

Solarfun Reports 2007 Full-Year and Fourth Quarter Results
Thursday March 27 11:04 PM

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 fourth quarter and the year ended December 31, 2007.

2007 ANNUAL RESULTS

- * Net revenue was RMB 2.395 billion (US\$ 328.3 million), up 280% from 2006
- * Total PV module shipments as reported were 78.4 MW, up 310% from 19.1 MW in 2006 (Note: Full year shipments were actually 80.6 MW. However, due to certain conditions which require future deliveries of products in order to secure payment for the shipments made in 4Q07, we have deferred revenue recognition until the future deliveries have been made and the cash has been collected.)
- * The average selling price was \$3.74 for 2007
- * Gross profit reached RMB 397.8 million (US\$54.5 million), rising over 116% from 2006
- * Gross margins reached 16.6% for the full year 2007, showing continuing improvement beginning in 2Q07
- * Net income was RMB 148.0 million (US\$20.3 million), rising 40% from 2006
- * Earnings per basic ADS were RMB 3.081 (US\$ 0.42), down from RMB 4.76(US\$0.60) in 2006. There was a 132% increase in basic shares outstanding as a result of the Company's initial public offering in December 2006

Mr. Yonghua Lu, Chairman of Solarfun commented, "The year 2007 was a period of significant progress for the Company and I believe established a foundation for further growth in the burgeoning PV industry. Our financial results met our expectations and showed progress in key measures such as revenue and profit growth. They are also a reflection of our increased scale, vertical integration, broadened customer base, and successful ability to secure supply of key raw materials to meet our growth objectives."

"Specifically, we expanded manufacturing capacity to a year-end level of 240 MW, acquired and began production of ingots at our 52 %-owned ingot manufacturing facility - Jiangsu Yangguang Solar Technology Co. Ltd., increased our customer base more than six-fold, and signed five significant supply contracts totaling \$1.4 billion, four of which were with suppliers outside of China."

"We also achieved a few other significant milestones over the past year. We significantly strengthened our senior management team with a group of executives with relevant industry experience and global expertise and improved our internal management structure and discipline to keep pace with our rapid growth. Additionally, we believe that the increased share ownership of Good Energies provides us with access to significant additional industry expertise and will contribute to the long-term success of our business," concluded Chairman Lu.

FOURTH QUARTER 2007 HIGHLIGHTS

- * Net revenue was RMB 987.8 million (US\$ 135.4 million), a 304% increase over 4Q06 and a 31% increase from the 3Q07
- * PV module shipments as reported totaled 28.1 MW, which was nearly three times higher than 4Q06 and continued successive quarter-over-quarter shipment increases. Module shipments were 27.3 MW in 3Q07 (Note: 4Q07 shipments were actually 30 MW. However, as mentioned above, due to certain conditions which require future deliveries of products in order to secure payment for the shipments made in 4Q07, we have deferred revenue recognition until the future deliveries have been made and the cash has been collected.)
- * The average selling price ("ASP") was \$3.85, which rose from \$3.66 in 3Q07
- * Gross profit rose 45.3 % from 3Q07 to RMB 174.5 million (US\$ 23.9 million)
- * Gross margin reached 17.7%, the third consecutive quarter-over-quarter increase.
- * Operating expenses as a percent of sales were 8.3%, which was a decrease from 12.4% in 4Q06, but a rise from 7.0% in 3Q07.
- * Exchange losses of RMB 3.3 million (US \$ 0.5 million) were up from RMB 2.2 million in 4Q06 and RMB 0.70 million in 3Q07.
- * Net income was RMB 66.4 million (US\$ 9.1 million), a rise of 101% over 4Q06.
- * Earnings per basic ADS were RMB 1.38 (US\$ 0.19), an increase of 4.2% from RMB 1.32 (US\$ 0.18 in 3Q07).

Harold Hoskens, CEO of Solarfun, noted "The fourth quarter concluded an outstanding year for the Company with sequential momentum in shipments, ASP's and gross margins. We had a non-recurring trend of increased G&A expenses during the quarter, due largely to a ramp-up in our infrastructure costs, including the consolidation of Yangguang, legal expenses associated with becoming a public company, including SOX compliance and audit fees, as well as a larger management infrastructure and non-cash items such as stock-based compensation."

FINANCIAL POSITION

As of December 31, 2007 the Company had cash and cash equivalents of RMB 273 million (US\$ 37.4 million) and working capital of RMB 959.8 million (US\$ 131.6 million). Total bank borrowings were RMB 980 million (US\$ 134.3 million). Note that on January 29, 2008 the Company placed US \$172.5 million of Convertible Senior Notes due 2018.

Net accounts receivable decreased to RMB 430.69 million (US\$ 59 million) due to continued focus on cash management practices. Days sales outstanding (DSO's) improved to 51 days from 62 days in 3Q07.

MANAGEMENT CHANGES

On January 3, 2008 the Company announced the appointment of Harold Hoskens as CEO beginning on February 25, 2008. Mr. Hoskens joins Solarfun from TPO Displays Corporation, Chunan, Taiwan, where he recently served as Deputy CEO. Harold began his career with Royal Philips in 1988, and moved to the Royal Philips' Mobile Display Systems (MDS) division in Hong Kong, serving as CEO beginning in 2003.

Mr Lu continues to serve as Chairman and will remain actively involved in areas of strategic importance to Solarfun.

BUSINESS OUTLOOK

FIRST QUARTER 2008

Based on current operating trends and other conditions, Solarfun is providing first quarter 2008 and full year 2008 guidance as follows:

* Although the first quarter is not yet concluded, management believes that shipments for 1Q08 will continue to improve. Volumes are expected to be at least 35 MW. ASP's should remain strong and relatively constant.

* The Company was affected by the winter weather in China in February and continues to be affected by the relatively tight supply and increasing costs of polysilicon. Therefore, management would expect these factors to have some downward pressure on gross margins for the first quarter of 2008.

FULL YEAR 2008

* Based on existing sales and pricing, contracted supply agreements, and other expected business and industry conditions, management provided the following guidance for the full year 2008: The Company has sales contracts totaling over 160 MW (a level that is over double last year's 78.4MW) and expects prices to be flat or slightly higher from the \$3.74 recorded for the full year 2007. Solarfun has secured supply of polysilicon on a contracted basis slightly exceeding its contracted sales volume.

* Capacity will increase from 240 MW to 360 MW by mid-year 2008.

* Management has seen a continued tightness of polysilicon supply and escalating prices on the spot market. With these conditions expected to exist throughout most or all of 2008, management believes some continued negative impact on gross margins from the level achieved in 2007.

CEO Harold Hoskens concluded, "2008 is a mix of opportunities and challenges. We believe Solarfun is well-positioned to continue to gain market share, expand scale, improve our manufacturing efficiencies, penetrate new markets, and develop and expand our supply chain in both China and elsewhere. Our management team, Board of Directors, and key shareholders are determined and committed to building shareholder value over the long term "

Conference Call:

<http://au.biz.yahoo.com/080327/43/1o72m.html>