



Solarfun Power Holdings CO.,LTD

Solarfun Reports Third Quarter 2007 Results

SHANGHAI, China, Nov 29, 2007 (BUSINESS WIRE) -- Solarfun Power Holdings Co. , Ltd. ("Solarfun" or "the Company") (NASDAQ:SOLF), a vertically-integrated manufacturer of silicon ingots and photovoltaic (PV) cells and modules in China, today reported its unaudited financial results for the quarter ended September 30, 2007.

Third Quarter 2007 Highlights

- Net revenue was RMB 753.8 million (US\$ 100.6 million), up 312 % from the comparable quarter in 2006, and 63% higher than 2Q 2007.
- Total PV module shipments were 27.3 MW, continuing a trend of strong sequential increases from 16.4 MW and 6.5 MW in 2Q and 1Q 2007, respectively.
- The average selling price ("ASP") remained stable at \$3.66, compared to \$3.68 in 2Q 2007.
- Gross profit reached RMB 120.7 million (US\$ 16.1 million), an increase of 133 % from the same quarter last year, and 72 % from 2Q 2007.
- Gross margin improved to 16% from 15.2 % in 2Q 2007.
- Net income was RMB 59.6 million (US\$ 8.0 million), a gain of 146 % from the same quarter in 2006, and 190% from 2Q 2007.
- Earnings per basic ADS were RMB 1.24 (US\$ 0.17), in the third quarter of 2007, a 22% gain from the same quarter a year ago and 190% above 2Q 2007.

Mr. Yonghua Lu, Chairman and CEO of Solarfun commented, "We are quite pleased with our progress at all levels. Our shipments continued to increase and demand remained robust. We successfully completed the addition of PV cell production lines 7 and 8 in November 2007 and have achieved annual manufacturing capacity of 240 MW. Our gross profit margin increase is a reflection of stabilizing ASP in addition to reduced raw material costs, and we have been able to leverage growing economies of scale by spreading our operating expenses across our higher sales volumes."

"During the quarter, we continued to broaden the size and quality of our customer base, as well as our suppliers of polysilicon and wafers. Additionally, we are making solid progress on the development of our new ingot manufacturing subsidiary, Jiangsu Yangguang Solar Technology Co. Ltd. We already received wafer samples and they have met our high standards of quality. Now we are in the planning stages of a full delivery schedule."

Other Financial Highlights for the Third Quarter of 2007

- Income from operations increased to RMB 63.3 million (US\$ 8.4 million), or 8.4% of total net revenue, from RMB 29.1 million (US\$ 3.9 million), or 6.3% of total net revenue, in 2Q 2007. The operating profit margin in the third quarter of 2006 was 16.5%. The decline compared to last year was primarily due to spending on corporate infrastructure and sales and marketing expenses. The sequential increase in operating profit margin was largely due to spreading costs across the higher sales volume.
- Interest expense more than doubled to RMB 6.7 million (US\$ 0.9 million) from 2Q 2007 due to higher short-term bank debt borrowings.
- Exchange losses of RMB 0.7 million (US\$ 0.09 million) decreased significantly from RMB 10.4 million (US\$ 1.4 million) in 2Q 2007, primarily because cash balances in U.S. dollars dropped as our IPO proceeds were invested in growing the business.

-- Share-based compensation expenses rose to RMB 5.6 million (US\$ 0.74 million), from RMB 5.1 million (US\$ 0.68 million) in 2Q 2007.

Financial Position

As of September 30, 2007, the Company had cash and cash equivalents of RMB 345.4 million (US\$ 46.1 million) and working capital of RMB 1,234.0 million (US\$ 165 million). Total bank borrowings were RMB 775.9 million (US\$ 103.6 million). The Company filed a registration statement on Form F-1 on November 27, 2007. This registration statement seeks to register the sale of ADSs that will be used to facilitate hedging transactions by purchasers of the convertible notes that we plan to offer concurrently in a transaction pursuant to Rule 144A once the registration statement is declared effective by the SEC.

Net accounts receivable increased to RMB 681.9 million (US\$ 91.0 million), from RMB 360.3 million (US\$ 48.1 million) in 2Q 2007, largely due to the Company's higher sales volumes. Days Sales Outstanding ("DSO") continued to improve to 63 days in 3Q 2007.

Recent Events

-- The Company previously announced that it had secured several large multi-year framework commitments for over 185 MW for 2008 delivery. The Company had entered into signed contracts for the sale of 38.5 MW of these PV modules from 2007 to 2008.

-- In November 2007, the Company entered into an agreement with LDK, under which LDK agreed to deliver to us multicrystalline wafers valued at approximately RMB 2 billion from early 2008 to 2010.

-- On November 26, 2007, the Company announced a \$306 million polysilicon supply contract with Hoku Scientific, Inc., with deliveries beginning in 2009 and continuing over an eight-year period.

-- The company made certain adjustments to its financial results for the six months ended June 30, 2007, resulting in an increase in net income of RMB 1.2 million from its previously announced results for the two quarters ended June 30, 2007. These adjustments primarily include a decrease in the Company's operating expenses due to forfeiture of options granted to departing employees, partially offset by an increase in income tax.

Management Changes

We recently appointed Ms. Amy Jing Liu to be our chief financial officer, replacing Mr. Kevin C. Wei, whose employment contract expired on October 31, 2007. Ms. Liu brings broad finance and operations management experience with large multi-national companies, having previously worked as VP- Director of Finance- China and Hong Kong in Thermo Fisher Scientific and as Finance manager in DuPont. Ms. Ru Cai, our principal accounting officer whose employment contract also expired on October 31, 2007, departed the Company. In addition, Mr. Fei Yun recently resigned as director of technology.

Business Outlook 2007

Based on current operating trends and other conditions, Solarfun is raising its 2007 full year guidance as follows:

-- Net revenue of US\$280-US\$300 million, which represents an increase of 230%-250% over 2006. This compares to the previously announced guidance of US\$250 million to US\$270 million.

-- Full-year shipments at the high end of the previously communicated guidance of 70-80MW, which represents a 210% to 254% increase over 2006.

-- The Company already reached its target of hitting annualized total PV cell production capacity of 240MW by the end of 2007.

Chairman Lu concluded, "Looking forward, we are reiterating our optimism for the fourth quarter and full year ahead. We now have 240 MW of capacity in place, and we plan to continue to expand our production capacity in order to meet our anticipated demand, which remains robust. Additionally, our supply situation is improving; we believe we have secured 100% of our needs in 2007 and a significant portion of our anticipated needs in 2008, and pricing through the remainder of this year and well into next looks to be quite strong"

Conference Call

Management will host a conference call to discuss the results at 8:00 am U.S. Eastern Time (9:00 pm Shanghai time) on November 29, 2007.

Mr. Yonghua Lu, Chairman and Chief Executive Officer, Ms. Amy Jing Liu, Chief Financial Officer, and Paul Combs, Vice President of Strategic Planning, will discuss the results and take questions following the prepared remarks.

The dial-in details for the live conference call are as follows:

- U.S. Toll Free Number: 1 877 847 0047
 - International dial-in number: +852 3006 8101
 - China Toll Free Number: 800 876 5011
 Passcode: Solarfun Call.

A live webcast of the conference call will be available on the investor relations section of the Company's website at: <http://www.solarfun.com.cn>. A replay of the webcast will be available for one month.

SOLARFUN POWER HOLDINGS CO., LTD.
 CONSOLIDATED STATEMENTS OF OPERATIONS

(Amounts in thousands of Renminbi ("RMB") and U.S. dollars ("US\$"),
 except for number of shares and per share data)

	For the three months ended			
	September 30 2006 RMB	June 30 2007 RMB	September 30 2007 RMB	September 30 2007 US\$
Net revenue				
Photovoltaic modules	180,834	462,282	752,613	100,445
Photovoltaic cells	52	501	1,227	164
Photovoltaic cells processing	1,872	-	-	-
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Total net revenue	182,758	462,783	753,840	100,609
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Cost of revenue				
Photovoltaic modules	(129,919)	(391,889)	(632,026)	(84,351)
Photovoltaic cells	(71)	(559)	(1,072)	(143)
Photovoltaic cells processing	(880)	-	-	-
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Total cost of revenue	(130,870)	(392,448)	(633,098)	(84,494)
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Total gross profit	51,888	70,335	120,742	16,115
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Operating expenses				
Selling expenses	(2,906)	(13,014)	(21,020)	(2,806)
G&A expenses	(17,194)	(18,740)	(29,368)	(3,919)
R&D expenses	(1,543)	(9,433)	(7,053)	(942)
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Total operating expenses	(21,643)	(41,187)	(57,441)	(7,667)
Operating profit	30,245	29,148	63,301	8,448
Interest expenses	(2,077)	(2,694)	(6,683)	(892)
Interest income	389	4,159	4,333	578
Exchange losses	(2,225)	(10,370)	(698)	(93)
Other income	(244)	2,201	19,173	2,559
Other expenses	(240)	(350)	(20,946)	(2,795)
Value of embedded foreign currency derivative	(1,648)	-	-	-
Government grant	-	-	700	93
Net income (loss) before tax and minority interest	24,200	22,094	59,180	7,898
Income tax benefit / (expenses)	311	(1,889)	(387)	(52)
Minority interest	(319)	344	828	111
Net income (loss)	24,192	20,549	59,621	7,957
Net income attributed to ordinary shareholders	20,517	20,549	59,621	7,957
Net income/ (loss) per share				
Basic	0.20	0.09	0.25	0.03
Diluted	0.14	0.09	0.25	0.03
Shares used in computation				
Basic net income per share	100,350,000	240,024,754	240,024,754	240,024,754
Diluted net income per share	175,633,633	240,024,754	240,024,754	240,024,754
Net income/ (loss) per ADS				
Basic	1.02	0.43	1.24	0.17
Diluted	0.69	0.43	1.24	0.17
Shares used in computation				
Basic net income per ADS	20,070,000	48,004,951	48,004,951	48,004,951
Diluted net income				

per ADS	35,126,727	48,004,951	48,004,951	48,004,951
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	For the nine months ended		
	September 30	September 30	September 30
	2006	2007	2007
	RMB	RMB	USD

Net revenue

Photovoltaic modules	360,154	1,405,370	187,563
Photovoltaic cells	6,624	1,994	266
Photovoltaic cells processing	19,461	-	-

Total net revenue	386,239	1,407,364	187,829
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Cost of revenue

Photovoltaic modules	(255,867)	(1,181,615)	(157,700)
Photovoltaic cells	(5,548)	(1,856)	(248)
Photovoltaic cells processing	(6,014)	-	-

Total cost of revenue	(267,429)	(1,183,471)	(157,948)
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Total gross profit	118,810	223,893	29,881
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Operating expenses

Selling expenses	(6,023)	(40,472)	(5,401)
G&A expenses	(31,585)	(64,000)	(8,542)
R&D expenses	(2,723)	(22,710)	(3,031)

Total operating expenses	(40,331)	(127,182)	(16,974)
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Operating profit	78,479	96,711	12,907
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Interest expenses	(3,855)	(14,685)	(1,960)
Interest income	492	18,049	2,409
Exchange losses	(2,123)	(22,321)	(2,979)
Other income	486	22,424	2,993
Other expenses	(474)	(21,627)	(2,886)
Value of embedded foreign currency derivative	(1,082)	-	-
Government grant	640	720	96

Net income (loss) before tax and minority interest	72,563	79,271	10,580
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Income tax benefit / (expenses)	573	(2,700)	(360)
Minority interest	(266)	1,067	142
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Net income (loss)	72,870	77,638	10,362
	=====	=====	=====
Net income attributed to ordinary shareholders	69,195	77,638	10,362
	=====	=====	=====
Net income/ (loss) per share			
Basic	0.69	0.32	0.04
Diluted	0.55	0.32	0.04
Shares used in computation			
Basic net income per share	100,350,000	240,024,754	240,024,754
Diluted net income per share	131,624,178	240,024,754	240,024,754
Net income/ (loss) per ADS			
Basic	3.45	1.62	0.22
Diluted	2.77	1.62	0.22
Shares used in computation			
Basic net income per ADS	20,070,000	48,004,951	48,004,951
Diluted net income per ADS	26,324,836	48,004,951	48,004,951

SOLARFUN POWER HOLDINGS CO., LTD.

CONSOLIDATED BALANCE SHEETS

(Amounts in thousands of Renminbi ("RMB") and U.S. dollars ("US\$"),
except for number of shares and per share data)

	December 31	June 30	September 30	September 30
	2006	2007	2007	2007
	RMB	RMB	RMB	US\$
Assets				
Current assets:				
Cash and cash equivalents	1,137,792	447,940	345,448	46,104
Restricted cash	33,822	24,352	34,171	4,560
Accounts receivable, net	147,834	360,343	681,914	91,009
Inventories, net	372,504	411,344	522,955	69,794
Advance to suppliers	238,178	397,394	588,371	78,525
Other current assets	75,525	86,608	148,551	19,826
Deferred tax assets	3,400	3,891	5,214	696
Amount due from related parties	153	-	3,008	402
Amount due from shareholders	578	-	-	-
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Total current assets	2,009,786	1,731,872	2,329,633	310,916
Non-current assets:				
Fixed assets - net	207,449	397,811	525,880	70,185
Intangible assets - net	12,897	12,766	161,334	21,532
Long-term investment	300	300	300	40
Total non-current assets	220,646	410,877	687,515	91,757
Total assets	2,230,432	2,142,749	3,017,148	402,673
Liabilities preference shares and shareholders' equity				
Current liabilities:				
Short-term bank borrowings	379,900	200,000	752,887	100,481
Long-term bank borrowings, current portion	16,000	16,000	16,000	2,135
Accounts payable	51,452	133,807	146,400	19,539
Notes payable	14,020	17,800	5,000	667
Accrued expenses and other liabilities	33,619	44,791	71,531	9,547
Customer deposits	17	940	84,825	11,321
Amount due to related parties	32,058	2,259	18,971	2,532
Total current liabilities	527,066	415,597	1,095,613	146,222
Non-current liabilities:				
Deferred tax liability			38,633	5,156
Long-term bank borrowings, non-current portion	15,000	7,000	7,000	934
Commitments and contingencies				
Minority interests	10,151	9,912	100,496	13,412
Shareholders' Equity				
Ordinary shares (par value US\$0.0001 per share; 400,000,000 shares authorized; 100,350,000 shares and 239,994,754 shares issued and				

outstanding at December 31, 2005 and 2006, respectively	193	193	193	26
Additional paid-in capital	1,565,524	1,579,525	1,585,069	211,546
Statutory reserves	16,024	20,884	28,309	3,778
Retained earnings	96,474	109,638	161,835	21,599
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Total shareholders' equity	1,678,215	1,710,240	1,775,406	236,948
	=====	=====	=====	=====
Total liabilities, preference shares and shareholders' equity	2,230,432	2,142,749	3,017,148	402,673
	=====	=====	=====	=====

The conversion in this release of Renminbi into U.S. dollars is made solely for the convenience of the reader, and is based on the noon buying rate in The City of New York for cable transfers of Renminbi as certified for customs purposes by the Federal Reserve Bank of New York as of September 28, 2007, which was RMB7.4928 to US\$1.0000. No representation is intended to imply that the Renminbi amounts could have been, or could be, converted, realized or settled into U.S. dollars at that rate on September 28, 2007, or at any other date. The percentages stated in this press release are calculated based on Renminbi amounts.

About Solarfun

Solarfun Power Holdings Co, Ltd. manufactures both PV cells and PV modules, provides PV cell processing services to convert silicon wafers into PV cells, and supplies solar system integration services in China. The Company produces both monocrystalline and multicrystalline silicon cells and modules, and manufactures 100% of its modules with in-house produced PV cells. Solarfun sells its products both through third-party distributors and directly to system integrators. The Company was founded in 2004 and its products have been certified to TUV and UL safety and quality standards. SOLF-G

<http://www.solarfun.com.cn>

Safe Harbor Statement

This news release contains forward-looking statements, such as the Company's business outlook for 2007, including full year 2007 estimates for net revenue, PV product shipments and PV cell production capacity. Actual results may differ materially from such estimates depending on future events and other changes in business climate and market conditions. Solarfun disclaims any obligation to update or correct this information.

SOURCE: Solarfun Power Holdings Co. , Ltd.

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