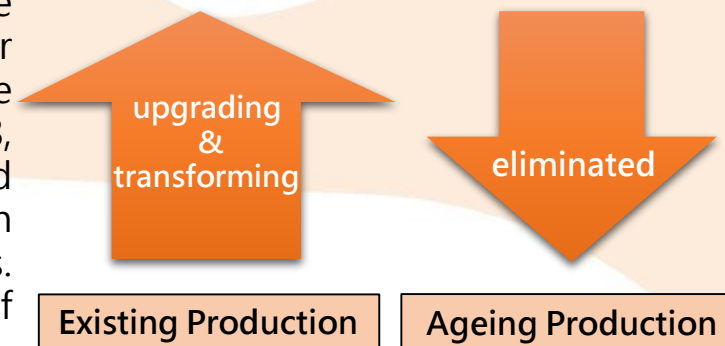
中国华电集团公司
CHINA HUADIAN CORPORATION



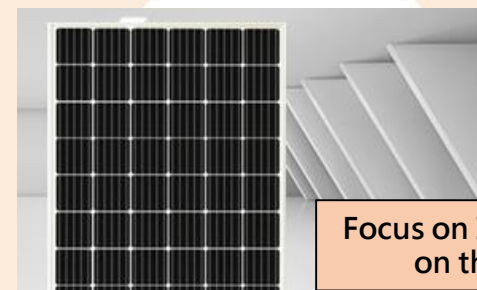


As a clean energy source, photovoltaic power generation had to rely on government subsidies to compete with the selling price of traditional petrochemical energy in the past. As such, with the advancement of photovoltaic production technology in the past ten years, the production cost per watt of power generation has dropped sharply. The current photovoltaic application has reached the target of market price, and explosive sales growth is foreseeable in the future. Therefore, since 2018, the Group has continued to invest in upgrading and transforming existing production capacity and invest in low-cost, high-efficiency new production capacity, despite the operational pressure of high procurement costs due to the long-term purchase contracts for high-priced polysilicon materials. Also, ageing production capacity had been eliminated. Mass output by comprehensive upgrade of production capacity and new high-efficiency production capacity have also been realized.

The types of photovoltaic products were originally divided into two technologies, monocrystalline and multicrystalline, for many years. The production ways of their corresponding monocrystalline silicon ingot and multicrystalline silicon ingots are different. With the conversion efficiency improvement of monocrystalline silicon products and the ability of continuously reducing production costs becoming clearer and more feasible, the market share of the multicrystalline technology has been quickly replaced by the monocrystalline technology. Yet, production of monocrystalline and multicrystalline silicon wafers in the manufacturing process are the same and therefore the production capacity of multicrystalline slicing with multicrystalline silicon ingots has been greatly released. Hence, the difference in the production capacity of the Group's 6.05GW monocrystalline silicon ingots and that of 2.90GW monocrystalline silicon wafers will be smoothly compensated by third-party processing service providers that have already released multicrystalline slicing capacity. As a result, the Group could focus on its limited resources on the development of monocrystalline ingots and niche module products.



- ✓ Comprehensive Upgrade of Existing Production Capacity
- ✓ Mass Output of New High-efficiency Production Capacity



Focus on Its Limited Resources
on the Development

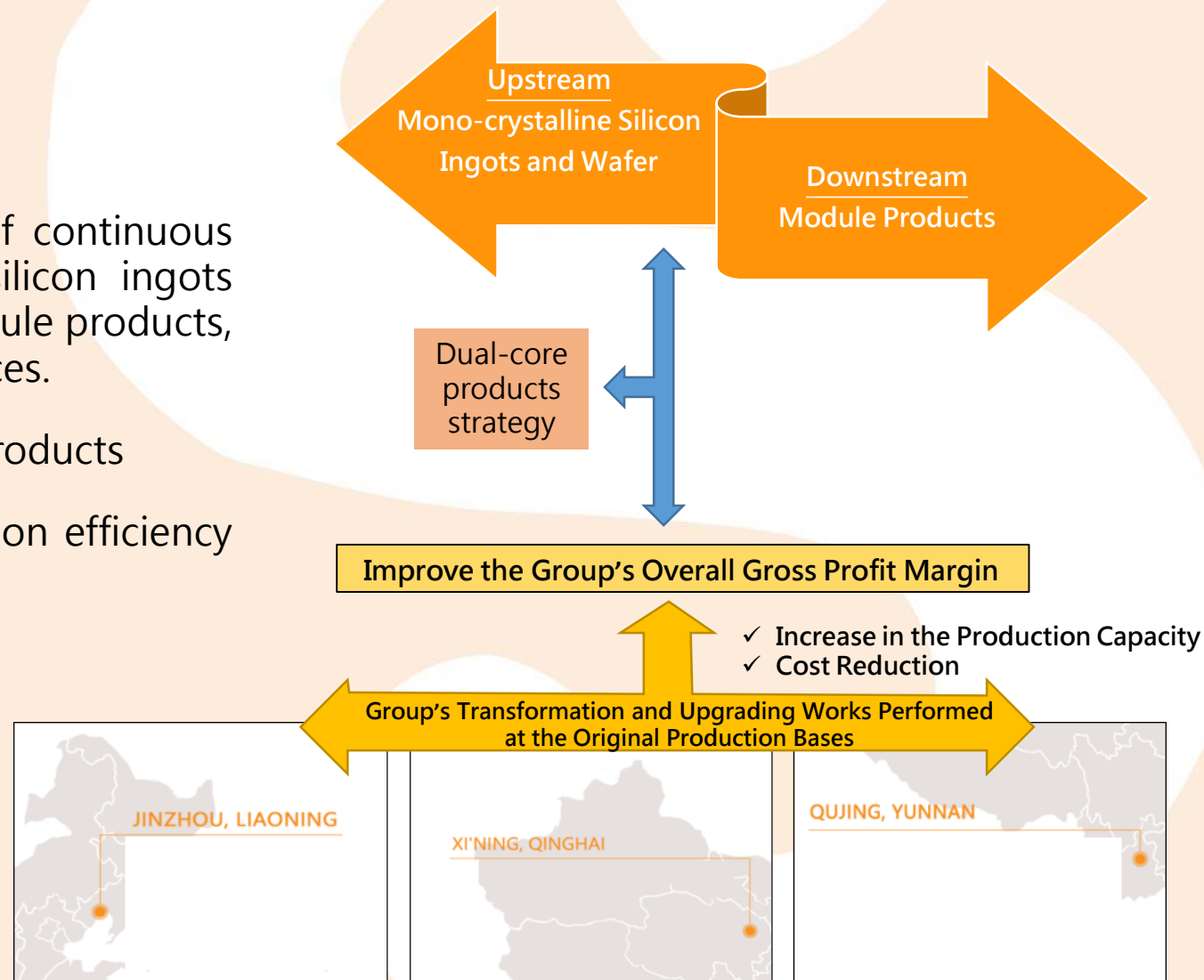


Dual-core products strategy

- By adopting a dual-core products strategy of continuous development of upstream monocrystalline silicon ingots and wafer product as well as downstream module products, the Group effectively utilises its existing resources.

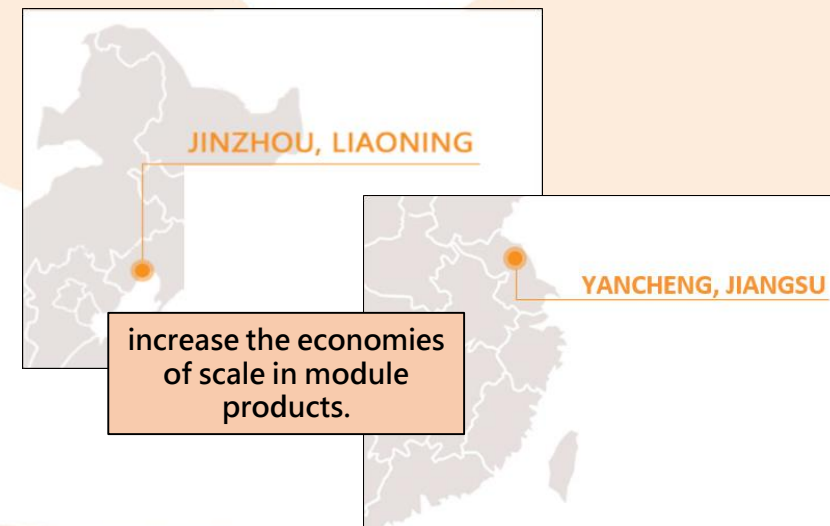
Upstream monocrystalline silicon ingot and wafer products

- The gross profit margin driven by its production efficiency has increased significantly during the period.



Downstream photovoltaic modules

- Since our photovoltaic module customers are mostly domestic state-owned enterprises or large multinational corporations, the market position and strength possessed by these module customers are the strongest in the overall photovoltaic industry chain. Therefore, the Group has established a direct supply relationship with large module customers through significant module production capacity, which maintains a more stable terminal product estuary.



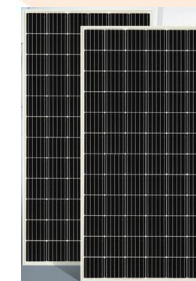
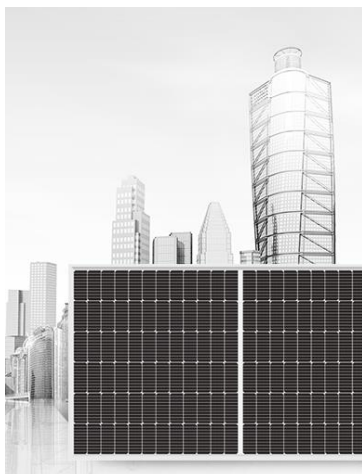
Establish a Direct Supply Relationship
with Large Module Customers

Photovoltaic
Module
Customers

✓ Maintains a More Stable Terminal Product Estuary

Domestic State-owned Enterprises/ Large Multinational Corporations

- ✓ Market Position
- ✓ Strength



PART 02

Market Overview

- ■ ■ At the Virtual conference of the Leaders' Summit on Climate held in April 2021, the President of the PRC, Xi Jinping reiterated last year's commitment to "hit peak emissions" and "carbon neutrality" and said that China will strictly control the growth of coal consumption during the "14th Five-Year Plan" period and decrease coal consumption during the next 10 years gradually, which means the demand for new energy in China will rise sharply and the photovoltaic power generation with lower cost will become the focus of development.
- ■ ■ According to "Notice on Matters Relating to the Development and Construction of Wind Power and Photovoltaic Power Generation Projects in 2021" (《关于二零二一年风电、光伏发电开发建设有关事项的通知》), published by The National Energy Administration in May 2021, stated that wind power and photovoltaic power generation is targeted to reach about 11% of the total electricity consumption in China in 2021, to increase year by year thereafter, and to ensure that non-fossil fuel energy consumption accounted for 20% of primary energy consumption in 2025. As of 30 June 2021, the cumulative installed capacity of solar power generation was 268 GW, represented an increase of 24% over the same period of last year, and the newly installed power generation was 13.01 GW, represented an increase of 13% over the same period of last year. In June 2021, the Administration issued the "Notice on Submitting the Pilot Scheme for the Development of Distributed Photovoltaics on the Roof of the Entire Counties (Cities, Districts)" (《关于报送整县(市、区)屋顶分布式光伏开发试点方案的通知》), it set out specific installation targets on governmental departments, public facilities, industrial and commercial buildings and rural houses, based on two key principles, "to make photovoltaic installation as much as possible" and "to make grid connection as much as possible". Since the notice was published, 24 provinces and cities have announced details of their corresponding targets. Distributed photovoltaic installations increased by 7.65 GW in the first half of 2021, representing a growth of 73% as compared to last year, and it is expected that photovoltaic installations for the second half of the year would be further increased.



According to the data from PVInfoLink, the price of silicon materials as at the end of the first half of 2021 has surged by more than 135% compared to the beginning of the year. They anticipated that the price of polysilicon will remain stable in the short term, and given that there will be an upsurge of installation in the second half of the year, it is expected that there will not be much room for the price of modules to drop.



Wang Bohua, the honorary chairman of the China Photovoltaic Industry Association, said that China's addition photovoltaic capacity in 2021 will reach 55-65 GW.

<p>USA</p>	<p>■ The additional installation of solar power generation in United States was more than 5 GW in the first quarter of 2021, which increased by 46% comparing to the same period of last year. It was the quarter with the largest recorded growth, and the cumulative solar capacity has officially exceeded 100 GW. The data in the first quarter showed that nearly 100% of the additional power generated was renewable energy power, with solar power generation reaching a record high, accounting for 58% of the total additional power generation. It is predicted that the United States will add more than 20 GW of new solar capacity throughout the year.</p> <p>■ In addition to rejoining the Paris Agreement, U.S. President Biden, also promised to reduce carbon emissions by 50% to 52% by 2030 from the level of 2005, which doubled the previous commitment target. The new installed capacity in the whole year of 2021 is estimated to exceed 22 GW, which is highly influenced by the solar investment tax credit (ITC).</p>
<p>Europe</p>	<p>■ SolarPower Europe anticipated that the annual new installed capacity of the EU photovoltaic market in 2021 will be between 14.9 GW and 28 GW and the cumulative installed capacity will reach 145.1 GW to 173.1 GW. It also estimated that the top five countries with the highest new installed capacity would be Germany, Spain, the Netherlands, France and Poland, in order. Before the virtual conference of Leaders' Summit on Climate held in April this year, the European Union passed a Temporary Climate Act, promising to reduce carbon emissions by 55% as compared to the level of 1990 by 2030 and set a binding target of net zero greenhouse gas emissions by 2050.</p>

<p>India</p>	<p>■ Solar power generation in India rose by more than 2 GW, these projects were affected by the epidemic control measures and caused delay in completion. Given that only 44 GW cumulative installations of renewable energy were made in India at the end of March 2021, it is believed that the plan of having 100 GW cumulative installations of renewable energy before 2022 will be delayed accordingly. However, in the renewable energy country attractiveness index released by a global professional services company, India's solar sector is expected to grow significantly, and solar photovoltaic power generation will surpass coal before 2040. Therefore, India was once again listed as the most attractive destination for photovoltaic investment and deployment.</p>
<p>Other Regions</p>	<p>■ UK, Canada, Japan, South Korea and Brazil also announced their new carbon reduction targets in 2021. Amidst the subsiding epidemic and the recovery of the global economy, the global development of renewable energy continues to grow, among which the development of solar energy is the general trend. We look forward to hearing the signatory parties of the Paris Agreement to formally announce their new emission reduction targets at the United Nations Climate Change Conference in the second half of 2021, which will further establish the foundation for global green and sustainable development and allow all countries to jointly achieve the goal of net zero carbon emissions.</p>

PART 03

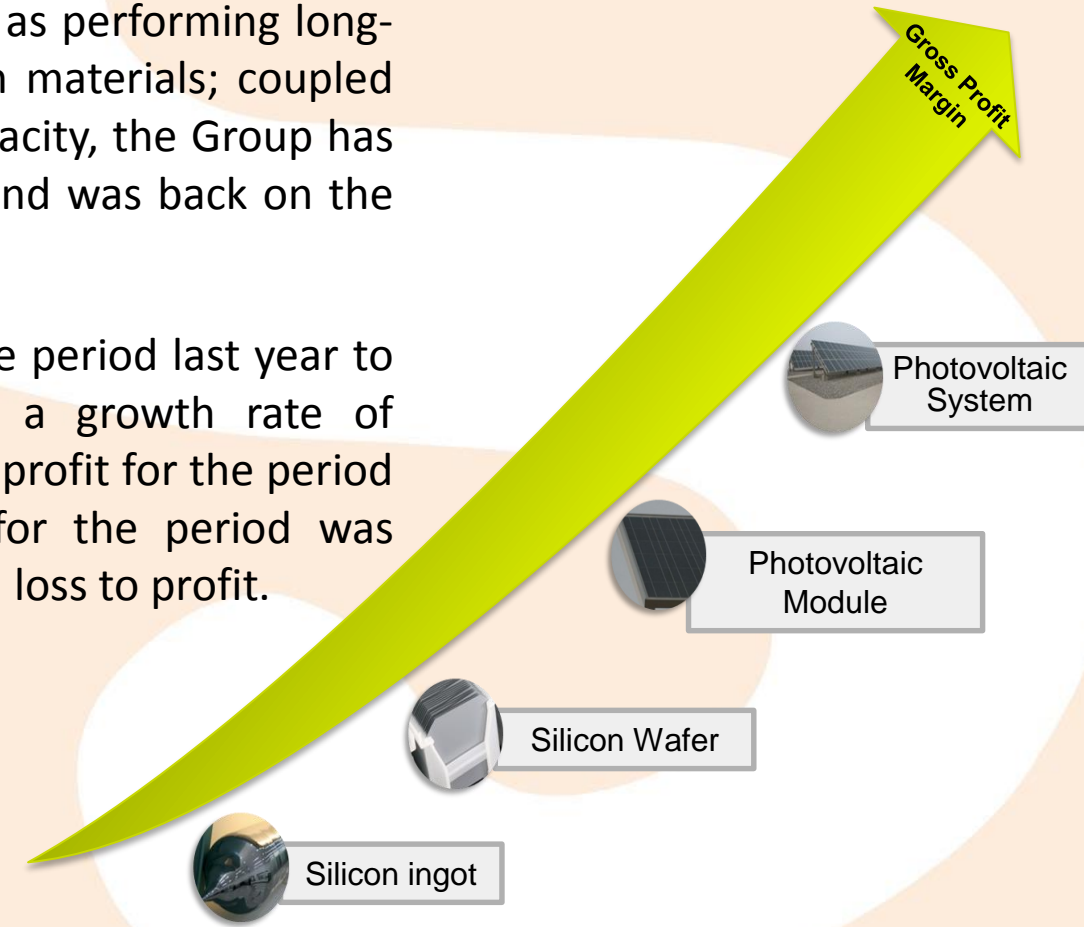
Operations Performance



As the Group gradually got rid of unfavorable factors such as performing long-term contracts for the purchase of high-priced polysilicon materials; coupled with the economic scale of high- efficiency production capacity, the Group has successfully turned from loss to profit during the period and was back on the profitable track.

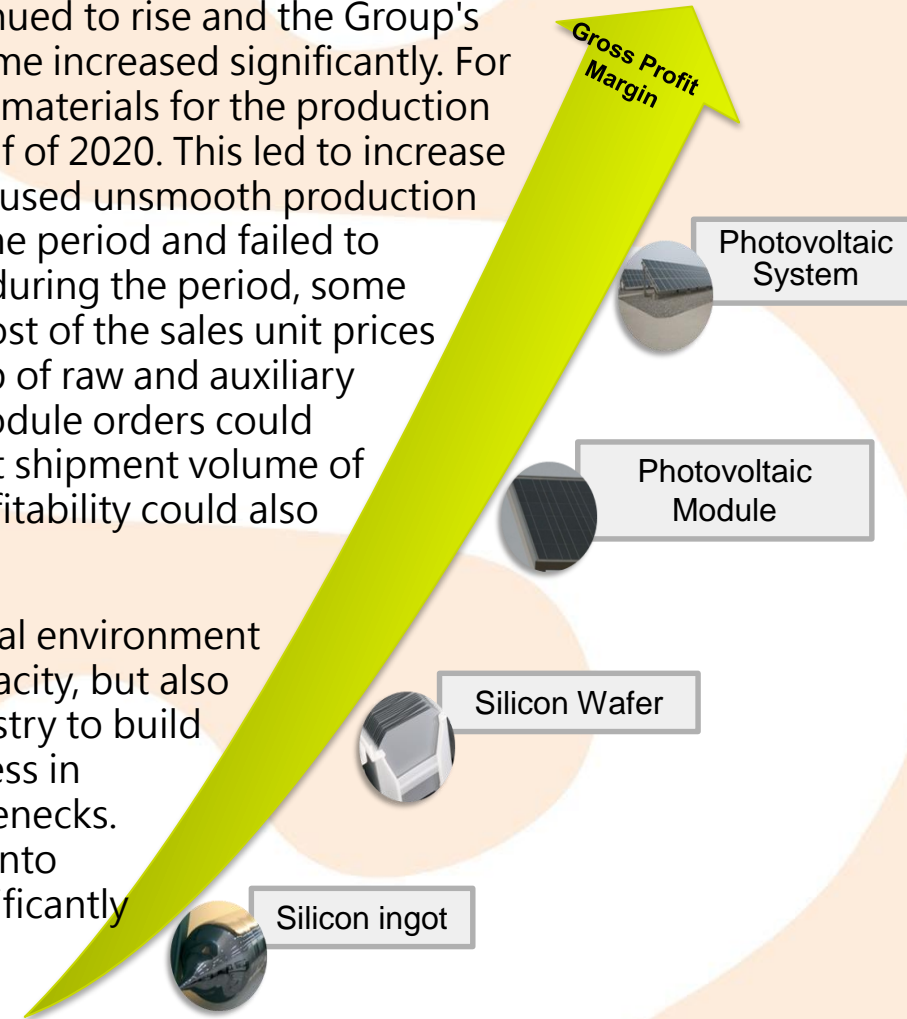


Revenue increased from RMB2,599.661 million in the same period last year to RMB2,820.623 million during the period, representing a growth rate of approximately 8%. For the period ended 30 June 2021, the profit for the period was RMB120.646 million (the first half of 2020: loss for the period was RMB42.702 million), which was officially a turnaround from loss to profit.



During the period, market demand for monocrystalline silicon ingots and wafers continued to rise and the Group's high-efficiency production capacity has been greatly released, thus, the shipment volume increased significantly. For photovoltaic module products, in the first half of this year, the cost of raw and auxiliary materials for the production of photovoltaic modules continued the trend of irrational increase since the second half of 2020. This led to increase of purchase cost of the Group for raw and auxiliary materials. This also subsequently caused unsmooth production and sales of modules. As a result, the external shipments of modules declined during the period and failed to experience a significant growth as compared to the same period last year. In addition, during the period, some module orders were signed before the price of raw and auxiliary materials rose, and most of the sales unit prices of such orders had already been fixed. However, as the supply and demand relationship of raw and auxiliary materials for module production gradually resume to normal, and the newly signed module orders could transfer the price risk of the raw and auxiliary materials to customers, it is expected that shipment volume of modules will increase significantly with the expansion of production capacity, and profitability could also be greatly improved.

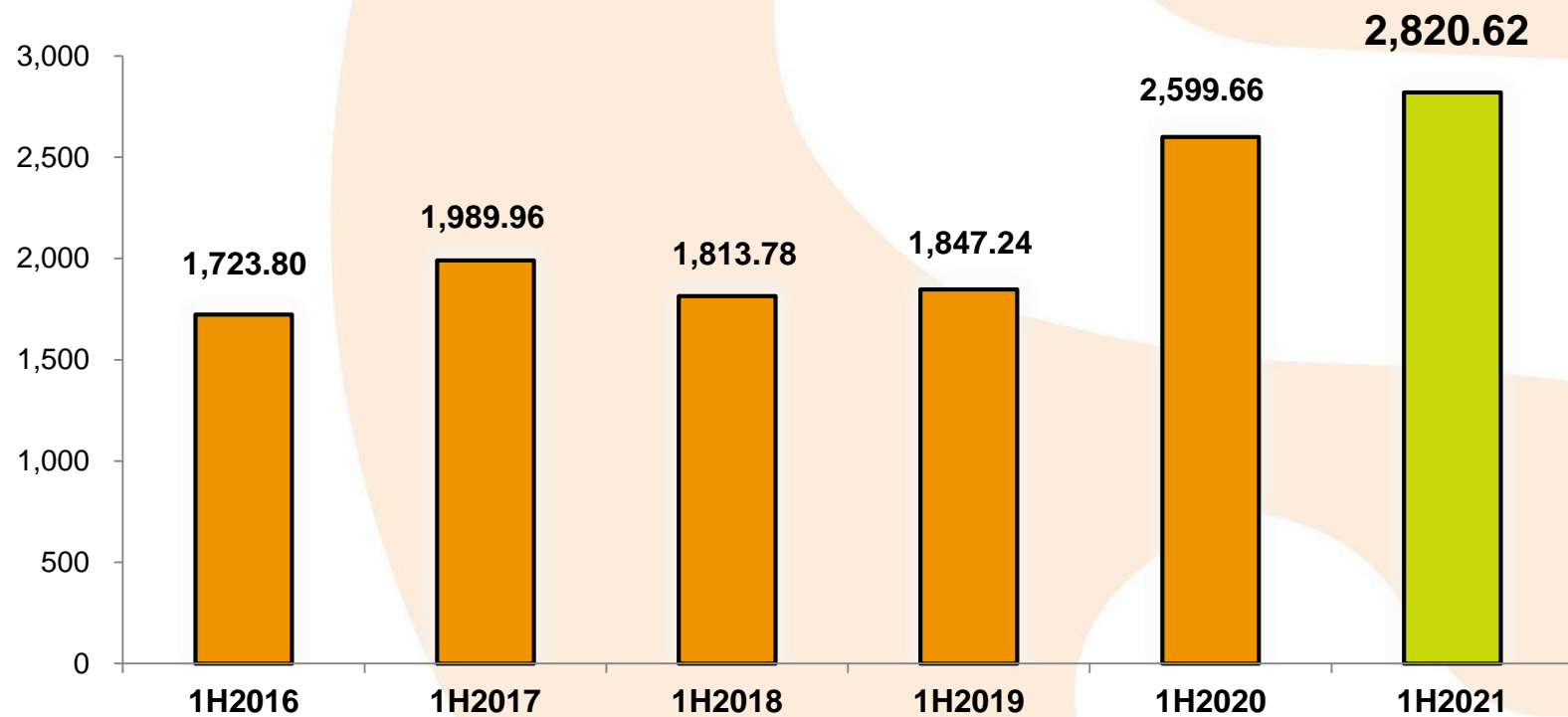
The Group officially stepped out of loss and turned to profit, not only due to the external environment of supply and demand and the release of low-cost and high-efficiency production capacity, but also it is necessary to maintain leading technology in the ever-advancing photovoltaic industry to build up a cost advantage in order to continuously make profits. The Group has gained success in research and development in recent years, and has overcome various production bottlenecks. The Group has successfully incorporated the most advanced production technologies into mass production, such that the production costs of our various product lines have significantly decreased, and the overall gross profit margin has hence increased.



PART 04

Financial Review

Revenue (RMB million)





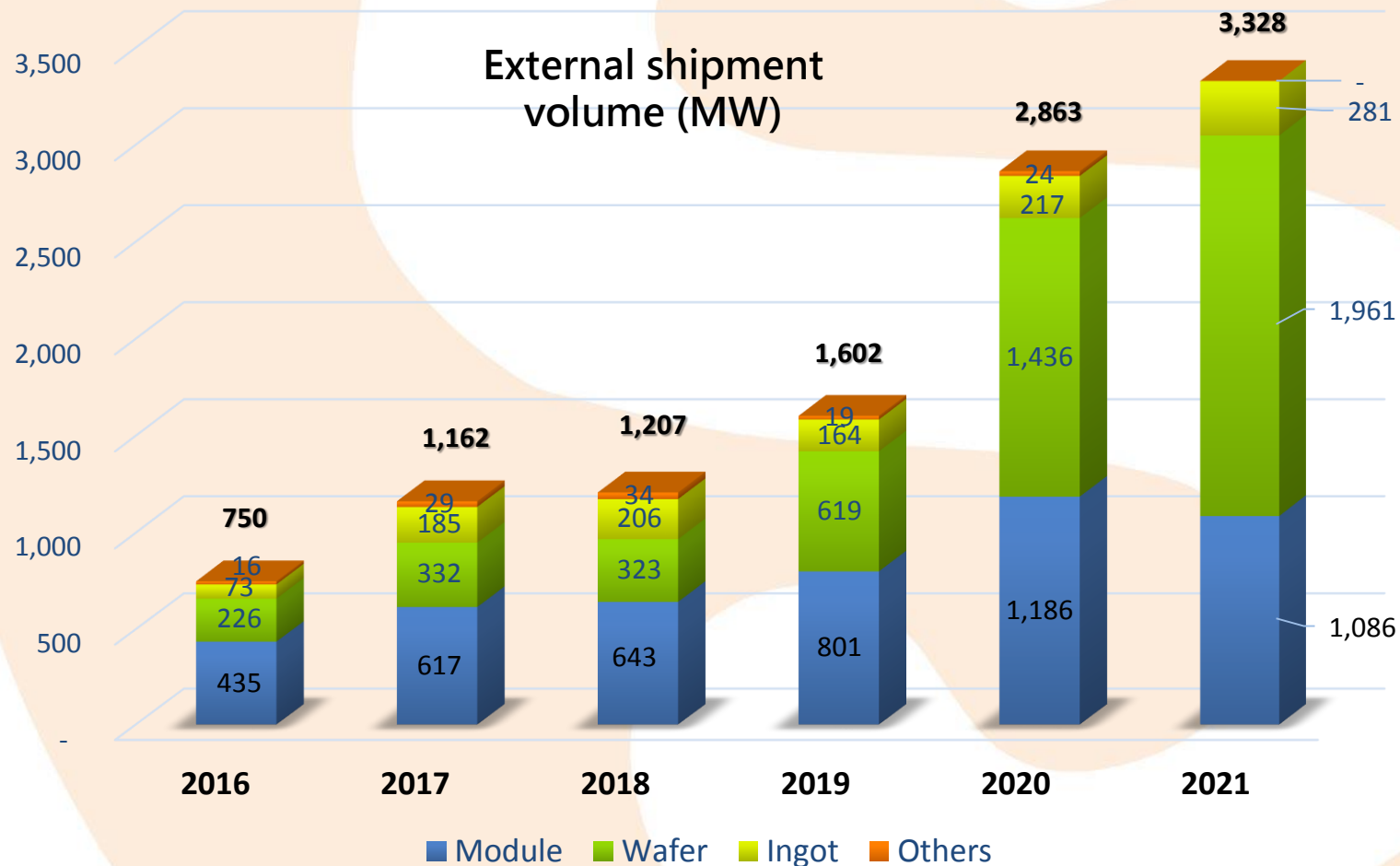
External shipment volume has grown 16% as compared to last year same period.




The growth in revenue and external shipment volume are mainly attributed to the significant increase in sales and shipment volume of monocrystalline silicon wafers.





The Group is no longer engaged in the manufacture of monocrystalline silicon solar cells since end of 2020.




Gross Profit and Gross Profit Margin

- 

The Group recorded a GP of RMB366.134 million and a GP margin of 13.0% in the first half of 2021 (1H2020: GP of 279.135 million with 10.7% GP margin), which increased significantly by 31% and 2.3% respectively, as compared to last year same period.
- 

The growth was mainly attributed to the 55% increase from the corresponding period last year in sales of the Group's major product, monocrystalline solar wafers, the GP margin of which was higher than other products.
- 

The GP margin could have increased significantly, however, the raw and auxiliary material cost of photovoltaic modules, has increased irrationally, causing the subsequent production and sales of modules to be not smooth. In addition, during the period, some module orders were signed before the price of raw and auxiliary materials rose, and most of the sales unit prices of such orders had already been fixed.
- 

As the supply-demand relationship of raw and auxiliary materials for modules gradually resume to normal, and the risk of price of raw and auxiliary materials could be passed to customers on newly signed module orders, it is estimated that the shipment volume of photovoltaic modules will increase significantly with the expansion of production capacity. GP and GP margin performance will be further improved.

Financial period	Gross profit (RMB'000)	GP margin
1H2019	91,266	4.9%
1H2020	279,135 (↑206%)	10.7% (↑5.8pp)
1H2021	366,134 (↑31%)	13.0% (↑2.3pp)

- With the growth in shipment volume and sales, shifting of production bases to areas with better production supporting environments which benefited from economies of scale, effective planning and control in expenses, the Group has officially turned losses into profits in the first half of the year and recorded a profit of RMB120.646 million, which has improved significantly from the loss of RMB42.702 million for the corresponding period of 2020.
- Profit attributable to the equity shareholders was RMB61.339 million for the period, a significant improvement from loss attributable to the equity shareholders of RMB54.493 million in the first half of 2020.


Financial performance	1H2021 (RMB'000)	1H2020 (RMB'000)	% change
Revenue	2,820,623	2,599,661	9%
Gross profit	366,134	279,135	31%
Gross profit margin (%)	13.0%	10.7%	2.3pp
EBITDA	364,042	159,634	128%
Net profit (loss)	120,646	(42,702)	383%
Profit (loss) attributable to equity shareholders	61,339	(54,493)	213%
Basic earnings (loss) per share (RMB cents)	1.86	(1.71)	560%

 As at 30 June 2021, the Group's current assets, total assets, net assets and current ratio have improved as compared to 31 December 2020.

Assets Data	30/6/2021 (RMB'000)	31/12/2020 (RMB'000)	% change
Current Assets	4,362,399	3,858,549	13%
Current Liabilities	5,251,958	4,822,316	9%
Total Assets	6,233,436	5,601,703	11%
Total Liabilities	5,744,102	5,261,707	9%
Net Assets	489,334	339,996	44%
Asset-liability analysis			
Current Ratio (times)	0.83	0.80	0.03
Net Debt to Equity Ratio (%)	244.2%	393.3%	149.1pp

- The cost of raw and auxiliary materials have increased irrationally since the second half of 2020. In order to avoid the impact of price fluctuations, the Group increased the safety stock level of inventories. In addition, an increase amount of raw and auxiliary material were purchased to cope with the utilisation of new high-efficient production capacity. Therefore, the inventory turnover days of the period increased to 48.
- The sales of photovoltaic modules accounted for about 60% of overall sales for the period. According to the standard terms of the industry's module sales contracts, the recovery of module receivables depends on the construction progress of the photovoltaic power plant. For instance, some trade receivables can only be recovered after the customer's photovoltaic power plant is connected to the grid. Therefore, trade receivables turnover days of module business are generally longer. Furthermore, the sales amount of modules in June 2021 accounted for a relatively high proportion of the total sales amount of that for the period, and most of those trade receivables were yet to be due; as a result, higher trade receivables turnover days was noted but is still at a reasonable level. Trade receivables turnover days for the period was 117 days.
- The Group has completed a comprehensive upgrade on production capacity and addition of high-efficiency production capacity during the period, and hence an increased amount in raw and auxiliary materials were purchased for use in the expanded production capacity. As a result, the ratio of trade payables to cost of sales at the end of the period increased. The trade payables turnover day was 147 days.


Turnover Day Analysis	30/6/2021	31/12/2020	Change
Inventory Turnover (Days)	48	27	21
Trade Receivables Turnover (Days)	117	95	22
Trade Payable Turnover (Days)	147	116	31

-  The Group has turned losses into profits during the period; the Group continued to invest and upgrade the existing production capacity which, together with the economies of scale reflected in high-efficiency production capacity, resulted in a significant increase in operating profit. The net cash inflow from operating activities increased from RMB130.920 million in the first half of 2020 to RMB306.862 million for the period, representing a growth rate of 134%.



Condensed statement of cash flow	1H2021 (RMB'000)	1H2020 (RMB'000)	Change (RMB'000)
Net cash flows generated from operating activities	306,862	130,920	175,942
Net cash flows used in investing activities	(101,738)	(72,966)	(28,772)
Net cash flows used in financing activities	(292,255)	(158,606)	(133,649)

PART 05

Future Prospects and Strategies

 In order to respond to the rapid increase in demand, the Group has continuously expanded production capacity of monocrystalline silicon ingot, wafer and module in order to take advantage of the external production environment in different areas, so as to enable the Group to fully utilise its current technological advantages in production. The current and targeted annual production capacity are as follows:

	Current	By end of 2021	By end of 2022	Growth (end of 2022 as compared to current)
Monocrystalline ingot	6.05GW	8.55GW	18.55GW	+206.6%
Monocrystalline wafer	2.90GW	4.60GW	14.60GW	+403.4%
Module	4.00GW	8.20GW	12.50GW	+212.5%

-  The annual production capacity of monocrystalline silicon wafer is lower than that of monocrystalline silicon ingot was mainly due to the current trend of rapid replacement of multicrystalline products by monocrystalline products. Hence, a substantial amount of production capacity of multicrystalline slicing with multicrystalline silicon ingots has been released. The difference in the production capacity of the Group's monocrystalline silicon ingots and that of monocrystalline silicon wafers will be gradually replaced by third-party OEMS that have excess multicrystalline slicing capacity. As such, the Group would focus on its limited resources on the development of monocrystalline ingots/wafers and niche module products.
-  Besides, in the planning for 2022, the upstream monocrystalline silicon ingot capacity will be significantly higher than the downstream module production capacity. Having considered that the future supply and demand is growing rapidly, and production of upstream monocrystalline silicon ingot has higher technical thresholds and of higher gross profit margins compared with downstream modules, the oligopoly market trend of the monocrystalline silicon ingot suppliers will continue. As the first batch of domestic enterprises engaging in the production of monocrystalline silicon ingot, with 20 years experience in manufacturing of monocrystalline silicon ingot, leading the industry with accumulated technological advantages, if more resources would be invested in the oligopoly market of upstream monocrystalline silicon ingots, it would enhance the Groups market bargaining power and can strengthen the Group's profitability. Additionally, to avoid sales competition with existing overseas OEM customers of photovoltaic modules, the Group has not yet engaged in large-scale self-owned module brand sales, The overseas module sales strategy still focus on processing services. Therefore, expansion plan for production capacity of modules would have a lower growth rate.

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