JinkoSolar - Q2 2020 Transcript

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Transcript

Management

Ripple Zhang - *Investor Relations Manager*

Kangping Chen - *Chief Executive Officer & Director*

Gener Miao - *Chief Marketing Officer*

Haiyun Cao - *Chief Financial Officer*

Participants

Philip Shen - *ROTH Capital Partners - Analyst*

Brian Lee - *Goldman Sachs - Analyst*

Paul Johnson - *GLG - Analyst*

Presentation

Operator

Hello, ladies and gentlemen, and thank you for standing by for JinkoSolar Holding Co., Ltd. Second Quarter 2020 Earnings Conference Call. [Operator Instructions] As a reminder, today's conference call is being recorded.

I would now like to turn the meeting over to your host for today call, Ms. Ripple Zhang, JinkoSolar Investor Relations Manager. Please proceed, Ripple.

Ripple Zhang - *Investor Relations Manager*

Thank you, operator. Thank you, everyone, for joining us today for JinkoSolar's second quarter 2020 earnings conference call. The Company's results were released earlier today and available on the Company's IR website at www.jinkosolar.com, as well as on Newswire services. We have also provided a supplemental presentation for today's earnings call, which can also be found on the IR website.

On the call today from JinkoSolar are Mr. Chen, Kangping, Chief Executive Officer; Mr. Charlie Cao, Chief Financial Officer; and Mr. Gener Miao, Chief Marketing Officer. Mr. Chen will discuss JinkoSolar's business operations and Company highlights, followed by Mr. Miao, who will talk about sales and marketing. And then Mr. Cao, who will go through the financials. They will all be available to answer your questions during the Q&A session that follows.

Please note that today's discussion will contain forward-looking statements made under the safe harbor provisions of the US Private Securities Litigation Reform Act of 1995. Forward-looking statements involve inherent risks and uncertainties. As such, our future results may be materially different from the views expressed today. Further information regarding this and other risks is included in JinkoSolar's public filings with the Securities and Exchange Commission. JinkoSolar does not assume any obligation to update any forward-looking statements, except as required under the applicable law.

It's now my pleasure to introduce Mr. Chen, Kangping, CEO of JinkoSolar. Mr. Chen will speak in Mandarin, and I will translate his comments into English. Please go ahead, Mr. Chen.

Kangping Chen - *Chief Executive Officer & Director*

[Foreign Speech] Thank you, Ripple. Good morning and good evening to everyone, and thank you for joining us today.

[Foreign Speech] During the second quarter, our total solar module shipments reached 4,469 megawatt, total revenues were $1.2 billion, and gross margin was 17.9%. Demand in the overseas markets was negatively impacted due to the COVID-19 pandemic. Nevertheless, our high-quality products, well-developed global marketing network, and premium customer service stood out among the competition and helped maintain the growth momentum. In shipment volume, most our orders were executed on time and we were able to increase our market share.

[Foreign Speech] At the start of the second quarter, weak demand from the overseas market led to a drop in module prices. Many upstream manufacturing companies controlled inventory in order to reduce risks, leading to a decline in raw material prices. As a result, stiff competition in the solar supply chain made it tough for companies with limited product, competitiveness and cost control capabilities to remain competitive. These smaller companies have had to successively reduce their capacity utilization or withdraw from the market completely.

Costs in the solar supply chain increased in the latter part of the second quarter, in part due to the rush in installations in China driving up demand. And the overseas market showing positive signs of improvement from the peak of the health outbreaks. The recent increase in costs were also influenced by the supply shortage of polysilicon, which further squeezed profit margins for non-integrated solar module manufacturers, whereas the production capacity and infrastructure of integrated manufacturers demonstrated strong resilience to risks and price fluctuations.

The epidemic has accelerated the survival of fittest and forced further improvements throughout the industry supply chain, substantially increasing the leverage of integrated module manufacturers. The combined shipment volumes of the top five solar module manufacturers are expected to account for 65% to 70% of the industry's total shipments this year.

[Foreign Speech] We expect the market share of the top five module manufacturers to increase next year. When the global market share is dominated by a handful of top solar firms, excellence in technology will stand out even more in this landscape. In the future, profit margins resulting from imbalances between supply and demand are going to be less. Barriers brought by advanced technology and product differentiation will become more significant.

Recently, our large-area N-type solar cell reached a conversation efficiency of 24.79% and set a new world record for the industry. We believe in the next two or three years, advanced cell technology will make the greatest contribution to the competitiveness of end products. We are optimistic about the direction of our N-type cell technology, while we currently have the leading-edge in the market in terms of cell technology. We will continue to invest heavily in our R&D to ensure the matching competence for silicon wafers and modules. In 2020, the popularity of large-size and bifacial modules exceeded our expectations and demonstrated that further reduction in levelized cost of energy remains the core distinction among clean energies.

Together with several leading PV companies, we were looking to establish a new standard for 182 millimeter wafers in order to reduce the industry's upstream and downstream coordination problems caused by size diversification and the increase in costs and promote the efficient and the standardized development of the industry. We were currently increasing our R&D resources into technological research related to high power output 182 millimeter modules with the aim of promoting these modules as our main product for next year.

[Foreign Speech] Since the second quarter, the global pandemic has experienced gradual recovery in between epidemic waves, causing restrictions to come back into play in certain markets. As a result, global demand for PV installations has gone through extreme lows and then rapid recovery, which have then influenced the annual installation capacity in many regions. The coronavirus pandemic has affected demand to a certain extent. However, the decline in prices has also revived demand. As the epidemic situation continues to ease, we believe demand will eventually accelerate. The shortage of supply in China market has driven up prices along the supply chain. At the moment, price have stabilized and we expect strong market demand to continue until the end of 2020. Due to the recent economic environment and the pandemic situation, the growth of the PV industry has slowed down, but the rate of the progress in the industry has actually beaten expectations. We remain firmly confident about the future of the solar as a new energy source.

In the short-term, 2020 is the last year for subsidies in China market. Thanks to adequate preliminary preparations and the increased participation of more powerful state-owned and central enterprises, the pace and the completion progress of bidding projects in 2020 are expected to be better than in 2019. The overall recovery in the overseas markets remains supportive with some regions experiencing surprising growth. In the mid- and long-term, looking back to the last two phase of China's Five-Year Plans, the actual completion rate of PV projects have significantly exceeded expectations with the withdrawal of market subsidies, industry drivers have undergone fundamental changes. China's PV installation capacity has entered into a period of steady growth momentum, which increases the probability of accelerated growth over the next five years.

Solar energy has become one of the most cost-efficient power source around the world. And we expect new technology in energy storage to usher in a new era of rapid development for this sector and the new growth to be the PV energy storage industry. In short, PV has already been extremely competitive in terms of technology improvements and cost reduction capabilities, as well as potentials resulted from accelerated transformation in the energy sector and diversified application scenarios in the downstream markets. Gener will address more our markets later.

[Foreign Speech] At the end of the second quarter, our in-house production capacities for mono silicon wafers, cell and high-efficiency solar modules has reached 20 gigawatt, 11 gigawatt and 25 gigawatt, respectively, with 5 gigawatt of module capacity ramped up in the third quarter. Our in-house production capacities for mono silicon wafers, cells and high-efficiency solar modules are expected to be reached 20 gigawatt, 11 gigawatt and 30 gigawatt, respectively, by the end of 2020. In order to benefit from the high-growth in the broader market space, and total shipments for next year, we are now considering further increases in production capacity for each segment and we'll increase the proportion of integrated level accordingly.

The PV industry is facing rapid changes and that's why we have to maintain a certain level of flexibility in our production capacity. This will give our business the advantage to respond to any change in a timely manner, while sustaining the reliable operations and remaining fully focused on the evolving market demand.

[Foreign Speech] This week, we announced our plan to list our principal operating subsidiary Jiangxi Jinko on the Shanghai Stock Exchange's Sci-Tech Innovation Board, or the STAR Market. We believe the listing of JinkoSolar on the New York Stock Exchange and Jiangxi Jinko on the STAR Market will raise our profile with investors, both in China and globally, and provide us with additional opportunities to grow in the future.

[Foreign Speech] Before turning over to Gener, I would like to quickly go over our guidance for the third quarter of 2020. We expect total solar module shipments to be in the range of 5 gigawatt to 5.3 gigawatt for the third quarter of 2020. Total revenues for the third quarter is expected to be in the range of $1.22 billion to $1.3 billion. Gross margin for the third quarter is expected to be in the range of 17% to 19%. We will reiterate our guidance for the full-year 2020 shipments to be in the range of 18 gigawatt to 20 gigawatt.

Gener Miao - *Chief Marketing Officer*

Thank you, Mr. Chen. During the second quarter, total shipments of solar modules reached 4,469 megawatts, covering 91 countries worldwide. Asia-Pacific, North America, China and the Europe contributed the largest portions of the total shipment, and are expected to continue to contribute the substantial volumes in our total shipment for the third and the fourth quarters.

In terms of the market demand, a rush in installations in the domestic market drove significant growth in China at the end of second quarter. As more and more countries returned to normalcy and the health crisis continues to improve overseas, we have seen a notable recovery in global sales. Strong market demand in the third quarter have driven prices up sharply throughout the supply chain, forcing some installation demand to be delayed into 2021. At present, supply and demand has re-stabilized, which will keep sales forwarding until the four quarter. We expect the total global installations

to be close to 120 gigawatt in 2020.

Overseas demand in 2021 is likely to grow with attractive - active transactions in Asia-Pacific, Middle East, North America and Europe. There are also a large number of installation projects planned in China in 2021. Given that the original target of 15% of non-fossil energy consumption in 2020 has already been exceeded. The Chinese government is currently drafting its 14th Five-Year Plan to amend the original target to 20% of non-fossil energy consumption by 2030. In the next five years, average annual installations in Chinese market will most likely reach 60 gigawatts.

After US economy started to recover in May, demand from the residential market has gradually recovered from the lows of the epidemic and approved small [Phonetic] rooftop solar PV installation have returned back to January's pre-pandemic level. The US imported approximately 15 gigawatt of modules in the first seven months of the year, and the average monthly import volume was over 2 gigawatt. After falling to their lowest recorded in June, monthly imports rebounded to 2.2 gigawatt level in July. Recently, the US Democrats - US President candidate, Joe Biden, proposed a new substantial - sustainable infrastructure and clean energy plan, which aims to achieve carbon-free power generation by 2035 and set clear objectives for the entire economy to be climate-neutral with net-zero GHG emissions by 2050.

In general, Europe has gradually returned to normal. Demand has been relatively stable in several major PV markets, including Spain, Germany, Netherlands, Poland, Portugal and Italy. Actual installed capacity in the European market this year is expected to be significantly higher than our previous expectation. Recently, the second round of the solar auctions in Portugal attracted worldwide attention, and set a new world at a price of $0.01316 per kilowatt hour.

Germany has amended the Renewable Energy Act to extend bidding for 18.8 gigawatts of PV power generation projects by 2028, which compromise [Phonetic] of 5.3 gigawatt of rooftop installation and 13.5 gigawatt of large-scale ground power stations.

Netherlands held its first large-scale solar auctions for renewable energy. And the solar dominated with the largest share of 796 megawatt. Commencing in 2021, the EU's 27 member states are planning to adopt 2030 climate and energy framework that will require renewable energy to account for at least 32% of primary energy consumption by 2030. This framework will certainly stabilize the long-term development of clean energy in Europe.

India has been one of the most severely affected countries in the world, and the coronavirus pandemic continues to intensify with new infections climbing over 90,000 cases each day. As restrictions continue to ease nationwide, local transmission of the coronavirus is expected to continue in India for some time. Furthermore, India's worsening economic ties and the trade barriers with China, will further affect many projects currently under development in India, as well as some previously commissioned PPA projects. In particular, the Border Adjustment Tax in the India has lowered our expectations for PV installation in Indian market this year.

Coronavirus cases have softened [Phonetic] sharply in Middle East, and new daily cases in major countries have remained below 2,000. The health pandemic countries to take its toll in Latin America as Brazil emerged as a top global coronavirus hotspot, while Chile and Mexico are both seeing some improvement. On a brighter note, Brazil has removed import tariffs for 101 specific items, including solar modules, trackers and inverters, thus reducing taxes from 12% to 0% since August 1. This is expected to help the distribution market to recover from the impact of COVID-19. In short, although periodic outbreaks of the recurrent pandemic do trigger some concerns, we see economic activity in most regions of the world improving significantly despite the fact that policies and economic slowdown in certain countries due to COVID-19 will act as a drag on solar installations.

The increasing competence of the global solar supply chain and the hybrid advantage of clean energy have won growing support from governments and installers. In the mid- to long-term, we expect that reductions in solar costs will continuously beat expectations. And as the grid parity is welcomed everywhere, the impact from policy cycle will greatly diminish.

With continued cost reductions and incremental growth coming from the expanding energy storage business, we are facing exciting new opportunity and our potential PV market size is impacted to grow substantially. Recently, we were ranked as a Top Solar Brand in Debt Financed Projects and named one of the Most Bankable PV Manufacturers in the world by Bloomberg New Energy Finance. 100% of BNEF survey respondents considered the Company as the highly bankable. And this outstanding brand recognition connects us with more customers in the broad PV market space. We will continue to dedicate resources to strengthen the quality control of our high-efficiency products to improve customer service excellence and to work more closely with our clients for a customized product solutions according to their project requirements.

This year, we have been able to accelerate the promotion of applications that enable further reduction of LCOE. We have also joined up with several leading PV companies to establish a new standard for 182 millimeter wafers and launched the P-type Tiger Pro and N-type Tiger Pro modules with maximum power output of 580 watt peak and 610 watt peak, respectively. So far, we have secured over 1 gigawatt of orders for high-efficiency modules from the Tiger Pro series. And the first batch is scheduled for delivery in August - October this year. Next year, large-size wafer products are expected to account for over 70% of our total shipment, while significant growth in demand is expected for higher power output by efficient products.

Finally, we are currently conducting market research and accelerating technical reserves associated with new products to better understand how we can serve the need of our customer and facilitate the provision of more differentiated products and services for our global clients.

With that, I will turn it over to Charlie.

Haiyun Cao - *Chief Financial Officer*

Thank you, Gener. We reported strong operational and financial results for the quarter with total shipments and gross margin in line with our guidance and total revenue exceeding our guidance. Financial indicators, such as total revenues, gross margin and net income have all increased dramatically, compared with the same period last year. The Company's increased in-house integration level have contributed to this year-over-year growth.

Let's go into more details for the quarter now. Total revenue was $1.2 billion, up 23% year-over-year. Gross margin improved to 17.9%, compared to 16.5% last year. EBITDA was $119 million, compared to $66 million in the same period last year.

Non-GAAP net income was $53 million, significantly increased year-over-year. This translates into a non-GAAP diluted earnings per ADS of $1.2.

Total operating expenses accounted for 12.8% of total revenue, an increase from 12.6% sequentially and flat with the same period last year. The sequential increase was primarily due to an increase in shipping costs associated with a significant increase in solar module shipments during the second quarter of 2020 and an increase in disposal loss on fixed assets.

Moving to the balance sheet. At the end of second quarter, our balance of cash and cash equivalents were $970 million, compared to $670 million by the end of Q1. Accounts receivable turnover days were 71 days, compared to 76 days in the second quarter last year. Inventory turnovers were 90 days, compared to 140 days in the second quarter last year.

Total debt was $2.3 billion, compared to $1.8 billion by the end of Q1, in which $128 million was related to international solar projects. Net debt was $1.37 billion, compared to $1.14 billion by the end of Q1 2020.

On Monday this week, we announced our strategic plan to list our principal operating subsidiary Jiangxi Jinko on the Shanghai Stock Exchange after certain inter-group restructuring. If the listing is successful, we expect to have greater access to cheap resources of capital, which will support us in capturing a greater share of market growth and value creation. We are committed to maintain our New York Stock Exchange listing for JinkoSolar. The pre-IPO financing, which is expected to be completed by the end of next month, will be used for the advanced capacity expansion and the need of working capital.

This concludes our prepared remarks. We are now happy to take your questions. Operator, please proceed.

Question & Answers

Operator

Thank you, management. [Operator Instructions]

Haiyun Cao - *Chief Financial Officer*

So, operator, is there any questions from analysts?

Operator

Yes. Our first question is Philip from ROTH Capital Partners. Please go ahead.

Haiyun Cao - *Chief Financial Officer*

Hello?

Philip Shen - *ROTH Capital Partners - Analyst*

Hi, everyone. Thanks for the questions. In terms of - I would like to talk about the Q4 outlook. I think the implied shipment guide is for 6 gigawatts, which would be up 30% year-over-year. How do you expect your margins to trend in Q4? I think back on the Q1 call you guys have talked about being 75% booked for the full-year of 2020. With pricing through the entire supply chain going higher, including poly and glass. How are you able to - can you talk about your margin outlook for Q4, as well as how are you able to maintain the 17% to 19% for Q3? Thanks.

Haiyun Cao - *Chief Financial Officer*

Yeah. Philip, and the outlook in Q4, we expect gross margin, comparing to the third quarter is roughly slightly going down, given the situation, the production cost, particularly the material cost is increasing, due to the shortage of the certain materials. But at the same time, the market price in China, we are expecting to be on the upward side compared to, particularly in the second quarter and third quarter. But given the situation, we are expecting the gross margin have - will have some pressure and it's going to be slightly lower compared to the third quarter.

Philip Shen - *ROTH Capital Partners - Analyst*

Okay. Thank you, Charlie. I think you guys have fixed pricing for your contracts. Have you been able to raise the pricing on customers, which had fixed pricing, for example, in either Q3 or for Q4 shipments?

Haiyun Cao - *Chief Financial Officer*

We are expecting - in the second quarter, we're expecting China will be very strong. So, we have sufficient and open capacity at that time [Phonetic] back to second quarter to catch up the opportunities, market price increase. And in general, if we sign the contract, we will stick to our original contract terms.

Philip Shen - *ROTH Capital Partners - Analyst*

Got it. Okay, great. And then, can you talk about - I think one of your peers talked - gave some very specific outlook and even guidance for 2021. Can you share what your thoughts are for 2021? So specifically, I think you increased your module capacity to 30 gigawatts. Is that a good number to use for shipments for next year? And how do you expect your margins to trend as we get through each quarter in 2021?

Haiyun Cao - *Chief Financial Officer*

2021, the - overall, the market situation, we are expecting pretty good year. And we announced our plan to get access to the China capital market. And we are expecting to close RMB3.1 billion financing by the end of the month. And we have the plan to invest, particularly the cell capacity, as well as the mono wafer capacity. And if you look at the situation now, the Tier 1 companies, they are dominating the market shares, and they were expecting more - I think, compared to this year, we are expecting our growth rate will be relatively higher next year. So 30 gigawatts, we are reaching capacity of the module, I think it's a kind of reasonable, maybe some base case.

Gener Miao - *Chief Marketing Officer*

Yeah. We are still working, Phil. We are still working on our 2021 plan yet, budget yet. We have not finalized it yet. So we're still working on it. But I think somewhere around 30 gigawatt will definitely will be our target to follow.

Philip Shen - *ROTH Capital Partners - Analyst*

Great. Okay. That's helpful. And coming back to your $458 million pre-IPO raise. Can you talk through kind of how you got to the valuation, at which that equity comes in? And also what the use of proceeds will be? I'm imagining a big chunk of that is going to be for capacity expansion in '21. So, I know you just mentioned, Gener, that you guys are still evaluating, but any additional color on that would be fantastic. Thanks.

Haiyun Cao - *Chief Financial Officer*

Okay. So, for the US3.1 billion - sorry, RMB3.1 billion, it's including of third-party reputable investors, like the investment arms or reputable commercial banks and investment firms focused on energy sector. So, back to your first question is, how we come out with the valuation is based on the negotiation with third-party investors. And for the need of the - for the funding, it's - the majority part will be for the advanced capacity expansion. And then if you look at our capacity, we have very low capacity in solar cells. That will be our key focus, as well as we plan to increase our mono wafer capacity and to solidify our competitiveness.

Philip Shen - *ROTH Capital Partners - Analyst*

Great. Okay. One last housekeeping question. Can you share what the depreciation and capex was for Q2? And then your expectations for Q3 and Q4?

Haiyun Cao - *Chief Financial Officer*

I need to get back to you with the number maybe after the call. I assume, it's roughly depreciation should be each quarter - let me get back to you after the call. I need to check the numbers. But the capex is still roughly $3.5 billion this year.

Philip Shen - *ROTH Capital Partners - Analyst*

Great. Okay. Thank you, Charlie, and Gener. I'll pass it on.

Gener Miao - *Chief Marketing Officer*

Thank you.

Haiyun Cao - *Chief Financial Officer*

Thank you.

Operator

[Operator Instructions] Our next question is Brian from Goldman Sachs.

Brian Lee - *Goldman Sachs - Analyst*

Hey, guys. Thanks for taking the questions. Do you - just maybe a quick housekeeping follow-up from Phil's questions, do you have the cash flow from operations and free cash flow results for the quarter?

Haiyun Cao - *Chief Financial Officer*

No. We have the EBITDA number, right? We announced the EBITDA number, as well as, Phil's question on depreciation, I have the number now, it's roughly $40 million. And the operating cash flow is negative, because this year - this quarter, we invested - we anticipated next quarter we - our shipments will continue to increase. And in terms of the detailed numbers, I will get back to you after the call.

Brian Lee - *Goldman Sachs - Analyst*

Okay. Fair enough. We'll follow up. And then on the balance sheet, I noticed that the debt number was up about $500 million from Q1 to Q2. Can you talk to what that was related to? And then any kind of bigger picture thoughts around delevering?

Haiyun Cao - *Chief Financial Officer*

From the deleverage perspective, we are in the process of close to pre-IPO financing RMB3.1 billion, which will decrease our deleverage as a whole. And in terms of second quarter versus the first quarter, the debt - the total debt increased a little bit in connection with capacity expansion, as well as the working capital for the inventories, accounts receivables.

Brian Lee - *Goldman Sachs - Analyst*

Okay. Fair enough. And then, I guess, related to the debt and next steps in the STAR listing process, you mentioned some intercompany restructuring. Could you elaborate on what that means? How long it takes? And then, does it have to do with some of the intercompany loans? And can you just kind of give us a bit more detail around what has to happen from here on and how long that will take?

Haiyun Cao - *Chief Financial Officer*

Yeah. It's a very short-term - timing in terms of internal reorganization, because we need to put 100% assets or manufacturing assets under the China entities. And it's - for us, it's very easy, because the - it's - we only need to reorganize certain, if not all entities, particularly the cells entities under the China entities control.

And in terms of scope, I just want to emphasize, it's 100% manufacturing assets, including wafers, cells, modules, everything. And - but we still have some - two or three international solar downstream projects, which we plan to sell down in the future. So, the international solar downstream assets are not in the scope of the entities we plan to launch the IPO in China.

Brian Lee - *Goldman Sachs - Analyst*

Okay. I appreciate that color. And then maybe just last one from me. I know, Charlie, you said that gross margins are - they're being guided flat

basically in 3Q and you're saying down slightly in 4Q. Can you help calibrate that a little bit just given there are so much volatility in the supply chain and specifically on polysilicon costs? One of your peers talked about gross margins being down kind of 500 basis points in the back half of the year versus the first half of the year and being in the mid-teens. Is that how we should think about sort of that slight downtick for you? Or are you going to be back into the kind of the mid-teens gross margin level in 4Q?

Haiyun Cao - *Chief Financial Officer*

Yeah. I think back to the second quarter, originally we have relatively pessimistic outlook for second half year because the global coronavirus situation. But the situation is - and I think most of the participants are not expecting recovery so quick for renewable energy, and as well as the price is upwards, reached through the bottom in the second quarter and up dramatically in the third quarter and fourth quarter. And - but on the other side, certain materials, including polysilicons, glasses, shortage in supplies, and - which put some pressure on the cost - internal production cost. So, we - that is why we expect this fourth quarter, the gross margin will be in a downward trend comparing to third quarter and the second quarter.

Brian Lee - *Goldman Sachs - Analyst*

All right. Fair enough. But would you say mid-teens is too pessimistic view, or is that about the right range?

Haiyun Cao - *Chief Financial Officer*

You mean the fourth quarter, right?

Brian Lee - *Goldman Sachs - Analyst*

Yeah. Fourth quarter, specifically?

Haiyun Cao - *Chief Financial Officer*

Oh, I think it's slightly down comparing to third quarter. 15% is - I don't expect that number in the fourth quarter.

Brian Lee - *Goldman Sachs - Analyst*

Okay. Fair enough. Thanks, guys.

Haiyun Cao - *Chief Financial Officer*

Thank you.

Operator

Our next question is Paul Johnson from GLG [Phonetic].

Paul Johnson - *GLG - Analyst*

Hey, guys. Thanks for taking the questions. Can you hear me?

Gener Miao - *Chief Marketing Officer*

Yes.

Haiyun Cao - *Chief Financial Officer*

Yes. Please.

Paul Johnson - *GLG - Analyst*

Hey, thanks, guys. So, there has been a lot of talk about China's next Five-Year Plan, and there has been some speculation that the target could go up to 50 gigawatt per year. But then on the flip side of that, clearly, incentives in next year. So any country where you're seeing incentives in, you've seen a big decline in demand. So can you talk about what's your view is on what you see with respect to demand in China next year? And then I have a follow-up.

Gener Miao - *Chief Marketing Officer*

Sure. I think for China's 14th Five-Year Plan, currently the market intel suggesting the total demand side is substantially increasing, and the draft has not been released yet. There is no public information on it. But according to the rumors, we are reading or we are seeing in the market right now, I think the - if you convert the total installation number into a annual installation number, I think the number is indicating over 60 gigawatts, and may be at the range around like 60 gigawatt to 70 gigawatt, even higher.

Haiyun Cao - *Chief Financial Officer*

Yeah. On top of that, I'm not sure, you know it or not, and our - the President Xi had a speech at United Nations. And China is committed to reach the peak of the carbon emission by the end of 2030. And as well as - and we will try to achieve the carbon - zero carbon emissions by the 2060. So, which is showing China's commitment to renewable energy. And so, as well as the next five years' time, I think it's under - just like Gener said, it's under discussion. But we think the possibilities is that - the high possibilities and China will raise upwards the target.

Paul Johnson - *GLG - Analyst*

Okay. That's very helpful. And then there has been a lot of focus on re-listing and subsidiary listings of US ADR stocks in China on the Shanghai Stock Exchange. Based on our understanding, a lot of US investors are expecting listings on the Shanghai Stock Exchange, and then that profit to be used to buy US ADR stocks. So based on our understanding, is it - we believe it's illegal in China to list on the Shanghai Stock Exchange and then use those

proceeds outside of China, i.e., outside of Shanghai. Do you guys know if that's true or not? And do you agree with that?

Haiyun Cao - *Chief Financial Officer*

I think, it's on - the actual process, typically, in China, let's say, you issue this year 10% and typically, you have the use of the targets, you - typically, it's used for the - some capex, as well as working capital. But in China, there - for the public companies, there is some requirements, let's say, 10% net income each year, the public companies are required to distribute as dividends to investors. And from that perspective, I need to check to the lawyer, but from that perspective, the 10% net income, distributing as dividend. I think from my perspective, I need to check, but I think from a dividend perspective, it's okay. And the China entities are able to distribute dividend to - out of China and ultimately dividend to the US shareholders. But I need to check.

Paul Johnson - *GLG - Analyst*

Okay. Thanks a lot, guys. Good luck.

Haiyun Cao - *Chief Financial Officer*

Thank you.

Gener Miao - *Chief Marketing Officer*

Thank you for the question.

Operator

[Operator Instructions] There are currently no more questions. Management, do you have any following remarks? If that is, no, then this is the end of today's call.