

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 20-F

(Mark One)

- REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934
OR
- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2010.
- OR
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____
- OR
- SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Date of event requiring this shell company report _____

Commission file number: 001-33911

RENESOLA LTD

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)
British Virgin Islands

(Jurisdiction of incorporation or organization)

No. 8 Baoqun Road
Yaozhuang Town
Jiashan County

Zhejiang Province 314117

People's Republic of China

(Address of principal executive offices)

Julia Xu, Chief Financial Officer

No. 8 Baoqun Road
Yaozhuang County
Jiashan Town

Zhejiang Province 314117

People's Republic of China

Tel: +86-573-8477-3372

Fax: +86-573-8477-3383

E-mail: julia.xu@renesola.com

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class
American Depositary Shares, each representing
two shares, no par value per share

Name of each exchange on which registered
New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None
(Title of Class)

Indicate the number of outstanding shares of each of the Issuer's classes of capital or common stock as of the close of the period covered by the annual report. **174,596,912 shares, no par value per share, as of December 31, 2010.**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

TABLE OF CONTENTS

INTRODUCTION	1
PART I	3
ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS	3
ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE	3
ITEM 3. KEY INFORMATION	3
ITEM 4. INFORMATION ON THE COMPANY	29
ITEM 4A. UNRESOLVED STAFF COMMENTS	50
ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS	50
ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES	78
ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS	88
ITEM 8. FINANCIAL INFORMATION	89
ITEM 9. THE OFFER AND LISTING	90
ITEM 10. ADDITIONAL INFORMATION	91
ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	101
ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES	102
PART II	104
ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES	104
ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS	104
ITEM 15. CONTROLS AND PROCEDURES	105
ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT	105
ITEM 16B. CODE OF ETHICS	105
ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES	106
ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES	106
ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS	106
ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT	106
ITEM 16G. CORPORATE GOVERNANCE	106
PART III	108
ITEM 17. FINANCIAL STATEMENTS	108
ITEM 18. FINANCIAL STATEMENTS	108
ITEM 19. EXHIBITS	108
SIGNATURES	

INTRODUCTION

Unless otherwise indicated and except where the context otherwise requires, references in this annual report on Form 20-F to:

- “we,” “us,” “our company,” “our” or “ReneSola” refer to ReneSola Ltd, a British Virgin Islands company, its predecessor entities and its subsidiaries, and in the context of describing our financial results prior to June 2008, also includes Linzhou Zhongsheng Semiconductor Silicon Material Co., Ltd., or Linzhou Zhongsheng Semiconductor, a then variable interest entity of our company;
- “China” or “PRC” refers to the People’s Republic of China, excluding, for the purpose of this annual report on Form 20-F only, Taiwan, and the special administrative regions of Hong Kong and Macau;
- all references to “RMB” or “Renminbi” refer to the legal currency of China; all references to “\$,” “dollars” and “U.S. dollars” refer to the legal currency of the United States; all references to “£” and “pounds sterling” refer to the legal currency of the United Kingdom; all references to “euro” refer to the official currency of the European Union and the currency that is used in certain of its member states;
- “ADSs” refers to our American depository shares, each of which represents two shares, and “ADRs” refers to the American depository receipts that evidence our ADSs; and
- “shares” refers to our shares with no par value.

All discrepancies in any table between the amounts identified as total amounts and the sum of the amounts listed therein are due to rounding.

Consistent with industry practice, we measure our solar wafer manufacturing capacity and production output in watts, or W, or mega watts, or MW, representing 1,000,000 W, of power-generating capacity. We believe MW is a more appropriate unit to measure our manufacturing capacity and production output compared to pieces of wafers, as our solar wafers differ in size, thickness, power output and conversion efficiency. We manufacture both monocrystalline and multicrystalline wafers, and solar cells using these two types of wafers have different conversion efficiencies.

For disclosure of operating data as of and prior to December 31, 2009, we have assumed an average conversion efficiency rate of 16.0% and 15.0% for solar cells using our monocrystalline wafers and multicrystalline wafers, respectively. Based on this conversion efficiency, for wafers produced on or prior to December 31, 2009, we assume that (i) each 125 millimeters, or mm, by 125 mm monocrystalline wafer can generate approximately 2.4 W of power, (ii) each 156 mm by 156 mm monocrystalline wafer can generate approximately 3.9 W of power and (iii) each 156 mm by 156 mm multicrystalline wafer can generate approximately 3.7 W of power.

For disclosure of operating data as of and after January 1, 2010, we have assumed an average conversion efficiency rate of 17.4% and 16.0% for solar cells using our monocrystalline wafers and multicrystalline wafers, respectively. Based on this conversion efficiency, for wafers produced on or after January 1, 2010, we assume that (i) each 125 mm by 125 mm monocrystalline wafer can generate approximately 2.6 W of power, (ii) each 156 mm by 156 mm monocrystalline wafer can generate approximately 4.2 W of power and (iii) each 156 mm by 156 mm multicrystalline wafer can generate approximately 3.9 W of power. Assumption of power generation from each wafer may change in the future. We also measure our ingot manufacturing capacity and production output in MW according to the solar wafers in MW that our current manufacturing processes generally yield.

This annual report on Form 20-F includes our audited consolidated balance sheets for the years ended December 31, 2008 and 2009 and our audited consolidated income statements, consolidated statements of changes in equity and comprehensive income (loss) and consolidated cash flows for each of the three years in the period ended December 31, 2010.

[Table of Contents](#)

This annual report contains translations of certain Renminbi amounts into U.S. dollars at the rate of RMB6.6000 to \$1.00, the noon buying rate in effect on December 30, 2010 in New York City for cable transfers of Renminbi as certified for customs purposes by the Federal Reserve Bank of New York. We make no representation that the Renminbi or dollar amounts referred to in this annual report on Form 20-F could have been or could be converted into dollars or Renminbi, as the case may be, at any particular rate or at all. See “Item 3. Key Information—D. Risk Factors—Risk Related to Doing Business in China—Fluctuations in exchange rates may have a material adverse effect on your investment.” On March 4, 2011, the noon buying rate was RMB6.5670 to US\$1.00.

We and certain selling shareholders of our company completed an initial public offering of 10,000,000 ADSs on January 29, 2008 and listed our ADSs on the New York Stock Exchange, or the NYSE, under the symbol “SOL.” On June 23, 2008, we completed a follow-on public offering of 10,350,000 ADSs sold by us and certain selling shareholders. In 2009, we repurchased RMB713.9 million (\$104.6 million) aggregate principal amount of our RMB928,700,000 U.S. dollar Settled 1.0% Convertible Bonds due March 26, 2012 using a combination of \$84.1 million in cash and the issuance of 4,000,000 shares. On October 5, 2009, we completed a follow-on public offering of 15,500,000 ADSs sold by us. In August 2006, we placed 33,333,333 shares on the Alternative Investment Market of the London Stock Exchange, or the AIM. In November 2010, with the approval of our board of directors, our shares ceased to trade on the AIM, and our admission to trading on the AIM was cancelled.

PART I**ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS**

Not Applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not Applicable.

ITEM 3. KEY INFORMATION**A. Selected Financial Data****Our Selected Consolidated Financial Data**

The following selected consolidated statements of income data for the years ended December 31, 2008, 2009 and 2010 and the selected consolidated balance sheet data as of December 31, 2008, 2009 and 2010 are derived from our audited consolidated financial statements included elsewhere in this annual report. The selected consolidated statements of income data for the years ended December 31, 2006 and 2007 and the consolidated balance sheet data as of December 31, 2006 and 2007 are derived from our audited consolidated financial statements, which are not included in this annual report. The selected consolidated condensed financial data should be read in conjunction with, and are qualified in their entirety by reference to, our audited consolidated financial statements and related notes and “Item 5. Operating and Financial Review and Prospects” included elsewhere in this annual report. Our consolidated financial statements are prepared and presented in accordance with U.S. GAAP, and reflect our current corporate structure as if it has been in existence throughout the relevant periods. The historical results are not necessarily indicative of results to be expected in any future period.

	For the Year Ended December 31,				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
	(in thousands, except percentage, share and per share data)				
Consolidated Statement of Income Data					
Net revenues	\$ 84,371	\$ 248,973	\$ 670,366	\$ 510,405	\$1,205,579
Cost of revenues	(59,646)	(195,477)	(684,676)	(553,607)	(857,615)
Gross profit (loss)	24,725	53,496	(14,310)	(43,202)	347,964
Operating expenses:					
Sales and marketing expenses	(335)	(584)	(620)	(5,399)	(8,360)
General and administrative expenses	(2,285)	(8,754)	(23,194)	(29,084)	(43,314)
Research and development expenses	(39)	(1,143)	(9,714)	(14,507)	(36,263)
Impairment loss on property, plant and equipment	—	—	(763)	—	—
Other operating (expenses) income	169	418	84	1,633	(14,083)
Total operating expenses	(2,490)	(10,063)	(34,207)	(47,356)	(102,020)
Income (loss) from operations	22,235	43,433	(48,516)	(90,558)	245,944
Non-operating income (expenses):					
Interest income	312	1,934	1,783	1,716	1,835
Interest expense	(331)	(4,512)	(11,869)	(17,122)	(23,246)
Foreign exchange (loss) gain	364	(4,047)	(3,097)	(1,433)	(1,814)
Gain on repurchase of convertible bonds	—	—	—	7,995	6
Fair value change on derivative	—	—	—	—	9,428

Table of Contents

	For the Year Ended December 31,				
	2006	2007	2008	2009	2010
	(in thousands, except percentage, share and per share data)				
Investment income (loss)	—	—	—	—	(3,160)
Other-than-temporary impairment loss on available-for-sale investment	—	—	—	(13,367)	—
Total non-operating income (expenses)	345	(6,625)	(13,183)	(22,211)	(16,950)
Income (loss) before income tax, noncontrolling interests and equity in earnings (loss) of investee	22,580	36,808	(61,700)	(112,770)	228,994
Income tax benefit (expenses)	2,721	6,155	2,420	41,156	(59,998)
Equity in earnings (loss) of investee, net of tax	—	—	5,175	(291)	—
Net income (loss)	25,301	42,963	(54,104)	(71,904)	168,996
Net loss attributable to noncontrolling interests	—	(27)	(802)	—	—
Net income (loss) attributable to holders of common shares	\$ 25,301	\$ 42,936	\$ (54,906)	\$ (71,904)	\$ 168,996
Earnings (loss) per share⁽¹⁾:					
Basic	\$ 0.32	\$ 0.43	\$ (0.43)	\$ (0.49)	\$ 0.98
Diluted	\$ 0.32	\$ 0.43	\$ (0.43)	\$ (0.49)	\$ 0.97
Earnings (loss) per ADS:					
Basic	\$ 0.63	\$ 0.86	\$ (0.86)	\$ (0.98)	\$ 1.96
Diluted	\$ 0.63	\$ 0.86	\$ (0.86)	\$ (0.98)	\$ 1.93
Weighted average number of shares used in computing earnings per share⁽¹⁾:					
Basic	80,000,032	100,000,032	127,116,062	147,553,679	172,870,921
Diluted	80,122,052	108,221,480	127,116,062	147,553,679	175,111,731
Other Consolidated Financial Data					
Gross margin	29.3%	21.5%	(2.1)%	(8.5)%	28.9%
Operating margin	26.4%	17.4%	(7.2)%	(17.7)%	20.4%
Net margin	30.0%	17.2%	(8.2)%	(14.1)%	14.0%
Selected Consolidated Operating Data					
Solar power products shipped (in MW) ⁽²⁾	39.5	124.5	350.1	526.6	1,182.8

(1) 2006 share and per share data are presented to give retrospective effect to our reorganization in 2006.

(2) Includes solar ingots, wafers, cells and modules shipped, as well as solar wafers and modules shipped from processing services.

[Table of Contents](#)

	As of December 31,				
	2006	2007	2008	2009	2010
	(in thousands)				
Consolidated Balance Sheet Data					
Cash and cash equivalents	\$ 9,862	\$ 53,137	\$ 112,334	\$ 106,808	\$ 290,702
Inventories	44,775	110,630	193,036	137,844	170,599
Advances to suppliers—current	16,952	53,727	36,991	12,092	26,315
Total current assets	89,365	263,241	440,134	480,224	693,988
Property, plant and equipment, net	19,908	136,598	341,427	702,816	801,472
Advances for purchases of property, plant and equipment	14,957	29,648	161,705	20,840	26,930
Advances to suppliers—noncurrent	—	—	45,729	8,072	13,743
Total assets	128,586	440,609	1,007,788	1,284,829	1,589,924
Short-term borrowings	14,675	71,691	191,987	358,634	400,798
Advances from customers—current	34,452	59,626	49,284	53,852	57,396
Total current liabilities	55,982	158,376	333,137	609,851	774,226
Total equity	72,541	125,708	382,087	396,263	586,465
Total liabilities and equity	\$ 128,586	\$ 440,609	\$ 1,007,788	\$ 1,284,829	\$ 1,589,924

B. Capitalization and Indebtedness

Not Applicable.

C. Reasons for the Offer and Use of Proceeds

Not Applicable.

D. Risk Factors

Risks Related To Our Business

Any continued substantial downward pressure on the prices of our products will exert a negative impact on our revenues and profitability.

Our solar power product prices are based on a variety of factors, including global supply and demand, our in-house polysilicon production and procured polysilicon costs, the quality of our products, the manufacturing costs of our products and the terms of our customer contracts, including sales volumes and the terms on which certain customers supply us with polysilicon. As the solar power industry is expected to be increasingly competitive, we expect there to be continued downward pressure on pricing along the solar power value chain in the next few years due to anticipated cost reductions across the supply chain and industry improvements in operational efficiency and technology. In addition, the planned expansion and any aggressive expansion of manufacturing capacity in the future by us and our competitors may result in significant excess capacity in solar power products and, as a result, prices may further decline and our utilization rate may decrease.

From late 2008 to the second half of 2009, the global supply of solar power products exceeded market demand due to excess production capacity and weak demand associated with the global economic downturn, which contributed to a decline in the average selling price of solar wafers and other solar power products. Although the solar industry experienced an increase in demand and average selling prices for solar wafers increased in 2010 as global economic conditions improved, we expect solar power product prices to decline in the near future due to increased production efficiencies, reductions in polysilicon costs and increases in manufacturing capacity in our industry. If the prices of our products decline, or we are unable to lower our costs in line with the price declines, whether through increasing manufacturing efficiency, securing feedstock and

consumable supplies at lower costs or technological advances, our revenues and profitability would be materially and adversely affected.

Volatility in polysilicon prices may adversely affect our net income and results of operations.

Polysilicon is an essential raw material in the production of our solar power products. In 2007 and 2008, there was an industry-wide shortage of polysilicon, primarily due to the growing demand for solar power products and limited supply of polysilicon, which resulted in increasing prices of polysilicon under both long-term supply contracts and on the spot market until the beginning of the fourth quarter of 2008. From late 2008 to the second half of 2009, there was an industry-wide excess supply of polysilicon, primarily due to increased supply from both existing polysilicon manufacturers and new entrants and weakened demand from the end market. These factors resulted in a short-term inventory build-up along the solar power value chain and polysilicon spot prices have fallen significantly since late 2008 before they stabilized in 2010. As a result of the significant decline in the market price and value of polysilicon feedstock, work-in-progress and finished solar wafers, in the fourth quarter of 2008, we recorded a \$137.0 million non-cash reserve charge on inventory. In 2009, we recorded another \$71.3 million in inventory write-down against the net realizable value of inventories. As a result, our gross margin dropped from 21.5% in 2007 to negative 2.1% in 2008 and negative 8.5% in 2009. If the price of polysilicon and our finished products continues to decrease, we may be exposed to further inventory write-downs on a net realizable value basis, which may have a material adverse effect on our results of operations.

The reduction or elimination of government subsidies and economic incentives for on-grid solar energy applications could cause demand for our products and our revenues to decline.

Our solar wafers sold to customers are subsequently made into modules and assembled in solar power systems, which are either connected to the utility grid and generate electricity to feed into the grid or installed to supply electricity to businesses and residents. We also sell solar modules directly to customers. We believe that the near-term growth of the market for on-grid applications continues to depend on the availability and size of government subsidies and economic incentives. If the reduction or elimination of government subsidies and economic incentives are not implemented prudently, such reduction or elimination may adversely affect the growth of this market or result in increased price competition, either of which could cause our revenues to decline.

When upfront system costs are factored into the cost of electricity generation, the cost of solar power substantially exceeds the cost of power generated from conventional means in many markets. As a result, national and local governmental bodies in many countries, most notably in Germany, Spain, Italy, the United States and Japan, have provided subsidies and economic incentives in the form of feed-in tariffs, rebates, tax credits and other incentives to end-users, distributors, system integrators and manufacturers of solar power products to promote the use of solar energy and to reduce dependence on other forms of energy.

However, as the solar power industry continues to develop, these government subsidies and economic incentives could potentially be reduced or eliminated altogether. For instance, in 2009 and 2010, Germany's government reduced the country's solar energy feed-in tariffs. Germany's government announced in the beginning of 2011 that it expects to further trim solar power subsidies by up to 15% in 2011 as demand for solar power panels continue to thrive in the country. The reduction in government incentives to users of solar power products in Germany may materially and adversely impact the German solar market if such measures are not implemented prudently, which may in turn materially and adversely affect our direct or indirect sales into Germany. In 2010, Italy's government also announced annual reductions to feed-in tariffs beginning in 2011 in an effort to impede overheating of its solar market. In Spain, since 2009, continued reductions in the feed-in tariff as a result of the government's spending cut backs have resulted in a weakened solar market.

Although the solar power industry is currently moving towards the economies of scale necessary for solar power to become cost-effective in a non-subsidized market, the reduction or elimination of government subsidies

[Table of Contents](#)

and economic incentives for on-grid solar energy applications could result in decreased demand for our products and cause our revenues to decline. Furthermore, as European governments continue to decrease their subsidies and Europe continues to be the primarily market for solar power products, Chinese solar power products may experience excess capacity, which would adversely affect our business and prospects.

Our dependence on a limited number of third-party suppliers for key manufacturing equipment and spare parts could prevent us from the timely fulfillment of customer orders and successful execution of our expansion plan.

We rely on a limited number of equipment suppliers for some of our key manufacturing equipment and spare parts, including furnaces and wire saws. Our major equipment suppliers in 2010 included Zhejiang Jingtong Science and Technology Co., Ltd., Tokyo Rope Mfg. Co., Ltd. and Hanmi Semiconductor Co. Ltd. These suppliers have supplied, and certain of them will continue to supply, most of our equipment and spare parts, and we expect to rely on them to provide a substantial portion of the manufacturing equipment and spare parts contemplated in our expansion program. Due to high demand for these suppliers' products and services, we have experienced, and may continue to experience, delays in the delivery of such equipment or the provision of technical support. If we fail to develop new relationships or maintain existing relationships with equipment and spare part suppliers, or should any of our major equipment and spare part suppliers encounter difficulties in the manufacturing or shipment of its equipment or spare parts to us, including due to natural disasters or otherwise, it will be difficult for us to find alternative providers for such equipment or spare parts on a timely basis or on commercially reasonable terms, or at all. As a result, the implementation of our expansion plans may be interrupted and our production may be adversely impacted.

Our future capacity expansion will utilize equipment with a customized design that will be contract manufactured by a new supplier, which subjects us to a number of risks.

Historically, we have purchased all of our furnaces for the production of multicrystalline ingots from foreign equipment suppliers. In 2010, we collaborated with a domestic equipment supplier in China to develop our own customized multicrystalline furnaces. We have spent considerable resources on the development of these furnaces. However, our new multicrystalline furnaces may not achieve satisfactory results in the future and the equipment supplier may not be able to continue to manufacture and deliver the multicrystalline furnaces we require in a timely manner or meeting our quality and technical requirements. Problems with quality or performance of the equipment or with timely delivery will negatively impact our expansion plans and may result in the failure to grow our revenues or reduce our manufacturing costs as originally intended. Problems with quality or performance of our products as a result of poor equipment performance or failure could result in losses and adversely affect our results of operations and reputation.

Turbulence in global financial markets and economies may adversely affect the solar industry, the demand for solar power products, and our operating results, financial condition and liquidity.

The demand for solar power products is influenced by macroeconomic factors such as global economic conditions, the supply and the prices of other energy products, such as oil, coal and natural gas, as well as government regulations and policies concerning the electric utility industry. A decrease in prices of fossil fuels, for example, could reduce demand for alternative forms of energy, such as solar energy. We are affected by the solar market and industry trends. In the first half of 2009, the global solar power industry experienced weak demand as a result of turbulence in global economic conditions. Global economic, capital market and credit disruptions resulted in fewer investments in new installation projects that make use of solar power products. As a result, solar projects in numerous global markets were delayed.

There may, however, still be great uncertainties in the global credit and lending environment. If the demand for solar power products deteriorates again due to these macroeconomic factors or turbulence in global economic conditions, our liquidity and financial condition, including our ability to refinance maturing liabilities and access

[Table of Contents](#)

the capital markets to meet liquidity needs, and the liquidity and financial condition of our customers may be adversely affected. This would delay and lengthen our cash collection cycles and negatively impact our operating results. Additionally, our share price may decrease if investors have concerns that our business, financial condition and results of operations will be negatively impacted by a global economic downturn.

We may be exposed to infringement or misappropriation claims by third parties which, if determined adversely to us, could cause us to pay significant damage awards.

Our success depends largely on our ability to use and develop our technology and know-how without infringing the intellectual property rights of third parties. The validity and scope of claims relating to solar power technology patents involve complex scientific, legal and factual questions and analysis and, therefore, may be highly uncertain. We may be subject to litigation involving claims of patent infringement or violation of intellectual property rights of third parties. For example, equipment we design may infringe the intellectual property rights of third parties. The defense and assertion of intellectual property suits, patent opposition proceedings and related legal and administrative proceedings can be both costly and time-consuming and may significantly divert the efforts and resources of our technical and management personnel. An adverse determination in any such litigation or proceedings against us could subject us to significant liabilities to third parties, including requiring us to seek licenses from third parties, to pay ongoing royalties or to pay monetary and punitive damages or subjecting us to injunctions that prohibit the manufacture and sale of our products or the use of our equipment. Protracted litigation could also result in our customers or potential customers deferring or limiting their purchase or use of our products until resolution of such litigation, which could result in losses and adversely affect our results of operations and reputation.

Our financial leverage may hamper our ability to expand and may materially affect our results of operations. Our borrowing levels and the tightening of credit generally in the industry in the PRC may adversely impact our ability to obtain new financing.

We have relied on short-term and long-term borrowings to fund a portion of our capital requirements, and expect to continue to do so in the future. We have significant borrowings from Chinese commercial banks. Our borrowings consisted primarily of short-term borrowings, which increased from \$358.6 million as of December 31, 2009 to \$400.8 million as of December 31, 2010. Out of these short-term borrowings, \$117.9 million was attributable to trade financings, which increased significantly from 2009 to satisfy our working capital requirements. Our long-term borrowings decreased from \$189.3 million as of December 31, 2009 to \$121.5 million as of December 31, 2010.

The amount of our borrowings could constrain our operational flexibility, including requiring a substantial portion of our cash flows to be set aside to service our debt obligations, increasing our exposure to interest rate fluctuations and limiting our ability to obtain additional financing. Furthermore, the PRC government may pass measures to tighten credit, including trade financing, available in the PRC market. For example, in February 2010, the People's Bank of China raised its benchmark deposit and lending rates for the first time in three years. All of the above may impair our ability to obtain financing on favorable terms, or at all. We may not be able to raise necessary funding on favorable terms, or at all, to finance our current liabilities and other debt obligations. If our cash flows and capital resources are insufficient to finance our debt obligations, our business, prospects and financial conditions may be materially and adversely affected.

We expect to incur additional debt obligations to finance our operations and, as a result, we will allocate an increasing portion of our cash flow to service these obligations. This could impair our ability to make necessary capital expenditures, develop business opportunities or make strategic acquisitions. Our business may not generate sufficient cash flow from operations in the future to service our debts and make necessary capital expenditures, in which case we may seek additional financing, dispose of certain assets or seek to refinance some or all of our debts. In addition, these alternatives may not be implemented on satisfactory terms, if at all. In the event that we are unable to meet our obligations when they become due or if our creditors take legal action

[Table of Contents](#)

against us for payment, we may have to liquidate our long-term assets to repay our creditors. We may have difficulty converting our long-term assets into current assets in such a situation and may suffer losses from the sale of our long-term assets. This would materially and adversely affect our operations and prevent us from successfully implementing our business strategy.

Restrictive covenants and undertakings under our bank loans may limit the manner in which we operate and an event of default under the loan may adversely affect our operations.

We have entered into several long-term loans with commercial banks in China. These loans contain certain restrictive covenants that limit our ability to, among other things, (1) provide guarantees, pledges or mortgages on our operating assets in any manner that will increase risks to the lenders, (2) repay shareholders loans or loans from our related parties, and (3) distribute dividends to shareholders. For more information about the loan agreements, see “Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources.” Any breach by us of the various undertakings and covenants in our existing loan agreements will give such banks the right to demand immediate repayment of the outstanding loan amounts. For instance, in a RMB800 million loan agreement with a term of five years, we have undertaken to China Construction Bank that the gross profit margin of our subsidiary, Sichuan ReneSola Silicon Material Co., Ltd., or Sichuan ReneSola, will be at or above the lowest gross profit margin of companies in the global polysilicon industry as stated in a report to be provided by one of the big four accounting firms. We believe that because Sichuan ReneSola’s operations were in trial production in 2009, we were not subject to such undertaking in 2009 and the first three quarters of 2010 despite the negative gross margins Sichuan ReneSola recorded in 2009. We have obtained a letter from the bank confirming this understanding. Although a formal report will not be provided by a big four accounting firm until June 2011, we believe our gross profit margin of 15.0% from Sichuan ReneSola in the fourth quarter of 2010 was higher than the lowest gross profit margin of companies in the global polysilicon industry. However, we cannot assure you whether we will be subject to, or be able to fulfill, such undertaking in the future. Any failure to maintain any of the above covenants or undertakings could result in an acceleration of obligations under the facility agreement, which would have a material adverse effect on our business. In addition, the breach of any of the covenants and undertakings in any one of our loan agreements may trigger the cross-default provisions of some loan agreements entered into by us, thereby giving the lenders the right to accelerate our loan repayment obligations. As a result, we are limited in the manner in which we conduct our business and may be unable to engage in certain business activities or finance future operations or capital needs.

Our dependence on a limited number of wafer customers may cause significant fluctuations or declines in our revenues.

We sell a substantial portion of our solar wafers to a limited number of customers. In 2010, our top five wafer customers accounted for approximately 48.5% of our wafer sales and 27.6% of our net revenues, and our largest customer accounted for approximately 21.8% of our wafer sales and 12.4% of our net revenues. Sales to our major wafer customers are typically made under multi-year sales contracts. Multi-year sales contracts typically provide for the sales volume and price of our solar wafers for each year during the contract term. However, the pricing terms may be either fixed or subject to reset in situations where the market benchmark price for solar wafers changes more than a certain percentage from the contracted price. In addition, in 2010, we also entered into one-year and multi-year sales contracts which provide for an agreed sales volume at a fixed price. A small portion of our sales are made under multi-year framework contracts which provide for variable pricing and volume terms. Since the fourth quarter of 2008, we renegotiated many of our multi-year framework contracts, multi-year sales contracts and one-year sales contracts with our customers to reflect rapidly changing market conditions. The agreements were renegotiated and amended such that these customers agreed to continue to purchase the quantity under the original agreements but pricing terms are to be adjusted (usually on a monthly basis based on delivery volume) to reflect the market conditions.

[Table of Contents](#)

While we have further diversified our customer base, including by adding certain new international customers, we anticipate that our dependence on a limited number of customers will continue in the near future. Consequently, any one of the following events may cause material fluctuations or declines in our revenues:

- reduction, delay or cancellation of orders from one or more of our significant customers;
- unilateral change of contractual technological specifications by one or more of our customers;
- failure to reach an agreement with our customers on the pricing terms or sales volumes under various contracts;
- loss of one or more of our significant customers and our failure to identify additional or replacement customers; and
- failure of any of our significant customers to make timely payment for our products.

Our polysilicon project may not achieve the utilization rate or operational efficiency as we planned, which may negatively affect our profit margin.

In 2010, we completed construction of a polysilicon manufacturing facility in Meishan, Sichuan Province through our wholly owned subsidiary, Sichuan ReneSola, which was established in Sichuan Province in August 2007. This manufacturing facility was built in two phases, each with an annual manufacturing capacity of 1,500 metric tons. The first phase commenced its trial production in July 2009 and reached a total output of approximately 460 metric tons in 2010. In addition, our production cost was higher than previously expected due to continuous trial runs, system testing, purchases of trichlorosilane, or TCS, and minimal activated hydrogenation processes. The second phase commenced trial production in February 2010 and reached a total output of approximately 680 metric tons in 2010. Prior to the operations of Sichuan ReneSola, we did not have any experience in operating polysilicon production facilities with an annual manufacturing capacity of over 1,000 metric tons. Manufacturing polysilicon is a highly complex chemical process and we may not be able to produce polysilicon of sufficient quantity and quality or at a cost comparable to or lower than those of other polysilicon manufacturers or on schedule to meet our wafer manufacturing requirements. Minor deviations in the manufacturing process can cause substantial decreases in yield and in some cases cause production to be suspended or to yield no output.

If our polysilicon production facility experiences any delay or defect in operations, we will suffer a setback to our raw material procurement strategy. We may also fail to manufacture polysilicon of sufficient quality or at competitive costs compared to the polysilicon available from the market, thereby making our polysilicon manufacturing facility uneconomical to run, which would negatively impact our profit margin. If the price of polysilicon and other raw materials rise and we are required to make purchases at higher than anticipated market rates, our profit margin may be negatively impacted. Furthermore, if our polysilicon production facility does not perform as planned we may be unable to recover our investments or be forced to write down the value of the assets.

Our polysilicon raw material suppliers may fail to supply us with polysilicon in a timely manner and with the quality we require, which may materially and adversely affect our financial condition and results of operations.

Any default by our suppliers in supplying us with polysilicon in a timely manner and with the quality we require may adversely and materially impact our ability to fulfill our obligation in producing and delivering solar power products to our customers in accordance with the sales contracts we entered into with such customers. From time to time, we are involved in negotiations and disputes with certain suppliers that supply us with polysilicon with quality defects. Any negotiation or litigation arising out of these disputes could distract management from the day-to-day operation of our business and subject us to potentially significant legal expenses, which could materially and adversely affect our financial condition and results of operations.

Our advance payments to our silicon raw material suppliers expose us to the credit risk of such suppliers, which may materially and adversely affect our financial condition and results of operations.

In order to secure silicon raw materials when the supply of these raw materials were limited, we made advance payments to some of our feedstock suppliers. As of December 31, 2008, 2009 and 2010, our advances to suppliers amounted to approximately \$82.7 million, \$20.2 million and \$40.1 million, respectively. We made such advance payments usually without receiving any collateral. To the extent that there were collateral and/or security attached to the advance payments, it is uncertain whether we will be able to enforce the collateral or the security, or if the advance payment can be repaid in full upon enforcement on such collateral or security. Any litigation arising out of the disputes could subject us to potentially significant legal expenses, distract management from the day-to-day operation of our business and expose us to risks for not being able to collect damages awarded to us, all of which could materially and adversely affect our financial condition and results of operations.

We may not be able to recover such advance payments and would suffer further losses should any supplier fail to fulfill its delivery obligations under its supply contract, which would include failure to provide sufficient quantity of raw materials or raw materials of such quality as specified in the contract or should a supplier's stock price be less than the price agreed to settle to our claim. We terminated a feedstock purchase agreement with a supplier in 2009 due to its breach of the agreement terms and the supplier issued to us its publicly listed shares that carried a value equivalent to the value of our outstanding prepayment, based on the closing price of the shares on the day of the settlement agreement, as a settlement of its obligations under the agreement. We plan to hold these shares as security instead of selling them in the short term. Since these shares were issued to us in October 2009, their price has fallen significantly and, as a result, we have been required to record an impairment loss. See "—We may incur impairment losses on our investments in equity securities." Similar claims by us for advance payments in the future would expose us to the credit risks of the suppliers and capital market risks, therefore materially and adversely affect our financial condition and results of operations.

We operate in a highly competitive market and many of our competitors have greater resources than we do, we may not be able to compete successfully and we may lose or be unable to gain market share.

The solar market is increasingly competitive and continually evolving, which may result in price reductions, reduced profit margins or loss of market share by us. Our competitors include integrated solar power product manufacturers, specialized solar wafer manufacturers, solar wafer manufacturing divisions of large conglomerates, specialized cell and module manufacturers and end-market system integrators. In addition, some polysilicon suppliers have decided to move downstream by establishing ingot and wafer producing capacities. Many of our competitors have longer operating histories, stronger market positions, larger manufacturing capabilities, greater resources, better brand name recognition and better access to silicon raw materials than we do. Some of our competitors have an established track record in large-scale polysilicon manufacturing and they may have an advantage over us in feedstock costs. Many of our competitors also have more established distribution networks and larger customer bases. As a result, they may be able to devote greater resources to the research, development, promotion and sale of their products or respond more quickly to evolving industry standards and changes in market conditions than we can. The key barriers to enter into our industry at present consist of access to cost competitive polysilicon, advanced manufacturing technologies, a competitive cost structure, capital resources and skilled personnel. If these barriers disappear or become more easily surmountable, new competitors may successfully enter our industry. If we fail to compete successfully, our business would suffer and we may lose or be unable to gain market share.

One of the competitive factors in solar power industry is conversion efficiency. Conversion efficiency of solar power products is not only determined by the quality of solar wafers but is also dependent on the solar cell and module production processes and technologies. Therefore, solar wafer manufacturers usually assume the conversion efficiency of their solar wafers based on the conversion efficiency of solar cells and modules manufactured by their customers, and there is a lack of publicly available information on the conversion

efficiency of solar wafers. Accordingly, investors may not be able to obtain a comprehensive view of our competitive position vis-à-vis our competitors.

We may be unable to timely and successfully implement our capacity expansion plan.

As of December 31, 2010, we had 1,300 MW of wafer manufacturing capacity, 240 MW of cell manufacturing capacity and 400 MW of module manufacturing capacity. We plan to install additional equipment to increase our total annual wafer and module manufacturing capacity to approximately 1,900 MW and 600 MW, respectively, by the end of 2011. As of December 31, 2010, we had an annual polysilicon manufacturing capacity of 3,000 metric tons and we expect that our annual polysilicon manufacturing capacity will be increased to 8,500 metric tons as of December 31, 2011 as a result of removing manufacturing bottlenecks of existing facilities and the establishment of new polysilicon production facilities with additional capacity of 5,000 metric tons. We also expect to increase our annual module manufacturing capacity to approximately 600 MW by the end of 2011. Our ability to increase our production capacity and output is subject to significant risks and uncertainties, including:

- the significant amount of capital required to purchase additional equipment or to build additional facilities, which we may be unable to obtain on commercially viable terms or at all;
- failure by our suppliers to make timely and satisfactory deliveries;
- cost overruns and delays as a result of a number of factors, many of which are beyond our control, such as problems with equipment delivery;
- delays or denial of required approvals by relevant government authorities;
- failure to obtain production inputs in sufficient quantities or at acceptable cost; and
- failure to execute our expansion plan effectively.

Therefore, we may fail to successfully increase our manufacturing capacity and expand our business as planned, which could adversely affect our business and operations.

Our future success substantially depends on our ability to closely monitor and accurately predict market demand and to efficiently manage our manufacturing capacity to either meet increased demand or avoid under-utilization of our production facilities due to lower-than-expected demand. This exposes us to a number of risks and uncertainties.

We intend to reach a balance between closely matching our manufacturing capacity and production output to market demands for our products. If we are unable to do so, the low utilization rate resulting from our over-expansion of production facilities may result in high production cost, which would adversely affect our profitability. Our failure to accurately predict market demand may also result in our lack of manufacturing capacity required to meet increased demand. Our ability to achieve a balance between the increase in manufacturing capacity and the changes in market demand is subject to significant risks and uncertainties, including:

- the ability to quickly adjust our manufacturing capacity and output while the industry is rapidly evolving;
- the ability to maintain existing customer relationships, attract new customers and expand our market share;
- the ability to implement new and upgraded operational and financial systems, procedures and controls to adapt to the strains associated with fast growth and expansion or rapid decrease in demand;
- the ability to favorably renegotiate our equipment supply contracts previously entered into for our wafer production in accordance with changes in our expansion plan;

Table of Contents

- the ability to maintain a financially healthy level of liquidity, and to manage our liquidity if we are unable to obtain additional funds and/or refinance existing debt on commercially viable terms or at all;
- the occurrence of construction delays and cost overruns;
- the ability to install and test new production equipment on a timely basis;
- the delay or denial of required approvals by relevant government authorities; and
- any significant diversion of management attention.

If we are unable to successfully manage our manufacturing capacity to respond to market demand, or if we fail to resolve any of the risks and uncertainties described above, we may be unable to expand our business as planned. Therefore, we cannot assure you that we can meet our targeted production costs and consequently stay competitive. Moreover, even if we are able to manage our growth, we may be unable to secure sufficient customer orders, which could adversely affect our business and operations.

We recorded a significant provision against doubtful other receivables in 2009 and we may not be able to recover our return of investment in a former joint venture.

In August 2007, we acquired a 49% equity interest in Linzhou Zhongsheng Semiconductor, a polysilicon manufacturing company located in Henan Province. Linzhou Zhongsheng Steel Co., Ltd., or Linzhou Zhongsheng Steel, held a 51% equity interest in the joint venture. The joint venture started producing polysilicon in early 2008. In September 2008, we sold our 49% equity interest in Linzhou Zhongsheng Semiconductor to Linzhou Zhongsheng Steel, our joint venture partner. The agreement was amended in December 2008 stipulating that of the total consideration of RMB200 million, RMB40 million would be paid in cash, RMB4 million would be treated as credit for existing purchases of polysilicon and RMB156 million would be treated as prepayment, to either be used as a credit through a discount to spot market price against future delivery of polysilicon from the joint venture or be repaid in cash, at our discretion. However, Linzhou Zhongsheng Semiconductor stopped the delivery of polysilicon in early 2009 and continued to fail to fulfill its obligations. We decided to take legal action to collect the remaining amount of the receivable and to make a provision against doubtful other receivables accordingly. As a result, we recorded a provision of approximately \$8.6 million in 2009 against doubtful other receivables. We were advised by our PRC legal counsel, Haiwen & Partners, that this prepayment arrangement is subject to foreign exchange control by the PRC government, and as we have not obtained approvals and registrations from relevant authorities, this may subject us to penalties and such arrangement may be unenforceable in the PRC. As we have not imposed any security over this arrangement, we may not be able to recover the remaining amount of the receivable if Linzhou Zhongsheng Steel fails to honor its obligations under the share transfer agreement, or if we fail to enforce such arrangement under PRC laws and regulations. We have initiated arbitration proceedings against Linzhou Zhongsheng Steel Co., Ltd and Linzhou Zhongsheng Semiconductor Silicon Material Co., Ltd. before CIETAC for the equity transfer dispute. As of the date of this annual report, CIETAC has accepted our arbitration application and the arbitration decision is scheduled for April 2011.

We may incur impairment losses on our investments in equity securities.

Since October 2009, we have held a minority equity interest in a polysilicon manufacturer, or the Investee whose shares are traded on the Toronto Stock Exchange. If the fair value of these shares declines below their cost basis and we determine that the decline is permanent, we are required to record an impairment loss for the applicable period. In 2009, due to the rapid decline of the Investee's share price as a result of the difficult operating environment for its core business, such as the rapid decline of polysilicon prices, we recorded impairment losses of \$13.4 million. We may incur additional expenses as a result of further impairment of such investment, or other investments we may make, in the future. Any losses incurred could have a material adverse effect on our financial condition and results of operations.

Our expansion into cell and module operations may cause us to compete with our customers.

In May 2009, as a part of our development strategy, we acquired a 100% equity interest in Wuxi Jiacheng Solar Energy Technology Co., Ltd, or JC Solar, for a total cash consideration of RMB140.3 million, including tax paid in connection with the transfer of equity interests. JC Solar is a solar cell and module manufacturer located in Yixing, Jiangsu Province. As of December 31, 2010, we, through JC Solar, had an annual cell production capacity of 240 MW and an annual module production capacity of 400 MW. We may compete directly with our wafer customers as we also sell our module products in the market. As a result, our relationships with those customers may be impaired. If our customers stop purchasing wafers from us due to our competition with them, we may not gain the expected return of investment from the acquisition of JC Solar and may lose our existing customers, and our business and results of operations will be materially and adversely affected.

We have limited experience in the cell and module manufacturing business and may fail to effectively or efficiently expand or operate this business.

Prior to our acquisition of JC Solar, we did not have any significant operating experience in solar cell or module manufacturing. Manufacturing solar cells and modules is a complex process and is different from that of solar wafers. Minor deviations in the manufacturing process can cause substantial decreases in yield and cell and module conversion efficiencies and, in some cases, cause production to be suspended or to yield no output. If we face technological difficulties in our production of solar cells and modules, we may be unable to operate our cell and module business as planned. We plan to maintain our annual cell manufacturing capacity at 240 MW in 2011 and increase our annual module manufacturing capacity to 600 MW by the end of 2011. If we fail to implement our plan as expected or experience a delay in the expansion, our business and results of operations may be materially and adversely affected. Furthermore, there are many established players in this market who have substantially more experience and expertise, stronger market position and greater resources than we have. If we fail to compete successfully, our business would suffer and we may lose or be unable to gain market share, which could materially and adversely affect our financial condition and results of operations.

Any significant claims under the product warranty obligations we assumed during our acquisition of JC Solar may materially and adversely affect our profitability.

Historically, our solar modules were typically sold with a warranty for minimum power output for up to 20 years following the date of sale. We also provided warranties for our solar modules against defects in materials and workmanship for a period of two years from the date of sale. We do not provide similar warranties for our solar wafers. We have sold solar modules since our acquisition of JC Solar in June 2009. In connection with the acquisition of JC Solar, we also assumed all of the product warranty obligations that JC Solar granted to its customers on its module products. JC Solar provides warranties for minimum power output for up to 25 years following the date of sale. JC Solar also provides warranties for solar modules against defects in materials and workmanship for a period of five years from the date of sale. We are obligated to meet the performance requirements in accordance with JC Solar's warranty policy. If we receive significant warranty claims from the customers of JC Solar and the amount of warranty costs accrued exceeds our estimates, we will need to recognize higher warranty costs and our profits may be adversely affected.

Due to the short usage history of our products, we cannot assure you that our assumptions regarding the durability and reliability of our products are reasonable. Our warranty provisions may be inadequate, and we may have to incur substantial expense to repair or replace defective products in the future. See "—Problems with product quality or product performance could result in increased costs, damage to our reputation and loss of revenues and market share." Any increase in the defect rate of our products would cause us to increase the amount of our warranty reserves and have a correspondingly negative impact on our operating results. Furthermore, widespread product failures may damage our market reputation, reduce our market share and cause our sales to decline.

Future acquisitions, investments or alliances may have an adverse effect on our business.

If we are presented with appropriate opportunities, we may acquire or invest in technologies, businesses or assets that are strategically important to our business or form alliances with key players in the solar power industry to further expand our business. Such acquisitions and investments could expose us to potential risks, including risks associated with the assimilation of new operations, technologies and personnel, unforeseen or hidden liabilities, the inability to generate sufficient revenue to offset the costs and expenses of acquisitions, and potential loss of, or harm to, our relationships with employees, customers and suppliers as a result of integration of new businesses. Furthermore, we may not be able to maintain a satisfactory relationship with our partners or handle other risks associated with future alliances, which could adversely affect our business and results of operations. Investments in new businesses may also divert our cash flow from servicing our debts and making necessary capital expenditures. In addition, we may incur impairment losses on our acquisitions and investments in equity securities. We lack sufficient experience in identifying, financing or completing large investments or acquisitions or joint venture transactions. Such transactions and the subsequent integration processes would require significant attention from our management. The diversion of our management's attention and any difficulties encountered with respect to the acquisitions, investments or alliances or in the process of integration could have an adverse effect on our ability to manage our business. Any failure to integrate any acquired businesses or joint ventures into our operations successfully and any material liabilities or potential liabilities of any acquired businesses or joint ventures that are not identified by us during our due diligence process for such acquisitions or investments could adversely affect our business and financial condition.

If solar power technology is not suitable for widespread adoption, or if sufficient demand for solar power products does not develop or takes longer to develop than we anticipate, our revenues may not continue to increase or may even decline, and we may be unable to achieve or sustain our profitability.

The solar market is still in development, and the extent of acceptance of solar power products is uncertain. Historical and current market data on the solar power industry are not as readily available as those for established industries where trends can be assessed more reliably from data gathered over a longer period of time. In addition, demand for solar power products may not continue to develop or may develop to a lesser extent than we anticipate. Many factors may affect the viability of widespread adoption of solar power technology and demand for solar power products, including:

- cost-effectiveness, performance and reliability of solar power products compared to conventional and other renewable energy sources and products;
- success of other alternative energy generation technologies, such as wind power, hydroelectric power and biomass;
- fluctuations in economic and market conditions that affect the viability of conventional and other renewable energy sources, such as increases or decreases in the prices of oil and other fossil fuels or decreases in capital expenditures by end-users of solar power products;
- fluctuations in interest rates, which may affect the effective prices paid for solar power products by end-users who rely on long-term loans to finance their purchases; and
- deregulation of the electric power industry and the broader energy industry.

We have formulated our expansion plan based on the expected growth of the solar market. If solar power technology is not viable for widespread adoption or sufficient demand for solar power products does not develop or develops to a lesser extent than we anticipate, our revenues may suffer and we may be unable to sustain our profitability.

[Table of Contents](#)

Advances in solar power technology could render our products uncompetitive or obsolete, which could reduce our market share and cause our sales and profit to decline.

The solar market is characterized by evolving technologies and customer needs. This requires us to develop enhancements for our products to keep pace with evolving industry standards and changing customer requirements. Currently, we produce wafers, solar cells and solar modules. Some of our competitors may devise production technologies that enable them to produce, at a higher yield and lower cost, larger and thinner wafers with higher quality than our products. In addition, some producers have focused on developing alternative forms of solar power technologies, such as thin-film technologies. We will need to invest significant financial resources in research and development to maintain our market position, keep pace with technological advances in the solar power industry and effectively compete in the future. Our failure to further refine our products and technology, or to develop and introduce new solar power products, could cause our products to become uncompetitive or obsolete, which could reduce our market share and cause our revenues to decline. In addition, if we, or our customers, are unable to manage product transitions, our business and results of operations would be negatively affected.

We may experience difficulty in achieving acceptable yields and product performance, or may experience production curtailments or shutdowns.

The technology for the manufacture of solar power products is continuously being modified in an effort to improve yields and product performance. Microscopic impurities such as dust and other contaminants, difficulties in the manufacturing process or unsuccessful adoption of new processing technologies or malfunctions of the equipment or facilities used can lower yields or increase the silicon consumption rate, cause quality control problems, interrupt production or result in losses of products in process. We may also experience floods, droughts, power losses, labor disputes and similar events within or beyond our control that would affect our operations.

Any unplanned transmission line maintenance work with short notices from local electricity transmission line operators may force our production to shut down, limit our ability to manufacture products and to fulfill our commitments to customers on a timely basis. Our polysilicon, wafer and cell manufacturing processes may generate hazardous wastes. Although our technologies and equipment are designed to minimize and eliminate the leakage of such wastes, unexpected accidents may result in environmental consequences, production curtailments, shutdowns or reduced productions, and even cause property damage, personal injuries or deaths. Any such event could result in civil lawsuits or regulatory enforcement proceedings, which in turn could lead to significant liabilities.

Our business depends substantially on the continuing efforts of our executive officers and key employees, and our business may be severely disrupted if we lose their services.

Our future success depends substantially on the continued services of our executive officers and key employees, especially Mr. Xianshou Li, our chief executive officer, Mr. Charles Bai, our chief strategy officer, Ms. Julia Xu, our chief financial officer, Dr. Panjian Li, our senior vice-president, president of JC Solar and chief executive officer of ReneSola America Inc., or ReneSola America. If one or more of our executive officers or key employees were unable or unwilling to continue in their present positions, we might not be able to replace them easily, in a timely manner, or at all. Our business may be severely disrupted, our financial conditions and results of operations may be materially and adversely affected, and we may incur additional expenses to recruit, train and retain personnel. If any of our executive officers or key employees joins a competitor or forms a competing company, we may lose customers, suppliers, know-how and key professionals and staff members. Each of our executive officers and key employees has entered into an employment agreement with us, which contains non-competition provisions. However, if any dispute arises between our executive officers and us, these agreements may not be enforceable in China, where these executive officers reside, in light of uncertainties with

[Table of Contents](#)

China's legal system. See “—Risks Related to Doing Business in China—Uncertainties with respect to the PRC legal system could adversely affect us.”

Our future success depends, to a significant extent, on our ability to attract, train and retain qualified personnel, particularly technical personnel with expertise in the solar power industry. Since our industry is characterized by high demand and intense competition for talent, there can be no assurance that we will be able to attract or retain qualified technical staff or other highly-skilled employees that we will need to achieve our strategic objectives. As we are still a relatively young company and our business has grown rapidly, our ability to train and integrate new employees into our operations may not meet the growing demands of our business. If we are unable to attract and retain qualified personnel, our business may be materially and adversely affected.

Problems with product quality or product performance could result in increased costs, damage to our reputation and loss of revenues and market share.

From time to time, we encounter sales returns due to non-conformity with customers' specifications and are required to replace our products promptly. While in the past we had an insignificant return rate, we cannot assure you that in the future our products will not contain defects that are not detected until after they are shipped or installed. Any proven defects could lead to return or refund of our products under our warranties, cause us to incur additional costs and divert the attention of our personnel from our operations. Similarly, if we fail to maintain the consistent quality of our other products via effective quality control, we may deliver products with defects or other quality problems, which may result in increased costs associated with replacements or other remedial measures. Product defects and the possibility of product defects could also cause significant damage to our market reputation and reduce our product sales and market share.

We face uncertainty with respect to new regulatory standards in the PRC polysilicon industry.

On December 31, 2010, the PRC Ministry of Industry and Information Technology, or the MIIT, the PRC National Development and Reform Commission and the PRC Ministry of Environmental Protection jointly promulgated Polysilicon Industry Access Standards, or Circular 137, to establish standards to regulate and direct the development of the polysilicon industry and avoid production surplus and industry oversaturation. Circular 137 sets forth a series of requirements and standards for polysilicon projects including those related to construction and layout, production scale and technical equipment, resource recycling and energy consumption, environmental protection and product quality and safety. Companies are required to submit application materials for their currently operating polysilicon projects to the MIIT through local MIIT authorities. The MIIT will, together with other relevant authorities, review the application materials. Any project failing to meet relevant standards may be required to stop its operation.

Our current and future polysilicon projects are required to meet the standards imposed by Circular 137. As a result, we may have less flexibility with respect to the size, production scale, energy consumption and other characteristics of our polysilicon projects, which may adversely affect our operations and expansion plan. Additionally, due to the relatively new nature of Circular 137, we do not know how certain new standards will be interpreted by relevant governmental authorities. If governmental authorities determine that our polysilicon projects do not meet Circular 137 standards, we may be forced to expend significant financial and management resources to remedy any adequacies, or cease the affected projects altogether, which may materially and adversely affect our business and results of operations.

We need a substantial amount of cash to fund our operations. If we fail to obtain additional capital when we require it, our growth prospects and future profitability may be materially and adversely affected.

We require a significant amount of cash to fund our operations. Due to market conditions and other considerations, we have extended credit terms to a limited number of customers. Credit terms may be extended to

[Table of Contents](#)

new customers to secure future purchase commitments from the customers as this has become an industry wide practice.

We will also need capital to fund the expansion of our manufacturing capacity and our research and development activities in order to remain competitive in this market. Future expansions, changes in market conditions or other developments may also cause us to require additional funds. Our ability to obtain external financing in the future is subject to a number of uncertainties, including:

- our future financial condition, operations and reputation;
- general market conditions in our industry; and
- economic, political and other conditions in China and elsewhere.

Weakening of global economic conditions and PRC macroeconomic factors such as credit tightening policies may negatively impact our ability to obtain necessary capital in a timely manner or on commercially acceptable terms. As of December 31, 2010, we had \$290.7 million in cash and cash equivalents, \$33.6 million in restricted cash and \$522.3 million in bank borrowings, of which approximately \$400.8 million was due within one year. We might not be able to refinance these borrowings in the future as they mature. In the event that we are unable to obtain extensions of these borrowings, or if we are unable to obtain sufficient alternative funding at reasonable terms to make repayments, we will have to repay these borrowings with cash generated by our operating activities. Moreover, future turbulence in global economic conditions and the potential impact on the liquidity of financial institutions may have an adverse effect on our ability to fund our operations through borrowings or our ability to borrow on terms that we believe to be reasonable, if at all. Our operations, results of operations and growth prospects may be materially and adversely affected if current global financial crisis persists.

We face risks associated with the marketing, distribution and sale of our solar power products internationally. If we are unable to effectively manage these risks, our ability to expand our business abroad would be materially and severely impaired.

In 2010, approximately 68% of our net revenues were generated from customers outside of China. We expanded our international sales efforts in 2009 and 2010 by focusing on international top tier solar companies with strong global distribution capabilities and initiating relationship with companies with established regional distribution capabilities in our international key markets. The marketing, distribution and sales of our solar power products in international markets expose us to a number of risks, including:

- fluctuations in currency exchange rates, such as exchange rate volatility between the euro and the U.S. dollar and the continuing trend of appreciation of the Renminbi against the U.S. dollar;
- increased costs associated with maintaining marketing efforts in various countries;
- difficulty and costs relating to compliance with the different commercial, environmental and legal requirements of the overseas markets in which we offer our products;
- difficulty in engaging and retaining sales personnel who are knowledgeable about, and can function effectively in, overseas markets; and
- trade barriers such as export requirements, tariffs, taxes and other restrictions and expenses, which could increase the prices of our products and make us less competitive in some countries.

If we are unable to effectively manage these risks, our ability to expand our business abroad would be materially and severely impaired.

If we fail to maintain an effective system of internal controls, we may be unable to accurately report our financial results or prevent fraud, and investor confidence and the market price of our ADSs may be adversely impacted.

We are subject to reporting obligations under U.S. securities laws. The U.S. Securities and Exchange Commission, or the SEC, as required by Section 404 of the Sarbanes-Oxley Act of 2002, has adopted rules requiring every public company to include a management report on such company's internal control over financial reporting in its annual report, which contains management's assessment of the effectiveness of the company's internal control over financial reporting. In addition, an independent registered public accounting firm must audit and report on the effectiveness of the company's internal control over financial reporting. Our reporting obligations as a public company have placed, and will continue to place, a significant strain on our management, operational and financial resources and systems for the foreseeable future.

Our management has evaluated the effectiveness of our internal control over financial reporting, as required by Rule 13-a-15(c) of the Exchange Act, and we have concluded that our internal control over financial reporting was effective for our fiscal year ended December 31, 2010. If we fail to maintain the adequacy of our internal controls, our management may conclude that our internal control over financial reporting is not effective in the future. Moreover, effective internal control over financial reporting is necessary for us to produce reliable financial reports and to prevent fraud. As a result, our failure to achieve and maintain effective internal control over financial reporting could result in the loss of investor confidence in the reliability of our financial statements, which in turn could harm our business and negatively impact the market price of our ADSs.

Our failure to protect our intellectual property rights may undermine our competitive position, and litigation to protect our intellectual property rights may be costly.

We rely primarily on patent laws, trade secrets and other contractual restrictions to protect our intellectual property. Nevertheless, these afford only limited protection and the actions we take to protect our intellectual property rights may not be adequate to provide us with meaningful protection or commercial advantage. For example, we have 11 patents and 36 pending patent applications in China as of February 28, 2011. We cannot assure you that our patent applications will be eventually issued with sufficiently broad coverage to protect our technology and products. As a result, third parties may be able to use the technologies that we have developed and compete with us, which could have a material adverse effect on our business, financial condition or operating results. In addition, contractual arrangements, such as the confidentiality and non-competition agreements and terms between us and our research and development personnel, afford only limited protection and the actions we may take to protect our trade secrets and other intellectual property may not be adequate. Our failure to protect our intellectual property and proprietary rights may undermine our competitive position. Third parties may infringe or misappropriate our proprietary technologies or other intellectual property and proprietary rights. Policing the unauthorized use of proprietary technology can be difficult and expensive. In particular, the laws and enforcement procedures of the PRC and certain other countries are uncertain or do not protect intellectual property rights to the same extent as do the laws and enforcement procedures of the United States. See “—Risks Related to Doing Business in China—Uncertainties with respect to the PRC legal system could adversely affect us.” We may need to resort to court proceedings to enforce our intellectual property rights in the future. Litigation relating to our intellectual property might result in substantial costs and diversion of resources and management attention away from our business. An adverse determination in any such litigation will impair our intellectual property and proprietary rights and may harm our business, prospects and reputation.

Increases in electricity costs or a shortage of electricity supply may adversely affect our operations.

We consume a significant amount of electricity in our operations. Moreover, with the rapid development of the PRC economy, demand for electricity has continued to increase. There have been shortages in electricity supply in various regions across China, especially during peak seasons, such as summer. Additionally, we have experienced shortages in electricity supply due to strict government controls to meet certain economic targets set

[Table of Contents](#)

by the State Council of the PRC. The capacity of our backup transformer substation is not sufficient to fully support our current production. In view of our operations and planned production expansion, there may be a risk of interruption or shortages in our electricity supply and there may not be sufficient electricity available to meet our future requirements. Our electricity costs may rise significantly and we may not be able to pass the increased cost to our customers. Increases in electricity costs may adversely affect our profitability and shortages in electricity supply may adversely affect our ability to deliver contracted product quantities.

Compliance with environmental regulations can be expensive, and non-compliance with these regulations may result in adverse publicity and potentially significant monetary damages and fines.

As our manufacturing processes, including producing polysilicon, producing ingots, slicing wafers and producing solar cells and modules, generate noise, waste water and gaseous and other industrial wastes, we are required to comply with all applicable regulations regarding protection of the environment. We are in compliance with present environmental protection requirements in all material respects and have all material environmental permits necessary to conduct our business. However, if more stringent regulations are adopted in the future, the cost of compliance with these new regulations could be substantial. If we fail to comply with present or future environmental regulations, we may be required to pay substantial fines, suspend production or cease operations. We use, generate and discharge toxic, volatile and otherwise hazardous chemicals and wastes in our research and development and manufacturing activities. Any failure by us to control the use of, or to restrict adequately the discharge of, hazardous substances could subject us to potentially significant monetary damages and fines or suspensions in our business operations.

Our solar module products must comply with the applicable environmental regulations where they are installed, and we may incur expenses to design and manufacture our products so as to comply with such regulations. For example, we increased our expenditures to comply with the European Union's Restriction of Hazardous Substances Directive, which took effect in July 2006, by reducing the amount of lead and other restricted substances used in our solar module products. Furthermore, we may need to comply with the European Union's Waste Electrical and Electronic Equipment Directive if solar modules and products are re-classified as consumer electronics under the directive or if our customers located in other markets demand that they comply with this directive. This would require us to implement manufacturing process changes, such as changing the soldering materials used in panel manufacturing, in order to continue to sell into these markets. As a result, we have begun to require our suppliers of soldering materials to provide certifications from TÜV Rheinland, a globally recognized certification organization. If compliance is unduly expensive or unduly difficult, we may lose market share and our financial results may be adversely affected.

Increasing environmental concerns and climate change risks associated with fossil fuel-based power generation have created political momentum to implement strategies aimed at the reduction of emissions of carbon dioxide and certain other gases commonly referred to as "greenhouse gases." Renewable energy sources such as solar power help address these environmental concerns, and governments around the world have implemented a variety of policy initiatives to accelerate the development and adoption of solar power. While passage of climate change legislation or other regulatory initiatives that regulate or restrict emissions of greenhouse gases may encourage use of solar power and accordingly increase demand for our products and services, this could cause us to incur additional direct costs in complying with any new environmental regulations during our manufacturing and research and development processes, as well as increased indirect costs resulting from our customers, suppliers or both incurring additional compliance costs that get passed on to us.

We have limited insurance coverage and may incur losses resulting from product liability claims or business interruptions.

As the insurance industry in China is still in an early stage of development, the product liability insurance and business interruption insurance available in China offer limited coverage compared to that offered in many

[Table of Contents](#)

other countries. Any business disruption or natural disaster could result in substantial costs and a diversion of resources, which would have an adverse effect on our business and results of operations.

Similar to other solar power product manufacturers, we are exposed to risks associated with product liability claims if the use of our solar power products results in injury. Since our solar wafers are made into electricity generating devices and our solar modules generate electricity, it is possible that users could be injured or killed by our products as a result of product malfunctions, defects, improper installation or other causes. We only began commercial shipment of our solar power products in July 2005, and, because of our limited operating history, we cannot predict whether product liability claims will be brought against us in the future or the effect of any resulting negative publicity on our business. The successful assertion of product liability claims against us could result in potentially significant monetary damages and require us to make significant payments.

Risks Related To Doing Business In China

Adverse changes in political and economic policies of the PRC government could have a material adverse effect on the overall economic growth of China, which could reduce the demand for our products and materially and adversely affect our competitive position.

We conduct substantially all of our business operations in China. As the solar industry is highly sensitive to business and personal discretionary spending levels, it tends to decline during general economic downturns. Accordingly, our results of operations, financial condition and prospects are subject to a significant degree to economic, political and legal developments in China. China's economy differs from the economies of most developed countries in many respects, including with respect to the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. While the PRC economy has experienced significant growth in the past decades, growth has been uneven across different regions and among various economic sectors of China. The PRC government has implemented various measures to encourage economic development and guide the allocation of resources. While some of these measures benefit the overall PRC economy, they may also have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations that are applicable to us. As the PRC economy is increasingly intricately linked to the global economy, it is affected in various respects by downturns and recessions of major economies around the world, such as the recent financial services and economic crises of these economies. The various economic and policy measures the PRC government enacts to forestall economic downturns or shore up the PRC economy could affect our business.

The PRC economy has been transitioning from a planned economy to a more market-oriented economy. Although the PRC government has implemented measures since the late 1970s emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China are still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating industry development by imposing industrial policies. The PRC government also exercises significant control over China's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Future actions and policies of the PRC government could materially affect our liquidity and access to capital and our ability to operate our business.

Uncertainties with respect to the PRC legal system could adversely affect us.

We are a holding company, and we conduct our business primarily through our wholly owned subsidiaries incorporated in China. These subsidiaries include (1) Zhejiang Yuhui Solar Energy Source Co., Ltd., or Zhejiang Yuhui, (2) Zhejiang Yuhui's wholly owned subsidiary, JC Solar, (3) Sichuan ReneSola and (4) Zhejiang Renesola Photovoltaic Materials Co., Ltd. These subsidiaries are generally subject to laws and regulations

[Table of Contents](#)

applicable to foreign investment in China and, in particular, laws applicable to wholly foreign-owned enterprises. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since the late 1970s, PRC legislation and regulations have significantly enhanced the protections afforded to various forms of foreign investments in China. However, since the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involve uncertainties, which may limit legal protections available to us. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

Expiration of, or changes to, current PRC tax incentives that our business enjoys could have a material adverse effect on our results of operations.

The PRC government has provided various incentives to foreign-invested enterprises to encourage foreign investments. Such incentives include reduced tax rates and other measures. As a foreign-invested enterprise in a manufacturing business with an authorized term of operation for more than ten years, Zhejiang Yuhui is entitled to full exemption from enterprise income tax for the years 2005 and 2006 and a 50% reduction during the three succeeding years.

In March 2007, the National People's Congress of China enacted a new Enterprise Income Tax Law, which became effective on January 1, 2008. In December 2007, the State Council of China promulgated the Implementing Regulation of the new Enterprise Income Tax Law, which became effective on January 1, 2008. The new tax law imposes a unified state income tax rate of 25% on all domestic enterprises and foreign-invested enterprises unless they qualify under certain limited exceptions. According to the new Enterprise Income Tax Law and its relevant implementation rules, enterprises that were established before March 16, 2007 and were eligible for preferential tax exemptions or reduction within the specified time under the then effective laws and regulations will continue to enjoy the original preferential tax exemptions or reductions until the expiration of the specified terms, except that the relevant exemption or reduction shall start from January 2008 if the first profitable year for the relevant enterprise is later than January 1, 2008.

Zhejiang Yuhui increased its registered capital from \$1.5 million to \$16.5 million in April 2006, \$28.5 million in September 2006, \$45.0 million in January 2007 and \$102.5 million in August 2007. According to relevant PRC tax regulations before the enactment of the Enterprise Income Tax Law, Zhejiang Yuhui is entitled to a full exemption from enterprise income tax for two years starting from its first profitable year of operation with respect to income from operations attributable to the increased capital and a 50% deduction in income taxes for the following three years, upon written approval from the tax authority. Since Zhejiang Yuhui's capital increase from \$45.0 million to \$102.5 million was registered after March 16, 2007, it has received an approval from the PRC tax authority in Zhejiang Province which provided that income attributable to this registered capital increase would receive preferential tax treatment until December 31, 2007.

In addition, although the approval letter Zhejiang Yuhui received from the PRC tax authority indicated that income attributable to Zhejiang Yuhui's capital increase from \$45.0 million to \$102.5 million can only enjoy preferential tax treatment before December 31, 2007, in practice Zhejiang Yuhui has only paid tax on income attributable to such capital increase at a rate of 12.5% after January 1, 2008, which is 50% of the statutory tax rate. The tax authority may request Zhejiang Yuhui to make a supplementary tax payment on our income which was taxed at a rate of 12.5%.

Moreover, under the new Enterprise Income Tax Law, enterprises organized under the laws of jurisdictions outside of China with their de facto management bodies located within China may be considered PRC resident enterprises and, therefore, subject to PRC enterprise income tax at the rate of 25% on their worldwide income. The Implementing Regulation of the new tax law defines "de facto management body" as an establishment that exerts substantial overall management and control over the operation, personnel, financial affairs, assets and other aspects of the enterprise. If a majority of the members of our management team continues to be located in

[Table of Contents](#)

China, we may be deemed as a PRC tax resident enterprise and, therefore, subject to PRC enterprise income tax at the rate of 25% on our worldwide income except that the dividends we received from our PRC subsidiaries may be exempt from the enterprise income tax to the extent that such dividends are deemed as dividends among PRC resident enterprises. If our current tax benefits expire or otherwise become unavailable to us for any reason, our profitability may be materially or adversely affected. In addition, our PRC subsidiary, Zhejiang Yuhui, is required to pay value added tax, or VAT, with respect to the gross sales proceeds. Historically, when exporting products, Zhejiang Yuhui was entitled to a 13% refund of VAT that it had already paid or borne. However, starting from July 1, 2007, the VAT refund was reduced to 5%, which materially affects the gross margin of our overseas sales. According to the latest tax regulation, the VAT refund has been reverted to 13% from April 1, 2009. Our profitability may be materially and adversely affected if this VAT refund changes significantly and frequently.

We rely on dividends paid by our subsidiary for our cash needs.

Up to the date of this annual report, we have relied on dividends paid by our PRC subsidiary, Zhejiang Yuhui, from its yearly net income for our cash needs, including the funds necessary to pay dividends and other cash distributions to our shareholders, to service any offshore debt we may incur and to pay our operating expenses. The payment of dividends by entities organized in China is subject to limitations. Regulations in the PRC currently permit payment of dividends only out of accumulated profits as determined in accordance with accounting standards and regulations in China. Zhejiang Yuhui is also required to set aside at least 10% of its after-tax profit based on PRC accounting standards each year to its general reserves until the accumulative amount of such reserves reaches 50% of its registered capital. These reserves are not distributable as cash dividends. Zhejiang Yuhui is also required to allocate a portion of its after-tax profits, as determined by its board of directors, to its staff welfare and bonus funds, which may not be distributed to equity owners. In addition, when Zhejiang Yuhui incurs debt on its own behalf, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. For example, according to certain loan agreements between Zhejiang Yuhui and its banks, Zhejiang Yuhui is not permitted to pay dividends for any given year if it has no after-tax profit or any principal or interest due in that year that has not been paid.

Under the Enterprise Income Tax Law, dividends payable by us and gains on the disposition of our shares or ADSs could be subject to PRC taxation.

Pursuant to the new PRC Enterprise Income Tax Law and its Implementing Regulation, which became effective on January 1, 2008, a 10% withholding tax applies to dividends, interests, rent or royalties payable by a foreign-invested enterprise, such as our PRC subsidiary, to any of its non-resident enterprises investors for PRC enterprise income tax purposes unless any such non-resident enterprise's jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. The British Virgin Islands, where our company was incorporated, does not have such a treaty with China. Thus, the Company expects that a 10% withholding tax will apply to dividends paid to the Company by its PRC subsidiaries if the Company is classified as a non-resident enterprise. Circular CaiShui [2008] No.1 jointly issued by the State Administration of Taxation and Minister of Finance on February 22, 2008 further clarifies that dividends distributed by foreign-invested enterprise to foreign investors out of the profits generated before January 1, 2008 are still exempt from withholding tax even if they are paid after January 1, 2008. Our PRC entities' undistributed earnings, generated after January 1, 2008, as of December 31, 2010 will be permanently reinvested to the PRC entities. Therefore, no dividend withholding tax was accrued. However, if we are classified as a resident enterprise, our shareholders and ADS holders who are deemed non-resident enterprise may be subject to the new PRC Enterprise Income Tax Law at the rate of 10% upon the dividends paid by us or the gains on the disposition of our shares or ADSs.

Fluctuations in exchange rates may have a material adverse effect on your investment.

Our sales in China are denominated in Renminbi, and our export sales are generally denominated in U.S. dollars and euros. Our costs and capital expenditures are largely denominated in Renminbi and foreign

[Table of Contents](#)

currencies, including U.S. dollars, euros and Japanese yen. Fluctuations in exchange rates could affect our net profit margins and could result in foreign exchange losses and operating losses. For example, we recognized a foreign exchange loss of \$1.8 million in 2010. In addition, our foreign currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert Renminbi into foreign currencies.

The value of the Renminbi against the U.S. dollar, the euro and other currencies is affected by, among other things, changes in China's political and economic conditions and China's foreign exchange policies. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi to the U.S. dollar. Under the new policy, the Renminbi was permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. This change in policy caused the Renminbi to appreciate approximately 21.5% against the U.S. dollar over the following three years. Since reaching a high against the U.S. dollar in July 2008, the Renminbi traded within a narrow band against the U.S. dollar until June 2010, remaining within 1% of its July 2008 high but never exceeding it. In June 2010, the People's Bank of China announced that the PRC government would reform the Renminbi exchange rate regime and increase the flexibility of the exchange rate. It is difficult to predict how long the current situation may last and when and how it may change again.

In addition, as we rely entirely on dividends paid to us by our operating subsidiaries in China, any significant depreciation of the Renminbi against the U.S. dollar may have a material adverse effect on our revenues and financial condition, and the value of, and any dividends payable on, our shares. For example, to the extent that we need to convert U.S. dollars into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we receive from the conversion. Conversely, if we decide to convert our Renminbi into U.S. dollars for the purpose of making payments for dividends on our shares or for other business purposes, appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amount available to us. As a proportion of our revenue is paid to us in euro, fluctuation between the euro and the RMB may also have a material effect on our results of operations.

Restrictions on currency exchange may limit our ability to receive and use our revenues or financing effectively.

A significant portion of our revenues and expenses are denominated in Renminbi. If our revenues denominated in Renminbi increase or expenses denominated in Renminbi decrease in the future, we may need to convert a portion of our revenues into other currencies to meet our foreign currency obligations, including, among others, payment of dividends declared, if any, in respect of our shares or ADSs. Under China's existing foreign exchange regulations, Zhejiang Yuhui is able to pay dividends in foreign currencies, without prior approval from SAFE, by complying with certain procedural requirements. However, we cannot assure you that the PRC government will not take further measures in the future to restrict access to foreign currencies for current account transactions.

Foreign exchange transactions by Zhejiang Yuhui under capital accounts continue to be subject to significant foreign exchange controls and require the approval of, or registration with, PRC governmental authorities. In particular, if Zhejiang Yuhui borrows foreign currency loans from us or other foreign lenders, these loans must be registered with SAFE, and if we finance it by means of additional capital contributions, these capital contributions must be approved or registered by certain government authorities including SAFE, the Ministry of Commerce or their local counterparts. These limitations could affect the ability of Zhejiang Yuhui to obtain foreign exchange in China, and could affect our business and financial condition.

[Table of Contents](#)

If we are required to obtain the prior approval of the China Securities Regulatory Commission, or CSRC, for the listing and trading of our ADSs on the NYSE, we may face regulatory actions or other sanctions which may adversely affect our financial condition.

On August 8, 2006, six PRC regulatory agencies, including the CSRC, promulgated a regulation that became effective on September 8, 2006. This regulation, among other things, has some provisions that purport to require that an offshore special purpose vehicle, or SPV, formed for listing purposes and controlled directly or indirectly by PRC companies or individuals shall obtain the approval of the CSRC prior to the listing and trading of such SPV's securities on an overseas stock exchange. On September 21, 2006, the CSRC published on its official website procedures specifying documents and materials required to be submitted to it by SPVs seeking CSRC approval of their overseas listings.

We completed the listing of our ADSs on the NYSE in January 2008 and completed our follow-on offerings in June 2008 and October 2009. We did not seek CSRC approval in connection with our initial public offering or our follow-on offerings. However, the application of this PRC regulation remains unclear with no consensus currently existing among the leading PRC law firms regarding the scope and applicability of the CSRC approval requirement. Our PRC counsel at the time of listing advised us that because we completed our restructuring for the initial public offering before September 8, 2006, the effective date of the new regulation, it was not and is not necessary for us to submit the application to the CSRC for its approval, and the listing of our ADSs on the NYSE did not require CSRC approval.

If the CSRC or another PRC regulatory agency subsequently determines that CSRC approval was required for the initial public offering or the follow-on offerings, we may face regulatory actions or other sanctions from the CSRC or other PRC regulatory agencies. These regulatory agencies may impose fines and penalties on our operations in the PRC, limit our operating privileges in the PRC, delay or restrict the repatriation of the proceeds from our initial public offering and the follow-on offerings into the PRC, or take other actions that could have a material adverse effect on our business, financial condition, results of operations, reputation and prospects, as well as the trading price of our ADSs.

If the CSRC later requires that we obtain its approval, we may be unable to obtain a waiver of the CSRC approval requirements, if and when procedures are established to obtain such a waiver. Any uncertainties and/or negative publicity regarding this CSRC approval requirement could have a material adverse effect on the trading price of our ADSs.

PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident shareholders to personal liability and limit our ability to inject capital into our PRC subsidiary, limit our subsidiary's ability to increase its registered capital, distribute profits to us, or otherwise adversely affect us.

On October 21, 2005, SAFE issued the Notice on Issues Relating to the Administration of Foreign Exchange in Fund-raising and Reverse Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies, or Notice 75, which became effective as of November 1, 2005. According to Notice 75, prior registration with the local SAFE branch is required for PRC residents to establish or to control an offshore company for the purposes of financing that offshore company with assets or equity interests in an onshore enterprise located in the PRC. An amendment to registration or filing with the local SAFE branch by such PRC resident is also required for the injection of equity interests or assets of an onshore enterprise in the offshore company or overseas funds raised by such offshore company, or any other material change involving a change in the capital of the offshore company. Moreover, Notice 75 applies retroactively. As a result, PRC residents who have established or acquired control of offshore companies that have made onshore investments in the PRC in the past were required to complete the relevant registration procedures with the local SAFE branch by March 31, 2006.

[Table of Contents](#)

We have urged our shareholders who are PRC residents to make the necessary applications and filings as required under Notice 75 and other related rules. However, as a result of uncertainty concerning the reconciliation of Notice 75 with other approval or registration requirements, it remains unclear how Notice 75, and any future legislation concerning offshore or cross-border transactions, will be interpreted, amended and implemented by the relevant government authorities. To our knowledge, our primary shareholders have not completed the necessary filings as required under Notice 75 and other related rules, particularly that (i) Mr. Xianshou Li and Mr. Yuncai Wu have filed and updated their initial filings in connection with their transfer of shares in our company to their respective holding vehicles and the change in our company's shareholding structure due to our AIM admission with Jiashan County SAFE Branch, but they have not filed or updated any filing with Zhejiang Province SAFE Branch as required by PRC SAFE regulations; (ii) Mr. Li and Mr. Wu have not updated their filings in connection with our U.S. initial public offering in January 2008 and our follow-on offerings in June 2008 and October 2009; (iii) Mr. Zhengmin Lian and Mr. Xiangjun Dong have inquired with the relevant local branch of SAFE with respect to the filings of the shares that Mr. Li and Mr. Wu hold on trust for them but were advised that such applications could not be accepted as there is a lack of precedents for filing such trust arrangements; and (iv) Mr. Li, Mr. Wu, Mr. Lian and Mr. Dong have not updated their filings with respect to the transfers by Yuncai Holdings Limited and Ruixin Holdings Limited to their respective holding vehicles in 2010. We are in the process of making such filings with the Zhejiang Province SAFE Branch. In addition, we have made filings with the local SAFE branch of Jiashan County in connection with the options we granted to our PRC employees under our 2007 share incentive plan. We attempt to comply, and attempt to ensure that our shareholders who are subject to these rules comply with the relevant requirements. However, we cannot provide any assurances that all of our shareholders who are PRC residents will comply with our request to make or obtain any applicable registrations or comply with other requirements required by Notice 75 or other related rules. The failure or inability of our PRC resident shareholders to make any required registrations or comply with other requirements may subject such shareholders to fines and legal sanctions and may also limit our ability to contribute additional capital into or provide loans to our PRC subsidiary, limit our PRC subsidiary's ability to pay dividends or otherwise distribute profits to us, or otherwise adversely affect us.

We face risks related to health epidemics and other outbreaks.

Our business could be adversely affected by the effects of avian flu, severe acute respiratory syndrome, or SARS, swine flu or another epidemic or outbreak. From 2005 to present, there have been reports on the occurrence of avian flu in various parts of China and elsewhere in Asia, including a few confirmed human cases and deaths. In April 2009, an outbreak of swine flu occurred in Mexico and the United States and there have been recent cases in China and elsewhere in Asia. Any prolonged occurrence or recurrence of avian flu, SARS, swine flu or other adverse public health developments in China may have a material adverse effect on our business operations. Our operations may be impacted by a number of health-related factors, including, among other things, quarantines or closures of our facilities, which could severely disrupt our operations, the sickness or death of our key officers and employees, and a general slowdown in the Chinese economy. Any of the foregoing events or other unforeseen consequences of public health problems could adversely affect our business and results of operations. We have not adopted any written preventive measures or contingency plans to combat any future outbreak of avian flu, SARS, swine flu or any other epidemic.

Risks Related To Our ADSs

The market price for our ADSs may be volatile.

The market price for our ADSs may be volatile and subject to wide fluctuations in response to factors including the following:

- actual or anticipated fluctuations in our quarterly operating results;
- changes in financial estimates by securities research analysts;
- changes in the economic performance or market valuations of other solar power companies;

[Table of Contents](#)

- announcements by us or our competitors of new products, patent litigation, issuance of patents, acquisitions, strategic partnerships, joint ventures or capital commitments;
- technological breakthroughs in the solar and other renewable power industries;
- reduction or elimination of government subsidies and economic incentives for the solar power industry;
- potential litigation or administrative investigations;
- addition or departure of key personnel;
- fluctuations of exchange rates between the RMB and U.S. dollar or other foreign currencies;
- release of lock-up or other transfer restrictions on our outstanding ADSs or shares or sales of additional ADSs; and
- general market conditions or other developments affecting us or our industry.

You should note that the stock prices of solar power companies have experienced wide fluctuations. Such wide market fluctuations may adversely affect the market price of our ADSs.

In addition, the securities market has from time to time experienced significant price and volume fluctuations that are not related to the operating performance of particular companies. Such fluctuations have occurred since 2008, and have impacted the trading price of our ADSs. Continued market fluctuations may materially and adversely affect the market price of our ADSs.

Our existing principal shareholders have substantial influence over our company, and their interests may not be aligned with the interests of our other shareholders.

Mr. Xianshou Li, our chief executive officer and director, and Mr. Yuncai Wu, our director, currently hold, directly and indirectly, approximately 13.33% and 5.55% of our outstanding share capital, respectively, and exercise voting control over approximately 21.49% and 10.60% of our outstanding share capital, respectively, as of the date of this annual report. As such, Messrs. Li and Wu have substantial influence over our business, including decisions regarding mergers, consolidations and the sale of all or substantially all of our assets, election of directors and other significant corporate actions. This concentration of ownership may discourage, delay or prevent a change in control of our company, which could deprive our shareholders of an opportunity to receive a premium for their shares as part of a sale of our company and might reduce the price of our ADSs. For example, holders of a majority of our shares entitled to vote in a duly convened and constituted shareholders' meeting may pass a shareholders' resolution to issue preferred shares in one or more series and to fix the powers and rights of these shares, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences, any or all of which may be greater than the rights associated with our existing shares. Preferred shares could thus be issued with terms that would delay or prevent a change in control or make removal of management more difficult. These actions may be taken even if they are opposed by our other shareholders and holders of our ADSs.

We may need additional capital and may sell additional ADSs or other equity securities or incur indebtedness, which could result in additional dilution to our shareholders or increase our debt service obligations.

We believe that our current cash and cash equivalents, anticipated cash flows from our operations and bank borrowings, existing bank facilities and proceeds from the follow-on offering will be sufficient to meet our anticipated cash needs, including our cash needs for working capital and capital expenditures. We may require additional cash resources due to changed business conditions or other future developments, including any investments or acquisitions we may decide to pursue. If these resources are insufficient to satisfy our cash requirements, we may seek to sell additional equity or debt securities or obtain a credit facility. The sale of additional equity securities could result in additional dilution to our shareholders. The incurrence of indebtedness

[Table of Contents](#)

would result in increased debt service obligations and could result in operating and financing covenants that would restrict our operations. We cannot assure you that financing will be available in amounts or on terms acceptable to us, if at all.

Substantial future sales of our ADSs in the public market, or the perception that these sales could occur, could cause the price of our ADSs to decline.

Sales of our shares or ADSs in the public market, or the perception that these sales could occur, could cause the market price of our ADSs to decline. All ADSs sold in our initial public offering and the follow-on offering are freely transferable without restriction or additional registration under the Securities Act of 1933, as amended, or the Securities Act. The remaining ADSs outstanding after the initial public offering and the follow-on offering are currently available for sale, subject to volume and other restrictions as applicable under Rule 144 and Rule 701 of the Securities Act.

As a holder of our ADSs, you may not have the same voting rights as the holders of our shares and may not receive voting materials in time to be able to exercise your right to vote.

As a holder of ADSs, you are not treated as one of our shareholders. Instead, the depositary is treated as the holder of the shares underlying your ADSs. However, you may exercise some of the shareholders' rights through the depositary, and you have the right to withdraw the shares underlying your ADSs from the deposit facility. Except as described in the deposit agreement, holders of our ADSs are not be able to directly exercise voting rights attaching to the shares evidenced by our ADSs on an individual basis. Holders of our ADSs are entitled to instruct the depositary how to vote the shares represented by the ADSs. However, you may not receive voting materials in time to instruct the depositary to vote, and it is possible that you, or persons who hold their ADSs through brokers, dealers or other third parties, will not have the opportunity to exercise a right to vote.

You may not be able to participate in rights offerings and may experience dilution of your holdings as a result.

We may from time to time distribute rights to our shareholders, including rights to acquire our securities. Under the deposit agreement for the ADSs, the depositary will not offer those rights to ADS holders unless both the rights and the underlying securities to be distributed to ADS holders are either registered under the Securities Act or exempt from registration under the Securities Act with respect to all holders of ADSs. We are under no obligation to file a registration statement with respect to any such rights or underlying securities or to endeavor to cause such a registration statement to be declared effective. In addition, we may not be able to take advantage of any exemptions from registration under the Securities Act. Accordingly, holders of our ADSs may be unable to participate in our rights offerings and may experience dilution in their holdings as a result.

You may be subject to limitations on transfer of your ADSs.

Your ADSs represented by the ADRs are transferable on the books of the depositary. However, the depositary may close its transfer books from time to time when it deems that it is expedient for the performance of its duties. In addition, the depositary may refuse to deliver, transfer or register transfers of ADSs generally when our books or the books of the depositary are closed, or at any time if we or the depositary deem it advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason.

You may face difficulties in protecting your interests, and your ability to protect your rights through the U.S. federal courts may be limited, because we are incorporated under British Virgin Islands law, conduct substantially all of our operations in China and most of our officers and directors reside outside the United States.

We are incorporated in the British Virgin Islands, and conduct substantially all of our operations in China through our wholly owned subsidiary in China. Most of our officers and directors reside outside the United

Table of Contents

States, and some or all of the assets of those persons are located outside of the United States. As a result, it may be difficult or impossible for you to bring an original action against us or against these individuals in a British Virgin Islands or China court in the event that you believe that your rights have been infringed under the U.S. federal securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the British Virgin Islands and of China may render you unable to enforce a judgment against our assets or the assets of our directors and officers. There is no statutory recognition in the British Virgin Islands of judgments obtained in the United States, although the courts of the British Virgin Islands will generally recognize and enforce a non-penal judgment of a foreign court of competent jurisdiction without retrial on the merits.

Our corporate affairs are governed by our memorandum and articles of association and by the BVI Business Companies Act, 2004 and common law of the British Virgin Islands. The rights of shareholders to take legal action against our directors and us, actions by minority shareholders and the fiduciary responsibilities of our directors to us under British Virgin Islands law are to a large extent governed by the common law of the British Virgin Islands. The common law of the British Virgin Islands is derived in part from comparatively limited judicial precedent in the British Virgin Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the British Virgin Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under British Virgin Islands law are not as clearly established as they would be under statutes or judicial precedents in the United States. In particular, the British Virgin Islands has no securities laws as compared to the United States, and provides significantly less protection to investors. In addition, British Virgin Islands companies may not have standing to initiate a shareholder derivative action before the federal courts of the United States.

As a result of all of the above, our public shareholders may have more difficulty in protecting their interests through actions against our management, directors or major shareholders than would shareholders of a corporation incorporated in a jurisdiction in the United States.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company.

Our predecessor, Zhejiang Fending Construction Material Machinery Manufacturing Co., Ltd., or Fending Construction, was established as a limited liability company in the PRC in 2003. Following a series of share transfers, Fending Construction was renamed Zhejiang Yuhui in June 2005 and commenced the solar power business in July 2005. As companies incorporated overseas can more efficiently and conveniently issue equity securities to overseas investors without going through lengthy PRC governmental approval procedures, ReneSola Ltd was incorporated as a limited liability company in the British Virgin Islands on March 17, 2006. Our choice of the British Virgin Islands as the jurisdiction of incorporation of our company was motivated in part by its relatively well-developed body of corporate law, various tax and other incentives, and its acceptance among internationally recognized securities exchanges as a jurisdiction for companies seeking to list securities. As a limited liability company under the laws of the British Virgin Islands, the liability of our shareholders to our company is limited to (i) any amount unpaid on a share held by the shareholder and (ii) any liability to repay a distribution by our company that was not made in accordance with the laws of the British Virgin Islands. Our principal executive offices are located at No. 8 Baoqun Road, Yaozhuang County, Jiashan Town, Zhejiang Province, People's Republic of China. Our telephone number at this address is (86-573) 8477 3058. Our registered office is located at the offices of Harneys Corporate Services Limited, Craigmuir Chambers, P.O. Box 71, Road Town, Tortola, British Virgin Islands. Our agent for service of process in the United States is CT Corporation System, located at 111 Eighth Avenue, New York, New York 10011. ReneSola acquired all of the equity interests in Zhejiang Yuhui in April 2006 through a series of transactions that have been accounted for as a reorganization. In August 2006, we placed 33,333,333 shares on the AIM and raised gross proceeds of approximately \$50.0 million. In July 2007, we invested in a 51% equity interest in ReneSola (Malaysia) SDN BHD, or ReneSola Malaysia, through ReneSola Singapore Pte Ltd. ReneSola Malaysia was incorporated in Malaysia in February 2007 to process certain types of reclaimable silicon raw materials sourced overseas that did

[Table of Contents](#)

not meet the import requirements by Chinese government. We sold our interest in ReneSola Malaysia to our joint venture partner in December 2008 as part of our strategy to use polysilicon as our primary feedstock, instead of reclaimable silicon raw materials, for wafer manufacturing. In August 2007, we acquired a 49% equity interest in Linzhou Zhongsheng Semiconductor, a polysilicon manufacturing company located in Henan Province. Linzhou Zhongsheng Steel held a 51% equity interest in the joint venture in the form of facilities, equipment and land use rights. We sold our 49% equity interest in the joint venture to Linzhou Zhongsheng Steel in September 2008 because the production cost of the joint venture was expected to be less competitive compared to our wholly owned polysilicon manufacturing facility in Meishan, Sichuan Province. We began building a polysilicon manufacturing facility in Meishan, Sichuan Province through our wholly owned subsidiary, Sichuan ReneSola, which was established in Sichuan Province in August 2007.

On March 20, 2009, we established a wholly owned subsidiary, Yuneng Enterprise Consulting (Shanghai) Co., Ltd., to engage primarily in gathering market information on the solar power industry. On April 30, 2010, we established a wholly owned subsidiary, Zhejiang ReneSola Photovoltaic Materials Co., Ltd., to engage primarily in the production and sale of crucibles, steel wires and silicon carbon powder. On August 24, 2010, we established a wholly owned subsidiary, Sichuan Ruiyu Photovoltaic Materials Co., Ltd. On November 22, 2010, we established a wholly owned subsidiary, Sichuan Ruixin Photovoltaic Materials Co., Ltd. On November 23, 2010, we established a wholly owned subsidiary, Sichuan Ruisheng Photovoltaic Materials Co., Ltd. Sichuan Ruiyu, Sichuan Ruixin and Sichuan Ruisheng were established to engage primarily in sales of monocrystalline and multicrystalline wafers and ingots, steel wires, furnaces and other solar related products. Sichuan Ruiyu, Sichuan Ruixin and Sichuan Ruisheng had not commenced business as of the date of this annual report.

In May 2009, as part of our growth strategy, Zhejiang Yuhui acquired a 100% equity interest in JC Solar for a total cash consideration of RMB140.3 million, including tax paid in connection with the transfer of equity interests. JC Solar is a cell and module manufacturer located in Yixing, Jiangsu Province. JC Solar began cell production in October 2008 and module production in November 2005, and had an annual cell production capacity of 120 MW and an annual module production capacity of 135 MW as of December 31, 2009, the year which it was acquired by us. It has obtained certification from TÜV Rheinland for monocrystalline solar modules made of 125 mm by 125 mm and 156 mm by 156 mm solar cell. JC Solar offers monocrystalline modules ranging from 40 W to 300 W and multicrystalline modules ranging from 40 W to 290 W in power output, and exports its products primarily to European markets.

In January 2008, we and certain selling shareholders completed our initial public offering of 10,000,000 ADSs listed on the NYSE. In June 2008, we completed a follow-on public offering of 10,350,000 ADSs sold by us and certain selling shareholders. In 2009, we repurchased RMB713.9 million aggregate principal amount of our RMB928,700,000 U.S. dollar Settled 1.0% Convertible Bonds due March 26, 2012 using a combination of \$84.1 million in cash and the issuance of 4,000,000 shares. In October 2009, we completed a follow-on public offering of 15,500,000 ADSs sold by us. As of December 31, 2010, we had a total of 174,596,912 issued shares, including 172,085,678 shares represented by 86,042,839 outstanding ADSs.

As of the date of this annual report, we conduct our business through the following key subsidiaries:

- Zhejiang Yuhui, our operating company engaged in wafer production in China;
- ReneSola America, which was incorporated in the State of Delaware, the United States, in November 2006 to facilitate our procurement of silicon raw materials and product sales in North America;
- ReneSola Singapore Pte Ltd., which was incorporated in Singapore in March 2007 to facilitate our polysilicon procurement and product sales outside of China;
- Sichuan ReneSola, which was incorporated in Sichuan Province in August 2007 to engage in the production of polysilicon;
- JC Solar, which was incorporated in Jiangsu Province in November 2005 to engage in the production of solar cells and modules; and

Table of Contents

- Zhejiang ReneSola Photovoltaic Materials Co., Ltd., which was incorporated in Zhejiang Province in April 2010 to engage in the production and sale of crucibles, steel wires and silicon carbon powder.

B. Business Overview

We are a leading global manufacturer of solar wafers and producer of solar power products based in China. Capitalizing on proprietary technologies, economies of scale, low cost production capabilities, technical innovations and know-how, we leverage our in-house polysilicon, solar cell and solar module manufacturing capabilities to provide our customers with high quality, cost competitive solar power products and processing services. We possess a global network of suppliers and customers that includes some of the leading global manufacturers of solar cells and modules. We have also developed a downstream platform to strengthen our relationships with our customers and gain access to the end-user market.

We have rapidly expanded our manufacturing capacity since we began the production of solar wafers. We possess one of the largest solar wafer manufacturing plants in China based on production capacity as of December 31, 2010. As of December 31, 2010, we had an annual wafer manufacturing capacity of approximately 1,300 MW consisting of monocrystalline wafer manufacturing capacity of approximately 400 MW and multicrystalline wafer manufacturing capacity of approximately 900 MW. This represents a significant increase from our annual wafer manufacturing capacity of approximately 825 MW as of December 31, 2009, consisting of monocrystalline wafer manufacturing capacity of 325 MW and multicrystalline wafer manufacturing capacity of 500 MW. Our cell and module manufacturing capacities were 240 MW and 400 MW, respectively, as of December 31, 2010, compared with 120 MW and 135 MW, respectively, as of December 31, 2009.

In July 2009 and February 2010, we commenced trial production at the first and second phases, respectively, of our polysilicon manufacturing facility in Meishan, Sichuan Province. As of December 31, 2010, this polysilicon facility had an annual manufacturing capacity of 3,000 metric tons. Our polysilicon manufacturing facility utilizes a closed-loop modified Siemens process for polysilicon production.

As part of our expansion strategy, we plan to expand our annual wafer manufacturing capacity to approximately 1,900 MW by the end of 2011, consisting of monocrystalline wafer manufacturing capacity of approximately 400 MW and multicrystalline wafer manufacturing capacity of approximately 1,500 MW. We plan to maintain our annual cell manufacturing capacity at 240 MW in 2011 and increase our annual module manufacturing capacity to 600 MW by the end of 2011. We also plan to expand our polysilicon manufacturing capacity to 8,500 metric tons by the end of 2011.

We sell solar wafers primarily to solar cell and module manufacturers globally. In 2010, a significant portion of our wafer sales were made to companies based in Asia, primarily to leading solar cell and module companies in China, Hong Kong and Taiwan. The majority of our module sales in 2010 were made to distributors located in Europe. With our competitive cost structure, we believe we are well positioned to capture market share in the global solar power product market. Through continuous technology and process innovations and improvements in each phase of our production process, we were able to gradually reduce our silicon consumption rate from approximately 6.0 grams per watt in the second half of 2009 to 5.8 grams per watt in the second half of 2010, achieving one of the lowest silicon consumption rates in the industry to our knowledge. In addition, we have continued to focus on implementing various cost reduction programs and reduced our non-silicon wafer processing cost to approximately \$0.24 per watt in the fourth quarter of 2010 from \$0.33 per watt in the fourth quarter of 2009. We believe our in-house polysilicon production facility in Meishan, Sichuan Province, enhances our ability to better control our raw material costs across our business and operational segments and provides a reliable polysilicon supply.

Except during the global economic downturn from 2008 to 2009, we have grown our shipments rapidly since we began manufacturing solar power products in 2005. In 2008, 2009 and 2010, we shipped 350.1 MW,

[Table of Contents](#)

526.6 MW and 1,182.8 MW of solar power products, respectively. Our net revenues decreased from \$670.4 million in 2008 to \$510.4 million in 2009, but increased to \$1,205.6 million in 2010. We suffered an operating loss of \$48.5 million and a net loss of \$54.9 million in 2008, and an operating loss of \$90.6 million and a net loss of \$71.9 million in 2009. We had operating income of \$245.9 million and net income of \$169.0 million in 2010.

Our Competitive Strengths

We believe that the following strengths enable us to compete effectively:

Low-Cost Wafer Manufacturing

We believe we are a leading wafer manufacturer with the one of the lowest cost structures in the industry. Since 2005, we have dedicated our resources to developing our core competency in solar wafer manufacturing. Through continuous technology and process innovations and improvements in each phase of our production process, we have gradually reduced our silicon consumption rate to approximately 5.8 grams per watt in the second half of 2010, achieving one of the lowest silicon consumption rates in the industry to our knowledge. We implemented various cost reduction programs in 2010 and reduced our non-silicon wafer processing cost to approximately \$0.24 per watt in the fourth quarter of 2010 from \$0.33 per watt in the fourth quarter of 2009. We reduced our total wafer cost from \$0.78 per watt in the fourth quarter of 2009 to \$0.62 per watt in the first quarter of 2010. We expect our total wafer cost to be approximately \$0.59 per watt in the first quarter of 2011 and approximately \$0.50 per watt at the end of 2011. We also believe that our prudent control over raw material procurement has led to steady polysilicon input prices that have provided protection against rising polysilicon spot prices. With our competitive cost structure, we believe we are well-positioned to capture the expected growth in demand for solar wafers in the coming years.

Our cost advantages are primarily attributable to:

- reduction of our capital expenditures from our equipment improvements, including customization of equipment based on our specifications, purchases of domestic equipment and components and optimization of equipment mix to improve operating efficiency. Our capital expenditure per watt of wafer capacity was \$0.42 and \$0.26 for 2009 and 2010, respectively. We expect capital expenditure to reduce to \$0.20 per watt by the end of 2011;
- improvement in our procurement strategy, including optimizing supply chain management through economies of scale, in-house production of certain key consumables, diversification of supplier base and in-house recycling of slurry and silicon by-products; and
- our in-house production of polysilicon through our facility in Meishan, Sichuan Province, allowing us to better control our raw material costs across our business and operational segments and ensures a reliable polysilicon supply. Our polysilicon manufacturing facility utilizes a world-class advanced Siemens process for polysilicon production and is equipped with high-end equipment to achieve a fully closed-loop system that can recycle and convert certain waste into products through TCS that can be reused in the production process.

Large-Scale Manufacturing

We are one of the largest wafer manufacturers in the world and maintain a large-scale wafer manufacturing facility in Jiashan, China. As of December 31, 2010, equipped with 306 monocrystalline furnaces and 144 multicrystalline furnaces, we had an annual wafer manufacturing capacity of approximately 1,300 MW, compared to 645 MW and 825 MW as of December 31, 2008 and 2009, respectively. We believe our scale allows us to win stable, long-term contracts with major players in the industry, invest substantially in research and development and focus on operating efficiency, including leveraging on existing selling and marketing investment and overhead infrastructure.

[Table of Contents](#)

We have developed manufacturing capabilities ranging from polysilicon production to solar cell and module manufacturing. As of December 31, 2010, we had annual cell and module manufacturing capacities of 240 MW and 400 MW, respectively, compared with cell and module manufacturing capacities of 120 MW and 135 MW, respectively as of December 31, 2009. In July 2009 and February 2010, we commenced trial production at the first and second phases of our polysilicon manufacturing facility in Meishan, Sichuan Province. As of December 31, 2010, this polysilicon facility had an annual manufacturing capacity of 3,000 metric tons. Our polysilicon manufacturing facility utilizes an advanced closed-loop modified Siemens process for polysilicon production.

Strong Technology Development Capabilities

We believe that, with 105 experienced researchers and engineers as of December 31, 2010, we have one of the strongest research and development teams among solar power product manufacturers in China. As of February 28, 2011, we had 11 patents and 36 pending patent applications in China relating to our manufacturing technologies. We believe that our proprietary technologies, processes and know-how enable us to manufacture solar power products more cost-effectively than many of our competitors. Our proprietary technologies include methods for producing ingots and wafers, including a special chemical-doping formula for wafers to produce high-efficiency, low-degradation PV cells, a new casting process for multicrystalline solar wafers to increase PV cell conversion efficiency, and monocrystalline growth technology using high-intensity magnetic fields to reduce oxygen content in solar wafers for high-efficiency and low-degradation. Other notable improvements include our increase in the utilization of recycled slurry, our trial use of diamond wire saws for squaring, our use of unique bi-directional cutting technology to reduce steel wire consumption and our lengthening the life of consumables. In January 2011, we announced the development of Virtus Wafers, new multicrystalline wafers with improved solar cell conversion efficiency. Virtus Wafers, which we plan to commercially launch in the first half of 2011, can achieve an average cell conversion efficiency rate of 17.5%, more than 1% higher than the industry-standard cell conversion efficiency rate for cells using multicrystalline wafers. These and other innovations enable us to increase the yield of our ingots, reduce our electricity costs and enhance the utilization rate of our furnaces and consumables, such as crucibles. In addition, we have also collaborated with top PRC universities such as Zhejiang University to develop new solar power product production processes and utilities applications. Through continuous technological innovation and initiatives and improvements in manufacturing efficiency, we are able to produce high-quality solar wafers with reduced silicon consummate rates. As of December 31, 2010, we were able to achieve conversion efficiency rates of 17.4% for monocrystalline cells and 16.0% for multicrystalline cells manufactured using our solar wafers.

Global Network of Customers and Suppliers

We have established long-term relationships with several key players in the solar power industry. Our current customers include leading global manufacturers of PV cells and PV modules. We have expanded our customer base beyond China (including Hong Kong) and in 2010, we sold approximately 61.6% of our products overseas in markets such as Germany, Italy, Spain, Taiwan and the United States. We believe that our reputation for quality and reliability in solar wafer production and our added capabilities in PV cell and PV module production will enable us to gain market share and capture new growth opportunities in the solar power industry. We have a two-year backlog of wafer contracts covering 1,300 MW and 1,564 MW for delivery in 2011 and 2012, respectively, of which prices for contracts covering 785 MW and 861 MW for delivery in 2011 and 2012, respectively, are fixed.

Our core manufacturing business is complemented by processing arrangements, which reduce our exposure to volatilities in market demand. Under these arrangements, our customers provide polysilicon and other raw materials to us for processing into wafers and modules. We expect to expand our module customer base to include our wafer customers who are in need of module products manufactured from our wafer products on a processing services basis. These processing service contracts allow flexibility and allow us to enter into sizable, long-term arrangements with customers, strengthen our relationships with existing wafer customers and reduce our market risk.

[Table of Contents](#)

We believe our international network of polysilicon suppliers and our internal polysilicon production capabilities provide our business with a stable source of raw materials. For the year ended December 31, 2010, polysilicon accounted for 55.5% of our wafer production costs, and polysilicon procured from short-term and long-term agreements, the spot market and internal production each comprised about one-third of our total polysilicon supply. We believe our polysilicon manufacturing facility in Meishan, Sichuan Province provides us with stable supplies of polysilicon from in-house production in a cost-effective manner, which complements our existing long-term and short-term polysilicon purchase agreements with major global polysilicon suppliers.

Experienced Management Team

We have an experienced management team with a vision for strategic planning and a successful track record of execution. Mr. Xianshou Li, our chief executive officer and founder, has over 10 years of experience in the solar power industry in China. Our management team also includes managers with complementary skill sets, long-term experience in the solar industry and international perspectives. Mr. Charles Bai, our chief strategy officer and former chief financial officer, has over 17 years of experience with investment banks and multinational companies. Ms. Julia Xu, our chief financial officer, has over 14 years of experience working in the finance industry. Dr. Panjian Li, our senior vice-president, president of JC Solar and chief executive officer of ReneSola America, spent two years as a postdoctoral fellow at the University of Pennsylvania and has over ten years of experience working overseas in the field of material science. Our management team's strong industry expertise and execution capabilities have enabled us to significantly ramp up our production across the solar value chain within a short time, improve our overall manufacturing efforts and cultivate strong relationships with our international customers and suppliers.

Our Strategies

Our objective is to become a leader in the global solar power industry by pursuing the following strategies:

Continue to Pursue Cost Reduction

We believe that our competitive cost structure has been a key factor in attracting new customers. As the market for solar power products is expected to expand and become more competitive over the next several years, we intend to continue our efforts in driving down costs without sacrificing product quality in an effort to maintain our competitiveness.

Our cost reduction efforts in the core wafer manufacturing operations will be focused on equipment and procurement strategy improvements and in-house production of key consumables of non-silicon consumables. Historically, we have purchased all of our multicrystalline furnaces from foreign equipment suppliers but have recently collaborated with a domestic equipment maker in China to develop customized multicrystalline furnaces. These furnaces will be manufactured by domestic equipment company, require substantially less capital expenditures than imported furnaces and are more energy efficient. In addition to equipment enhancements, we aim to maximize production efficiency by optimizing automated and manual operations in our manufacturing processes to leverage both our low-cost skilled workforce and our engineering and technical resources. We also expect to benefit from increasing economies of scale as we ramp up our production capacity. Through these cost reduction initiatives, we expect our wafer processing cost to decrease from \$0.24 per watt in 2010 to approximately \$0.18 per watt in 2011.

In addition to the cost reductions expected in our core wafer manufacturing operations, we expect to further lower our costs through synergies achieved with the expansion of our in-house polysilicon production. Our polysilicon production facility in Meishan, Sichuan Province commenced operations in 2009 and achieved production costs of \$55 per kilogram as of December 31, 2010, with a production cost target of \$35 per kilogram by the end of 2011. We aim to satisfy approximately two-thirds of our polysilicon requirements from internal in-house production by 2013.

Maintain Our Leadership in Wafer Manufacturing Through Expansion

In order to maintain our scale and cost leadership in wafer manufacturing and meet current and anticipated demand for our products, we intend to expand our manufacturing capacity significantly through a combination of adding equipment and improving our manufacturing processes. We plan to expand our annual wafer manufacturing capacity to approximately 1,900 MW by 2011. In the next few years, we also intend to increase our cell and module capacities and raise our overall production yields to deliver higher-efficiency products at competitive prices. In 2011, we plan to maintain our annual cell manufacturing capacity at 240 MW and increase our annual module manufacturing capacity to 600 MW. We also plan to expand our polysilicon manufacturing capacity to 8,500 metric tons by the end of 2011.

Continue to Pursue Technological Innovation

We plan to continue to devote substantial resources to research and development in order to further improve our manufacturing processes, reduce manufacturing costs and increase product performance.

We plan to focus our research and development in the following areas:

- Polysilicon production. We are seeking to fine-tune the closed-loop modified Siemens process system at our Meishan polysilicon manufacturing facility to reduce production costs, and are building new production capabilities with lower capital expenditure spending. We plan to reduce production costs by shortening the overall processing time, modifying the TCS production process, improving the recycling cycle's conversion ratio of converting by-products into TCS and exploring the use of domestic components.
- Solar wafer manufacturing. We will continue to improve our wafer manufacturing process by, among others, speeding up the ingot-pulling speed, optimizing our manufacturing equipment and process routine, upgrading from manual programs to semi-automatic or automatic programs, increasing the purity of the ingots we produce, slicing thinner wafers, reducing wafer breakage rates, and enhancing the processes to reduce quality control cost. We plan to increase our utilization of bilateral cutting technology to improve the efficiency of our wafer slicing in 2011. We also plan to expand our in house slurry recycling program to reduce the amount of slurry we need to procure from third parties.
- Solar cell manufacturing. We will continue to develop technologies to manufacture high-conversion efficiency solar cells with improved performance. As of December 31, 2010, we were able to achieve conversion efficiency rates of 17.4% for monocrystalline cells and 16.0% for multicrystalline cells manufactured using our solar wafers.
- Solar module manufacturing. We will continue to improve the process of module manufacturing by shortening the lamination time to reduce time and power consumption. We will also improve the structure of the module frame to reduce the adhesive sealant on the front side of the module and reduce the time for cleaning the module. We will consider using tempered glass with anti-reflecting film on the module to increase the module efficiency.

We believe that we have one of the strongest research and development teams among solar power manufacturers in China. We believe that our proprietary technologies, processes and know-how enable us to manufacture solar power products on a more cost-effective basis than many of our competitors.

Continue to Attract Leading Global Solar Customers

Our success depends in large part on our ability to attract and retain leading global customers. Historically we have done so by providing superior products and services while leveraging our competitive cost structure and manufacturing expertise. Going forward, we intend to both strengthen our existing customer relationships and cultivate new relationships through a similar strategy.

[Table of Contents](#)

While our core wafer customer base continues to be solar power cell and module manufacturers located in China and Taiwan, with the addition of our downstream capabilities and our expansion into processing services, we have expanded our sales in markets such as Germany, Italy, Spain and the United States. Furthermore, our expanded business segments have allowed us to diversify our customer base to include solar power products manufacturers, distributors and power plant developers. In 2011, we expect increased demand from new markets in Europe and North America and believe that our product portfolio, technology leadership and superior customer service will allow us to effectively compete in these new markets. Our expansion into the module business will enable us to offer a broader range of products and services to leading branded module players. The commercial launch of our Virtus Wafer and our new wafer products currently in development, such as gallium doped wafers which are expected to reduce the rate of degradation and N type wafers which will improve the efficiency and consequentially reduce polysilicon and consumption rate, will attract leading customers to our products. Finally, our team of dedicated technical specialists will continue to work collaboratively with our sales team to provide customer support and after-sale services. Such services are unique in the industry and are an important factor in our ability to maintain long-standing customer relationships. We believe the collective efforts to enhance and expand our product and service offerings will allow us to maintain and attract leading global customers to our products and services.

Industry Background

Increasing environmental awareness and energy security concerns have resulted in governmental policies and regulations in many countries designed to accelerate the development and adoption of solar power and other renewable energy sources. International environmental protection initiatives, such as the Kyoto Protocol for the reduction of overall carbon dioxide and other gas emissions, have also created momentum for government incentives encouraging solar power and other renewable energy sources. We believe that the near-term growth of the market for on-grid applications continue to depend on the availability and size of government subsidies and economic incentives. Reductions or eliminations of subsidies and economic incentives may adversely affect the growth of this market or result in increased price competition.

When upfront system costs are factored into the cost of electricity generation, the cost of solar power substantially exceeds the cost of power generated from conventional means in many markets. As a result, national and local governmental bodies in many countries, most notably in Germany, Spain, Italy, the United States and Japan have provided government subsidies and economic incentives in the form of feed-in tariffs, rebates, tax credits and other incentives to end-users, distributors, system integrators and manufacturers of solar power products to promote the use of solar energy and to reduce dependence on other forms of energy.

However, as the solar power industry continues to develop, these government subsidies and economic incentives could potentially be reduced or eliminated altogether. For instance, in 2009 and 2010, Germany's government reduced the country's solar energy feed-in tariffs. Germany's government announced in the beginning of 2011 that it expects to further trim solar power subsidies by up to 15% in 2011 as demand for solar power panels continue to thrive in the country. The reduction in government incentives to users of solar power products in Germany may materially and adversely impact the German solar market if such measures are not implemented prudently, which may in turn materially and adversely affect our direct or indirect sales into Germany. In 2010, Italy's government also announced annual reductions to feed-in tariffs beginning in 2011 in an effort to impede overheating of its solar market. In Spain, since 2009, continued reductions in the feed-in tariff as a result of the government's spending cut backs have resulted in a weakened solar market.

In the last few years, the Chinese government announced a series of plans and subsidies intended to support the development of the Chinese solar power industry, including open bidding for solar power plant licenses, the Solar Rooftop Plan and the Golden Sun Demonstration Projects. These measures were aimed at developing large-scale solar power plants in rural and remote areas and urban rooftop solar power systems. For instance, in March 2009, the Chinese government announced new rules to offer financial subsidies to assist the construction of PV module applications integrated into buildings in urban and remote areas and establishes and promotes technical

[Table of Contents](#)

standards and key universal technologies relating to the application of PV module products integrated into buildings. To be eligible to receive the subsidies, the installed capacity of a PV module project must be more than 50 KW and the conversion efficiency of monocrystalline products must be higher than 16%. Priority is to be given to PV modules integrated into buildings, projects connected to the power grid and projects for public buildings.

In July 2009, the Chinese government announced a new program of incentives for the development of 500 MW of large-scale PV projects throughout the country over two to three years. Under this program, on-grid PV projects of at least 300 KW will be eligible for subsidies of 50%. Projects in remote areas with no access to the electricity grid will be eligible for subsidies of 70%.

In 2010, the Chinese government also enacted a revised *Renewable Energy Law* giving clearer guidance to address issues in the existing legislation and affirming the role of the government in organization and planning, as well as switching the purchasing system for renewable energy from a mandatory system to a guaranteed purchase scheme. These guaranteed purchase principles make electricity distributors more willing to purchase renewable energy by more clearly defining the relationship between electricity distributors and power generation businesses in terms of rights and responsibilities. The law also gives guarantees regarding the launch of future on-grid pricing systems or feed-in tariffs for renewable energy. In 2010, newly installed capacity for solar power systems in China reached 400 MW, according to the European Photovoltaic Industry Association. As China's 12th Five Year Plan specified renewable energy sources as focal points for development, the Chinese on-grid solar market is expected to continue growing in importance.

Our Products and Services

We offer monocrystalline and multicrystalline wafers of various sizes and thicknesses. In wafer manufacturing, we are capable of slicing wafers with a thickness less than 180 microns on a large scale. We also offer wafer processing services to certain customers.

In addition, we also offer monocrystalline and multicrystalline solar cells and modules. A solar cell is a device made from a silicon wafer that converts sunlight into electricity by a process known as the photovoltaic effect. Solar modules are arrays of interconnected solar cells encased in a weatherproof frame. We currently produce standard solar monocrystalline modules ranging from 40 W to 300 W and multicrystalline modules ranging from 40 W to 290 W in power output, built to general specifications for use in a wide range of residential, commercial, industrial and other solar power generation systems. We also offer cell and module processing services to certain customers.

We also offer our customers after-sales support services such as monthly performance checks on our products. Our research and development, technical management and quality control teams work closely with our customers' counterparties to address our customers' requirements.

Manufacturing

We manufacture solar wafers, and also offer cells and modules as a manufacturing service. In addition, we also manufacture solar-grade polysilicon.

Manufacturing Capacity

We have rapidly expanded our manufacturing capacity since we began our production of solar wafers. We operate one of the largest solar wafer manufacturing plants in China based on production capacity. As of December 31, 2010, we had an annual wafer manufacturing capacity of approximately 1,300 MW. This represents a significant increase from our annual wafer manufacturing capacity of approximately 645 MW and

[Table of Contents](#)

825 MW as of December 31, 2008 and 2009, respectively. We plan to expand our annual wafer manufacturing capacity to approximately 1,900 MW by the end of 2011.

We have sold solar modules since our acquisition of JC Solar in June 2009. As of December 31, 2010, we had cell and module manufacturing capacity of 240 MW and 400 MW, respectively, compared with cell and module manufacturing capacity of 120 MW and 135 MW, respectively, as of December 31, 2009. In 2011, we plan to maintain our annual cell manufacturing capacity at 240 MW, but increase our annual module manufacturing capacity to 600 MW by the end of 2011.

We had an annual polysilicon manufacturing capacity of 3,000 metric tons as of December 31, 2010. Our polysilicon manufacturing facility in Meishan, Sichuan Province, commenced trial production of its first phase in July 2009 and second phase in February 2010 and produced an aggregate of 1,140 metric tons of polysilicon in 2010. We plan to increase our annual polysilicon manufacturing capacity to 8,500 metric tons by the end of 2011. As a result of our polysilicon manufacturing facility, we believe we have a stable cost-effective supply of polysilicon from in-house production, which complements our existing long-term and short-term polysilicon purchase agreements.

The following table sets forth the manufacturing capacities of our facilities.

<u>Manufacturing Facilities</u>	<u>Annual Manufacturing Capacity as of December 31, 2008</u>	<u>Annual Manufacturing Capacity as of December 31, 2009</u>	<u>Annual Manufacturing Capacity as of December 31, 2010⁽¹⁾</u>	<u>Expected Annual Manufacturing Capacity as of December 31, 2011⁽¹⁾</u>
Wafer	645 MW	825 MW	1,300 MW	1,900 MW
—Monocrystalline Ingots and Wafers	325 MW	325 MW	400 MW	400 MW
—Multicrystalline Ingots and Wafers	320 MW	500 MW	900 MW	1,500 MW
Cell	25 MW	120 MW	240 MW	240 MW
Module	50 MW	135 MW	400 MW	600 MW
Polysilicon	—	1,500 metric tons	3,000 metric tons	8,500 metric tons

(1) Calculated based on the adjusted methodology effective January 1, 2010, which is based on an efficiency rate of 17.4% for monocrystalline wafers and 16.0% for multicrystalline wafers.

We may not achieve our 2011 expansion plan. See “Item 3. Key Information—D. Risk Factors—Risks Related to Our Business—Our dependence on a limited number of third-party suppliers for key manufacturing equipment and spare parts could prevent us from the timely fulfillment of customer orders and successful execution of our expansion plan.”

We selectively use automation to enhance the quality and consistency of our finished products and improve efficiency in our manufacturing processes. All of our current monocrystalline furnaces and a portion of our squaring machines were purchased from Chinese and Chinese-foreign joint venture solar power equipment suppliers in order to lower our equipment procurement, transportation and installation costs. Other major equipment is sourced from overseas.

Historically we have purchased all of our multicrystalline furnaces from foreign equipment suppliers. We have been collaborating with a domestic equipment maker in China to develop customized multicrystalline furnaces. Our new multicrystalline furnaces require substantially less capital expenditures than those imported and offer improved production efficiency and lower electricity consumption.

[Table of Contents](#)

Our manufacturing capacities comprise the following:

- ingot production;
- wafer slicing;
- cell production;
- module production; and
- polysilicon production.

Ingot Production

To produce multicrystalline ingots, the molten polysilicon is changed into a block through a casting process in the multicrystalline furnaces. Crystallization starts by gradually cooling the crucibles in order to create multicrystalline ingot blocks. The resulting ingot blocks consist of multiple smaller crystals as opposed to the single crystal of a monocrystalline ingot. The output of a multicrystalline furnace is higher than that of a monocrystalline furnace.

To produce monocrystalline ingots, we place polysilicon into a quartz crucible in a furnace, where the polysilicon is melted. Then, a thin crystal seed is dipped into the molten silicon to determine the crystal orientation. The seed is rotated and then slowly extracted from the molten silicon to form a single crystal as the molten silicon and crucible cool. Once the single crystals have been grown to pre-determined specifications, they are surface-ground to produce ingots. The uniform properties of a single crystal promote the conductivity of electrons, thus yielding higher conversion efficiencies. We have developed a proprietary method for producing more ingots in one heating and cooling cycle by adding silicon raw materials during the melting process. This innovation enables us to increase our yield of ingots, reduce electricity cost and enhance the utilization rate of furnaces and consumables, such as crucibles.

Wafer Slicing

To produce multicrystalline wafers, multicrystalline ingots are first cut into pre-determined sizes. After a testing process, the multicrystalline ingots are cropped and the usable parts of the ingots are sliced into wafers by wire saws using high-precision cutting techniques. After a cleaning and drying process, the wafers are inspected, packed and shipped.

To produce monocrystalline wafers, monocrystalline ingots are squared by squaring machines after being inspected. Through high-precision cutting techniques, the squared ingots are then sliced into wafers by wire saws using steel wires and silicon carbon powder. After inserting into frames, the wafers are cleaned to remove debris from the previous processes and then dried. Finally, the wafers are inspected before they are packed in boxes and shipped to customers.

Cell Production

The feedstock of solar cell manufacturing is solar wafers, which are used as the base substrate. The process starts with cleaning and texturing the surface of a wafer, followed by a diffusion process in which an emitter is formed. The front and back sides of the wafer are isolated using the plasma etching technique, and the oxide formed during the diffusion process is removed to form an electrical field. An anti-reflective coating is then applied to the surface of the cell using plasma enhanced chemical vapors to enhance the absorption of sunlight. The front and back sides of the cell are screen printed with metallic inks and the cell then undergoes a fire treatment in order to preserve its mechanical and electrical properties. The cell is then tested and classified in accordance with its parameters.

[Table of Contents](#)

Module Production

Solar modules are assembled from interconnected multiple solar cells by taping and stringing the cells into a desired electrical configuration. The interconnected cells are laid out, laminated in a vacuum, cured by heating and then packaged in a protective light-weight aluminum frame. Solar modules are then sealed and weatherproofed to withstand high levels of ultraviolet radiation and moisture.

Polysilicon Production

We use the modified Siemens process to produce polysilicon. The modified Siemens process includes three distinct steps: TCS production, distillation, and deposition. Our manufacturing system is able to recover and recycle exhaust gas throughout the process in our closed-loop manufacturing system.

Manufacturing of polysilicon starts with the manufacturing of TCS from metallurgical grade, or MG-Si, silicon, and liquid chlorine. TCS manufacturing consists of hydrogen chloride and TCS synthesis. During the hydrogen chloride synthesis step, liquid chlorine from a chlorine tank is vaporized to chlorine gas and sent to the hydrogen chloride synthesis furnace, where it reacts with hydrogen to generate hydrogen chloride. The next step is TCS synthesis in which MG-Si powder is delivered to a TCS furnace and reacted with hydrogen chloride gas. Raw TCS is purified through distillation to produce high purity TCS feedstock. The unused hydrogen chloride and silicon tetrachloride, a by-product, are also separated from TCS through distillation and condensation and are recycled to produce TCS through hydrogenation. The purified TCS from the distillation process is then vaporized, mixed with hydrogen gas, and then into the deposition reactor. The mixed gas passes over heated silicon slim rods inside the deposition reactor. In the reactor, high purity silicon is deposited on the rod's surface. The constant feeding of TCS and hydrogen gas allows for continuous silicon deposition until it reaches a designed diameter, and produces polysilicon.

Raw Materials

The key raw material for our wafer production is polysilicon. Currently, we use polysilicon as primary feedstock to produce solar wafers. For the year ended December 31, 2010, polysilicon accounted for 55.5% of our wafer production cost. We procure our raw materials from diversified sources. In 2010, purchases from international suppliers accounted for 90.3% of our total polysilicon purchases. Other raw materials include crucibles, slurry, wires, glass and ethyl vinyl acetate, or EVA, film, which we procure primarily from domestic and international suppliers.

Our top suppliers of polysilicon include Wacker Chemie AG and OCI Company Ltd. Our top five suppliers of polysilicon, excluding those for processing services, collectively accounted for 62.0% of our total polysilicon purchases in 2010. In 2010, we entered into long-term polysilicon purchasing agreements with two major global polysilicon suppliers under a fixed-volume, fixed-pricing arrangement for an aggregate supply of 8,700 metric tons of polysilicon with deliveries from 2011 to 2015. Each of our top two suppliers of polysilicon, excluding those for processing services, accounted for more than 10% of our total polysilicon purchases in 2010.

We complement our existing long-term and short-term polysilicon purchase agreements with our polysilicon manufacturing facility in Meishan, Sichuan Province. To provide a stable, cost-effective supply of polysilicon, we aim to increase our annual polysilicon manufacturing capacity from 3,000 metric tons at the end of 2010 to 8,500 metric tons by the end of 2011 and 13,500 metric tons by the end of 2012. We aim to satisfy approximately two-thirds of our polysilicon requirements from in-house production by 2013.

Sales and Customers

Wafer Sales

We derived 60.9%, 61.9% and 63.1% of our wafer sales from customers in China (including Hong Kong) in 2008, 2009 and 2010, respectively. In 2008 and 2009, our top five wafer customers collectively accounted for

[Table of Contents](#)

approximately 64.8% and 43.7%, respectively, of our total net revenues. In 2010, our top five wafer customers accounted for approximately 48.5% of our wafer sales and 27.6% of our net revenues, and our largest customer accounted for approximately 21.8% of our wafer sales and 12.4% of our net revenues. We currently have over 20 long-term wafer contracts for periods of one to five years and total contracted shipments of 1,300 MW for 2011, which represent all of our expected wafer shipments for 2011.

A substantial portion of our wafer sales, particularly our sales to major customers, are made under multi-year sales contracts. Multi-year sales contracts typically provide for the sales volume and price of our solar wafers for each year during the contract term. However, the pricing terms are either fixed or subject to reset in situations where the market benchmark price for solar wafers changes more than a certain percentage from the contracted price. In addition, we have entered into one-year sales contracts with some of our customers, which provide for an agreed sales volume at a fixed price, and multi-year framework contracts, which provide for variable pricing and volume terms. Some of our customers also make their purchases by purchase orders.

For example, in June 2008, we entered into an agreement with a global solar power company for the supply of approximately 1.5 GW of wafers over an eight-and-half-year period beginning in July 2008. In June 2010, we entered into an agreement with a leading solar cell manufacturer to provide approximately 293 MW of multicrystalline wafers from July 2010 to December 2013 and approximately 141 MW of monocrystalline wafers from October 2010 to December 2013.

We have also entered into wafer processing arrangements with certain customers, under which we process their silicon raw materials into ingots or wafers for a processing fee. The payments we make for the feedstock and the payments our customers make for the solar wafers are generally settled separately, which is in line with market practice. In 2009, we entered into a wafer processing arrangement with an international module manufacturer. Under the terms of the contract, we supplied this module manufacturer with 120 MW of monocrystalline and multicrystalline solar wafers in 2009 and this module manufacturer supplied certain amounts of polysilicon to us. Additionally, in 2010, we entered into three processing arrangements with three international solar power product companies. Under the terms of these agreements, we will obtain polysilicon from these customers and sell solar wafers to them in return over periods of approximately two years, four years and five years, respectively. We have supplied 143.1 MW of solar wafers as of February 28, 2011 and expect to supply 337.2 MW of solar wafers for the remainder of 2011 under our wafer processing arrangements.

Module Sales

We sell our modules primarily to distributors and power plant developers. Our focus on which type of clients depends largely on the demand in the specific markets. A small number of customers have accounted for a majority of our net sales. In 2010, our top five module customers accounted for 44.0% of our module sales and 19.0% of our total net revenues, and our largest module customer accounted for approximately 11.5% of our module sales and 5.0% of our total net revenues.

We sell our modules through spot orders, short-term contracts with terms of less than one year and framework agreements with term of generally one year. The prices for spot orders is based on the then market prices and trends. The prices for our framework agreements and most of our short-term contracts are generally determined on a quarterly basis with fixed quantities.

We also enter into processing arrangements under which customers provide polysilicon and other raw materials to us for processing into modules. In the first quarter of 2010, we entered into three module processing contracts to provide an aggregate of 700 MW of solar modules to three major global solar companies over a period of approximately two quarters, three quarters and three years, respectively.

A substantial portion of our sales contracts and processing arrangements require our customers to make a prepayment set at a certain percentage of the total contract value to secure future delivery of our products. Many

[Table of Contents](#)

of these contracts require customers to provide bank guarantees or irrevocable letters of credit to support their purchase commitment in absence of prepayment.

For information geographical distribution of our products, see “Item 5. Operating and Financial Review and Prospects—A. Operating Results—Overview of Financial Results—Net Revenues.”

Quality Control

We apply our quality control system at each stage of our manufacturing process, from raw materials procurement to production and delivery, in order to ensure a consistent quality for our products. We conduct systematic inspections of incoming raw materials, ranging from silicon raw materials to various consumables, such as crucibles, steel wires and silicon carbon powder. We have formulated and adopted guidelines for recycling reclaimable silicon, ingot production and wafer slicing, and continue to devote efforts to developing and improving our inspection measures and standards. Prior to packaging, we conduct a final quality check to ensure that our solar wafers meet all our internal standards and customers’ specifications. We received the ISO 9001: 2000 certification for our quality assurance system for production which we believe demonstrates our technological capabilities and instills customer confidence.

As of December 31, 2010, we had a dedicated team of 465 employees overseeing our quality control processes, and they work collaboratively with our sales team to provide customer support and after-sale services. We emphasize gathering customer feedback for our products and addressing customer concerns in a timely manner.

Competition

The solar market is highly competitive and continually evolving. We expect to face increased competition, which may result in price reductions, reduced margins or loss of market share. We believe that the key competitive factors in the market for solar wafers include:

- product quality;
- price and cost competitiveness;
- manufacturing technologies and efficiency;
- strength of customer relationships;
- economies of scale; and
- reputation.

Our competitors include specialized solar wafer manufacturers such as LDK Solar Co., Ltd., Jiangsu Shunda PV-Tech Co., Ltd., Green Energy Technology Inc., Sino-American Silicon Products Inc., Glory Silicon Technologies Co., Ltd., Giga Solar Materials Corp., Comtec Solar Systems Group Limited and M. SETEK Co., Ltd. Our competitors also include solar wafer manufacturing divisions of integrated solar power product manufacturers, such as SolarWorld AG. In addition, some polysilicon suppliers, such as Renewable Energy Corporation and GCL-Poly Energy Holdings Limited, have decided to develop downstream by acquiring ingot and wafer producing capacities. Many of our competitors have a longer operating history, stronger market position, greater resources, better name recognition and better access to polysilicon than we do. Many of our competitors also have more established distribution networks and larger customer bases. In addition, many of our competitors are developing and are currently producing products based on alternative solar power technologies, such as thin-film technologies, that may reduce solar power products’ dependence on solar wafers.

The standard specifications of monocrystalline wafers used by most solar cell manufacturers are wafers in sizes of 125 mm by 125 mm and 156 mm by 156 mm and the standard specifications of multicrystalline wafers

[Table of Contents](#)

are in size of 156 mm by 156 mm. Most China-based wafer manufacturers offer wafers in these two sizes as we do. Due to the lack of sufficient market information, it is difficult for us to ascertain our competitive position vis-à-vis our competitors. For example, conversion efficiency of solar power products is not only determined by the quality of solar wafers but is also dependent on the solar cell and module production processes and technologies. Therefore, solar wafer manufacturers usually assume the conversion efficiency of their solar wafers based on the conversion efficiency of solar cells and modules manufactured by their customers, and there is a lack of publicly available information on the conversion efficiency of the solar wafers.

Environmental Matters

We believe we are in compliance with present environmental protection requirements in all material respects and have all material environmental permits necessary to conduct our business. Our manufacturing processes generate noise, waste water, gaseous wastes and other industrial wastes. We have installed various types of anti-pollution equipment at our premises to reduce, treat, and, where feasible, recycle the wastes generated in our manufacturing processes. We outsource the treatment of some of our wastes to third-party contractors. Our operations are subject to regulation and periodic monitoring by local environmental protection authorities.

Our polysilicon manufacturing facility in Meishan, Sichuan Province is equipped with highly advanced technology and high-end equipment to achieve a fully closed-loop system which can recycle and convert certain waste into products through TCS that can be reused in the production process.

Insurance

We maintain property insurance policies with insurance companies covering our equipment, facilities, buildings and building improvements. These insurance policies cover losses due to fire, explosion, flood and a wide range of other natural disasters. Insurance coverage for our properties and inventory in China amounted to approximately RMB7.4 billion (\$1.1 billion) as of December 31, 2010. We maintain product liability insurance of approximately RMB2.6 billion (\$0.4 billion) and business interruption insurance. We consider our insurance coverage to be in line with other manufacturing companies of similar size in China.

Regulation

Renewable Energy Law and Other Government Directives

In February 2005, China enacted its Renewable Energy Law, which became effective on January 1, 2006 and as amended in December 2009. The Renewable Energy Law sets forth policies to encourage the development and use of solar energy and other non-fossil energy. The renewable energy law sets out the national policy to encourage and support the use of solar and other renewable energy and the use of on-grid generation. It also authorizes the relevant pricing authorities to set favorable prices for the purchase of electricity generated by solar and other renewable power generation systems.

The law also sets out the national policy to encourage the installation and use of solar energy water-heating systems, solar energy heating and cooling systems, solar photovoltaic systems and other solar energy utilization systems. It also provides the general principles regarding financial incentives for the development of renewable energy projects. The projects, as listed in the renewable energy industry development guidance catalogue, may obtain preferential loans from financial institutions and can enjoy tax preferences. The State Council is authorized to stipulate the specific tax preferential treatments. However, so far, no rule has been issued by the State Council pertaining to this matter. In January 2006, the PRC National Development and Reform Commission promulgated two implementation directives under the Renewable Energy Law. These directives set out specific measures in setting prices for electricity generated by solar and other renewable power generation systems and in sharing additional expenses incurred. The directives further allocate the administrative and

[Table of Contents](#)

supervisory authorities among different government agencies at the national and provincial levels and stipulate the responsibilities of electricity grid companies and power generation companies with respect to the implementation of the Renewable Energy Law.

The PRC Ministry of Construction also issued a directive in June 2005, which seeks to expand the use of solar energy in residential and commercial buildings and encourages the increased application of solar energy in different townships. In addition, the State Council promulgated a directive in July 2005, which sets out specific measures to conserve energy resources.

In March 2009, the PRC Ministry of Finance issued the Provisional Rules to the Administrative Regulations on Subsidy Capital for Application of Solar Photovoltaic Technology in Housing Construction, which are formulated to implement the Renewable Energy Law, realize the State Council's strategic plan on energy conservation and emission reduction, and promote the solar photovoltaic technology application in housing construction. The provisional rules set out the subsidy standard to be RMB20 per watt in 2009 and will be adjusted annually with the development of the industry. Certain criteria, which mainly relate to the minimum scale of the project, minimum conversion rate of the solar power products, and certain industries with preferential granting of the subsidy, shall be met in order to apply for the subsidy.

On April 16, 2009, the General Offices of the PRC Ministry of Finance and the PRC Ministry of Housing and Urban-Rural Development jointly issued the Guidelines for Declaration of Demonstration Project of Solar Photovoltaic Building Applications. These guidelines set the subsidy to be given in 2009 to qualified solar projects at no more than RMB20 per watt for projects involving the integration of solar components into buildings' structural elements and at no more than RMB15 per watt for projects involving the installation of solar components onto building rooftops and wall surfaces. In July 2009, the PRC Ministry of Finance and the PRC Ministry of Housing and Urban-Rural Development jointly issued the Implementation Plan for Demonstration Cities with Renewable Energy Building Application and the Implementation Plan for Promoting Renewable Energy Building Application in Rural Areas. Pursuant to these plans, the central government will provide subsidies to certain cities and rural areas with renewable energy building applications. In July 2009 and November 2009, the PRC Ministry of Finance, the PRC Ministry of Science & Technology, and the National Energy Bureau jointly issued measures that provide for government subsidies to support the solar power industry.

On December 31, 2010, the MIIT, the PRC National Development and Reform Commission and the PRC Ministry of Environmental Protection jointly promulgated Circular 137, aimed at establishing access standards to regulate and direct the development of the polysilicon industry and avoid production surplus and industry oversaturation. Circular 137 sets forth a series of requirements and standards for a polysilicon project covering aspects including construction and layout, production scale and technical equipment, resource recycling and energy consumption, environmental protection and product quality and safety. Companies are required to submit application documents for current operating polysilicon projects to the MIIT through local MIIT authorities. The MIIT will, together with other relevant authorities, review and examine the application documents. A project failing to meet relevant standards may be required to stop polysilicon production. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Business—We face uncertainty with respect to new regulatory standards in the PRC polysilicon industry".

Environmental and Safety Regulations

We are subject to a variety of governmental regulations related to environmental protection. The major environmental regulations applicable to us include the Environmental Protection Law of PRC, the Law of PRC on the Prevention and Control of Water Pollution, Implementation Rules of the Law of PRC on the Prevention and Control of Water Pollution, the Law of PRC on the Prevention and Control of Air Pollution, the Law of PRC on the Prevention and Control of Solid Waste Pollution, and the Law of PRC on the Prevention and Control of Noise Pollution. In addition, we are also subject to laws and regulations governing work safety and occupational disease prevention.

[Table of Contents](#)

We believe we are in compliance with present environmental protection requirements in all material respects and have all material environmental permits necessary to conduct our business. Our operations are subject to regulation and periodic monitoring by local environmental protection and work safety authorities.

In response to concerns suggesting that emissions of certain gases, commonly referred to as “greenhouse gases” (including carbon dioxide and methane) may be contributing to global climate change, China has indicated that it highly commends and supports the Copenhagen Accord, which endorses the continuation of the Kyoto Protocol. In 2009, China has decided to reduce the intensity of carbon dioxide emissions per unit of GDP by 40 to 45 percent by 2020, compared with the levels of 2005. This decision may require changes to the current law and policy. Any such changes in environmental laws or regulations may have adverse impact on the manufacture, sale and disposal of solar power products and their raw materials, which may in turn adversely affect us, our suppliers and our customers.

Restriction on Foreign Ownership

The principal regulation governing foreign ownership of solar power businesses in the PRC is the Foreign Investment Industrial Guidance Catalogue issued by PRC National Development and Reform Commission and PRC Ministry of Commerce, effective as of December 1, 2007, or the Catalogue 2007. However, the Catalogue 2007 is a replacement of the Foreign Investment Industrial Guidance Catalogue effective as of January 1, 2005, or the Catalogue 2005. Both Catalogue 2005 and Catalogue 2007 classify the various industries into four categories: encouraged, permitted, restricted and prohibited. Foreign invested companies categorized as “encouraged” are entitled to preferential treatment by the PRC government authorities, including exemption from tariffs on equipment imported for its own use. As confirmed by government authorities, Zhejiang Yuhui was categorized in the “encouraged” industry under Catalogue 2005. Although it is uncertain whether Zhejiang Yuhui will be categorized in the “encouraged” industry under Catalogue 2007, Catalogue 2005 will still apply for the investment projects approved before the effective date of Catalogue 2007.

Regulation of Foreign Currency Exchange and Dividend Distribution

Foreign Currency Exchange. The principal regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations (1996), as amended, and the Administration Rules of the Settlement, Sale and Payment of Foreign Exchange (1996). Under these regulations, Renminbi are freely convertible for current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions, but not for most capital account items, such as direct investment, loan, repatriation of investment and investment in securities outside of China without the prior approval of SAFE or its local counterparts. In addition, any loans to our operating subsidiaries in China, which are foreign-invested enterprises, cannot, in the aggregate, exceed the difference between their respective approved total investment amount and their respective approved registered capital amount. Furthermore, any foreign loan must be registered with SAFE or its local counterparts for the loan to be effective. Any increase in the amount of the total investment and registered capital must be approved by the PRC Ministry of Commerce or its local counterpart. We may not be able to obtain these government approvals or registrations on a timely basis, if at all, which could result in a delay in the process of making these loans.

Pursuant to the Administration Rules of the Settlement, Sale and Payment of Foreign Exchange (1996), foreign-invested enterprises in China may purchase or remit foreign exchange, subject to a cap pre-approved by SAFE, for settlement of current account transactions without the approval of SAFE. Foreign exchange transactions under the capital account are still subject to limitations and require approvals from, or registration with, SAFE and other relevant PRC governmental authorities.

Dividend Distribution. The principal regulations governing the distribution of dividends by foreign-invested entities include the Foreign Investment Enterprise Law (1986), as amended, and the Administrative Rules under the Foreign Investment Enterprise Law (1990), as amended.

[Table of Contents](#)

Under these regulations, foreign-invested enterprises in China may pay dividends only out of their retained profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, foreign-invested enterprises in China are required to allocate at least 10% of their respective retained profits each year, if any, to fund certain reserve funds unless these reserves have reached 50% of the registered capital of the enterprises. These reserves are not distributable as cash dividends. *Regulation of Certain Onshore and Offshore Transactions*. On October 21, 2005, SAFE issued Notice 75, which became effective as of November 1, 2005. According to Notice 75, prior registration with the local SAFE branch is required for PRC residents to establish or to control an offshore company for the purposes of financing that offshore company with assets or equity interests in an onshore enterprise located in the PRC. An amendment to registration or filing with the local SAFE branch by such PRC resident is also required for the injection of equity interests or assets of an onshore enterprise in the offshore company or overseas funds raised by such offshore company, or any other material change involving a change in the capital of the offshore company.

Moreover, Notice 75 applies retroactively. As a result, PRC residents who have established or acquired control of offshore companies that have made onshore investments in the PRC in the past are required to complete the relevant registration procedures with the local SAFE branch by March 31, 2006. Under the relevant rules, failure to comply with the registration procedures set forth in Notice 75 may result in restrictions being imposed on the foreign exchange activities of the relevant onshore company, including the increase of its registered capital, the payment of dividends and other distributions to its offshore parent or affiliate and capital inflow from the offshore entity, and may also subject relevant PRC residents to penalties under PRC foreign exchange administration regulations.

PRC residents who have established or acquired control of our company are required to register with SAFE in connection with their investments in us.

Intellectual Property Rights

Patent

The PRC has domestic laws for the protection of rights in copyrights, patents, trademarks and trade secrets. The PRC is also a signatory to the world's major intellectual property conventions, including:

- Convention establishing the World Intellectual Property Organization (WIPO Convention) (June 4, 1980);
- Paris Convention for the Protection of Industrial Property (March 19, 1985);
- Patent Cooperation Treaty (January 1, 1994); and
- The Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs) (November 11, 2001).

Patents in the PRC are governed by the China Patent Law (March 12, 1984), as amended and its Implementing Regulations (January 19, 1985), as amended.

The PRC is a signatory to the Paris Convention for the Protection of Industrial Property, in accordance with which any person who has duly filed an application for a patent in one signatory country shall enjoy, for the purposes of filing in the other countries, a right of priority during the period fixed in the convention (12 months for inventions and utility models, and 6 months for industrial designs).

The China Patent Law covers three kinds of patents, namely, patents for inventions, utility models and designs. The Chinese patent system adopts the principle of first to file. This means that, where multiple patent applications are filed for the same invention, a patent will be granted only to the party that filed its application first. Consistent with international practice, the PRC only allows the patenting of inventions or utility models that possess the characteristics of novelty, inventiveness and practical applicability. For a design to be patentable, it should not be identical with or similar to any design which has been publicly disclosed in publications in the

[Table of Contents](#)

country or abroad before the date of filing or has been publicly used in the country before the date of filing, and should not be in conflict with any prior right of another.

PRC law provides that anyone wishing to exploit the patent of another must conclude a written licensing contract with the patent holder and pay the patent holder a fee. One rather broad exception to this, however, is where a party possesses the means to exploit a patent for inventions or utility models but cannot obtain a license from the patent holder on reasonable terms and in a reasonable period of time, the PRC State Intellectual Property Office (SIPO) is authorized to grant a compulsory license. A compulsory license can also be granted where a national emergency or any extraordinary state of affairs occurs or where the public interest so requires. The patent holder may appeal such a decision within three months from receiving notification by filing suit in the People's Court.

PRC law defines patent infringement as the exploitation of a patent without the authorization of the patent holder. A patent holder who believes his patent is being infringed may file a civil suit or file a complaint with a local PRC Intellectual Property Administrative Authority, which may order the infringer to stop the infringing acts. A preliminary injunction may be issued by the People's Court upon the patentee's or the interested parties' request before instituting any legal proceedings or during the proceedings. Evidence preservation and property preservation measures are also available both before and during the litigation. Damages in the case of patent infringement is calculated as either the loss suffered by the patent holder arising from the infringement or the benefit gained by the infringer from the infringement. If it is difficult to ascertain damages in this manner, damages may be determined with reference to the license fee under a contractual license.

Trademark

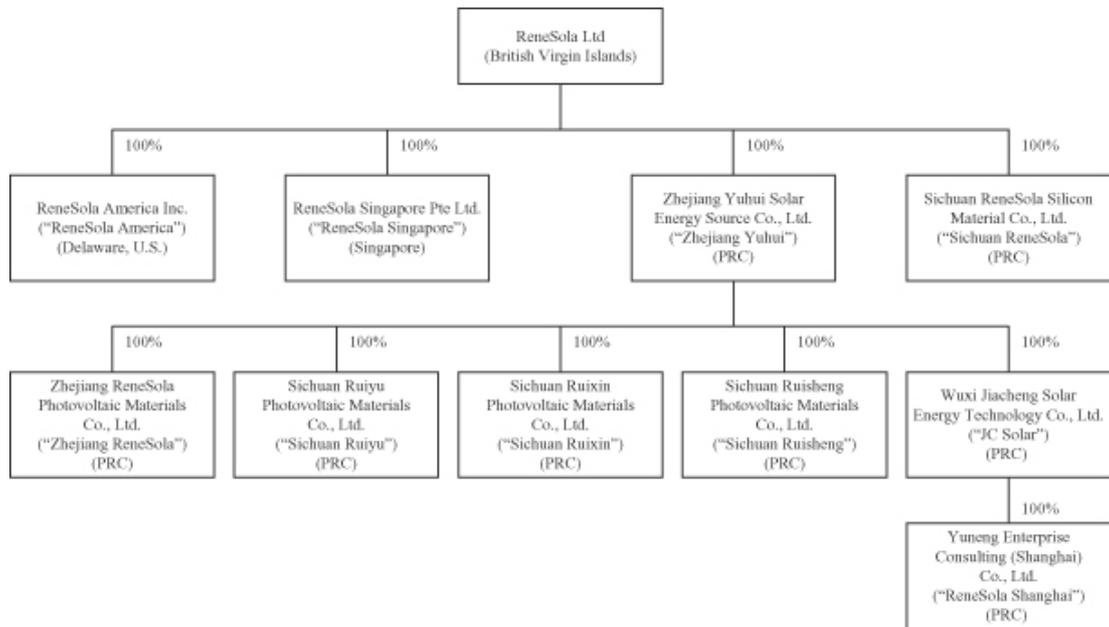
The PRC Trademark Law, adopted in 1982 and revised in 1993 and 2001, with its implementation rules adopted in 2002, protects registered trademarks. The Trademark Office of the State Administration of Industry and Commerce handles trademark registrations and grants trademark registrations for a term of ten years.

C. Organizational Structure

We currently conduct our business through the following key subsidiaries:

- Zhejiang Yuhui, our principal operating company engaged in wafer production in China;
- ReneSola America, which was incorporated in the State of Delaware, the United States in November 2006 to facilitate our procurement of silicon raw materials in North America. Since 2010, there has been no operational activities at this subsidiary.
- ReneSola Singapore Pte Ltd., which was incorporated in Singapore in March 2007 as an offshore vehicle to procure polysilicon in international markets;
- Sichuan ReneSola, which was incorporated in Sichuan Province in August 2007 to engage in the production of raw materials;
- JC Solar, which was incorporated in Jiangsu Province in November 2005 to engage in the production of solar cells and modules; and
- Zhejiang ReneSola Photovoltaic Materials Co., Ltd., which was incorporated in Zhejiang Province in April 2010 to engage in the production and sale of crucibles, steel wires and silicon carbon powder.

The following diagram illustrates our current corporate structure:



[Table of Contents](#)

D. Property, Plants and Equipment

We conduct our research, development and manufacturing of solar wafers at our facilities in Jiashan, Zhejiang Province, where we occupy a site area of approximately 413,010 square meters as of December 31, 2010. On this site, there are completed manufacturing facilities and office premises occupying an area of approximately 199,357 square meters. We conduct our research, development and manufacturing of polysilicon at our facilities in Meishan, Sichuan Province, where we occupied a site area of approximately 831,386 square meters as of December 31, 2010. Our cell and module manufacturing facilities are located at Yixing, Jiangsu Province, where we had a site area of 66,833 square meters as of December 31, 2010. Except as noted otherwise, we own the facilities completed and under construction and own the right to use the relevant land for the durations described below (including capacities and major equipment):

<u>Products</u>	<u>Facility No.</u>	<u>Construction Area (square meters)</u>	<u>Duration of Land Use Right</u>	<u>Annual Manufacturing Capacities as of December 31,</u>			<u>Expected Annual Manufacturing Capacities as of December 31,</u>	<u>Major Equipment</u>
				<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	
Monocrystalline ingots and wafers	1	42,000	January 2007 to November 2053 (a plot of 22,000 square meters); May 2006 to November 2053 (a plot of 18,000 square meters); and October 2006 to October 2056 (a plot of 23,000 square meters)	325 MW	325 MW	400 MW	400 MW	Monocrystalline furnaces, NTC wire saws
	3	46,000	July 2007 to July 2057					
Multicrystalline ingots and wafers	2	27,000	January 2007 to December 2056	320 MW	500 MW	900 MW	1,500 MW	ALD multicrystalline furnaces, TOKYO ROPE multicrystalline furnaces, Zhejiang Jinggong multicrystalline furnaces, HCT wire saws and Meyer Burger wire saws
	4	50,000	May 2008 to April 2058			—	—	

[Table of Contents](#)

Products	Facility No.	Construction Area (square meters)	Duration of Land Use Right	Annual Manufacturing Capacities as of December 31,			Expected Annual Manufacturing Capacities as of December 31,	Major Equipment
				2008	2009	2010	2011	
Polysilicon	5	75,000	August 2008 to August 2058		1,500 metric tons	3,000 metric tons	8,500 metric tons	Deposition reactors, rectifying tower and hydrogenation reactor
Cells	6	42,958	February 2008 to December 2056	25 MW	120 MW	240 MW	240 MW	Cell printing, testing and sorting equipment
Modules				50 MW	135 MW	400 MW	600 MW	

We believe that our existing facilities, together with our facilities under construction, are adequate for our expansion plan in 2011.

We may not achieve our 2011 expansion plan. See “Item 3. Key Information—D. Risk Factors—Risks Related to Our Business—Our dependence on a limited number of third-party suppliers for key manufacturing equipment and spare parts could prevent us from the timely fulfillment of customer orders and successful execution of our expansion plan.”

As of December 31, 2010, short-term borrowings of \$192.9 million and long-term borrowings of \$96.7 million were secured by property, plant and equipment with carrying amounts of \$130.7 million, inventories of \$61.4 million, prepaid land use right of \$11.4 million and accounts receivable of \$15.2 million.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes included elsewhere in this annual report on Form 20-F. This discussion may contain forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under “Item 3. Key Information—D. Risk Factors” or in other parts of this annual report on Form 20-F.

A. Operating Results

Overview

We are a leading global manufacturer of solar wafers and producer of solar power products based in China. Capitalizing on proprietary technologies, economies of scale, low cost production capabilities, technical innovations and know-how, we leverage our in-house polysilicon, solar cell and solar module manufacturing capabilities to provide our customers with high quality, cost competitive solar wafer products. We possess a global network of suppliers and customers that include some of the leading global manufacturers of solar cells

[Table of Contents](#)

and modules. We have also developed a downstream platform for sales of cells and modules to strengthen our relationships with our customers and gain access to the end-user market.

We have rapidly expanded our manufacturing capacity since we began the production of solar wafers. We possess one of the largest solar wafer manufacturing plants in China based on production capacity as of December 31, 2010. As of December 31, 2010, we had an annual wafer manufacturing capacity of approximately 1,300 MW consisting of monocrystalline wafer manufacturing capacity of approximately 400 MW and multicrystalline wafer manufacturing capacity of approximately 900 MW. This represents a significant increase from our annual wafer manufacturing capacity of approximately 825 MW as of December 31, 2009, consisting of monocrystalline wafer manufacturing capacity of 325 MW and multicrystalline wafer manufacturing capacity of 500 MW. Our cell and module manufacturing capacities were 240 MW and 400 MW, respectively, as of December 31, 2010, compared with 120 MW and 135 MW, respectively, as of December 31, 2009.

Except during the global economic downturn from 2008 to 2009, we have grown our shipments rapidly since we began manufacturing solar power products in 2005. In 2008, 2009 and 2010, we shipped 350.1 MW, 526.6 MW and 1,182.8 MW of solar power products. Our net revenues decreased from \$670.4 million in 2008 to \$510.4 million in 2009, but increased to \$1,205.6 million in 2010. We suffered an operating loss of \$48.5 million and a net loss of \$54.9 million in 2008, and an operating loss of \$90.6 million and a net loss of \$71.9 million in 2009. We had operating income of \$245.9 million and net income of \$169.0 million in 2010.

Our growth is driven by the industry demand for solar power products, our ability to win market share from our competitors, our ability to manage our manufacturing capacity and production output, and our ability to improve operational efficiencies. The most significant factors that affect the financial performance and results of operations of our solar power products business are:

- industry demand and product pricing;
- manufacturing capabilities;
- advancements in process technologies;
- availability and prices of raw materials; and
- government subsidies and incentives.

Industry demand and product pricing

Our business and revenue growth largely depends on market demand for solar power products. The demand for solar power products is influenced by macroeconomic factors such as government regulations and support of the solar power industry, the global economic situation, the supply and prices of other energy products, such as oil, coal and natural gas, as well as government regulations and policies on the electric utility industry.

Our product prices are based on a variety of factors, including polysilicon costs, supply and demand conditions globally, the quality of our products, our pricing strategy, and the terms of our customer contracts, including sales volumes, and the terms on which certain customers supply us with silicon raw materials under buy-and-sell arrangements, taking into account the strength and history of our relationship with said customer. In the first three quarters of 2008, the average selling price of our wafers increased due to strong demand. However, excess production capacity and weak industry demand from late 2008 to the fourth quarter of 2009 due to decreased financing availability for downstream customers of solar power products as a result of global economic turbulence and significant decreases in polysilicon prices had resulted in selling price reduction along the solar power value chain. During this period, increased manufacturing capacity in the industry also contributed to a decline in the selling price. As global economic conditions began improving in the second half of 2009, demand for solar power products and the average selling prices for wafer products began to increase during 2010, consistent with the trend of the average selling prices of our own products. However, the overall average selling

[Table of Contents](#)

prices for wafer products in 2010 were still lower than 2009. We expect solar power product prices to decline in the long term due to increased production efficiencies, reductions in polysilicon costs and increases in manufacturing capacity in our industry. We believe these continued price reductions, together with the lowering of production costs along the solar power value chain, will improve end-user affordability and ultimately increase demand for solar generated electricity.

Wafer manufacturing capability complemented by polysilicon, cell and module manufacturing capabilities

We continue to execute our strategy to enhance our competitive platform built on product quality, cost-effective manufacturing capabilities, technology and brand recognition in our wafer business supported by integrated manufacturing of in-house polysilicon and solar cells and modules. We capitalize on increasing demand for our high quality products by leveraging and strengthening our core wafer customer relationships to further drive revenue growth through reducing costs, better quality control and shortening of production cycle. We believe the economies of scale resulting from our increasing manufacturing capacity have enhanced, and will continue to enhance, our cost structure and manufacturing efficiency.

We have rapidly expanded our manufacturing capacity since we began the production of solar wafers. We possess one of the largest solar wafer manufacturing plants in China based on production capacity. As of December 31, 2010, we had an annual wafer manufacturing capacity of approximately 1,300 MW, consisting of monocrystalline wafer manufacturing capacity of approximately 400 MW and multicrystalline wafer manufacturing capacity of approximately 900 MW. This represents a significant increase from our annual wafer manufacturing capacity of approximately 825 MW as of December 31, 2009, consisting of monocrystalline wafer manufacturing capacity of 325 MW and multicrystalline wafer manufacturing capacity of 500 MW. As part of our expansion strategy, we plan to expand our annual wafer manufacturing capacity to approximately 1,900 MW by the end of 2011, consisting of monocrystalline wafer manufacturing capacity of approximately 400 MW and multicrystalline wafer manufacturing capacity of approximately 1,500 MW.

Our cell and module manufacturing capacities were 240 MW and 400 MW, respectively, at the end of 2010, compared with 25 MW and 50 MW, respectively, when we acquired JC Solar in May 2009. In 2010, we satisfied approximately 62% of our requirements for solar cells with our in-house production and the remainder was purchased externally or secured through toll services from third party cell manufacturers in order to fill the gap between our cell and module manufacturing capability. As the third party cell manufacturers are usually those which have established relationship with us through our wafer sales, we have the advantage to build on historical relationships to meet our requirements. We also plan to expand our annual module manufacturing capacities to approximately 600 MW by the end of 2011. Our manufacturing capacities for 2010 and 2011 above are calculated using our adjusted methodology effective January 1, 2010, which is based on an efficiency rate of 17.4% for monocrystalline wafers and 16.0% for multicrystalline wafers.

Our polysilicon manufacturing facility in Meishan, Sichuan Province, operated through our wholly owned subsidiary, Sichuan ReneSola, had an annual manufacturing capacity of 3,000 metric tons as of December 31, 2010. We ramped up our polysilicon manufacturing facility in two phases. Our polysilicon manufacturing facility commenced trial production of its first phase in July 2009 and second phase in February 2010 and produced an aggregate of 1,140 metric tons of polysilicon in 2010. We plan to expand our annual polysilicon manufacturing capacity to 8,500 metric tons by the end of 2011.

Advancements in process technologies

Advancements in our process technologies are important to our financial performance as they improve production yield, reduce manufacturing costs and enhance the quality and performance of our products. We have developed proprietary technologies in our wafer manufacturing processes. For example, we are able to produce more monocrystalline ingots by adding silicon raw materials in the furnaces after each production cycle without waiting for the furnaces to cool. This innovation enables us to increase the yield of our ingots, reduce electricity

[Table of Contents](#)

costs and enhance the utilization rate of our furnaces and consumables, such as crucibles. We have also modified certain manufacturing equipment design in both ingot and wafer slicing production, developed equipment manufactured locally and developed advanced processes, which have resulted in improved production yield and higher quality of wafers. Our experience, technical know how and expertise in wafer manufacturing enable us to produce high quality solar wafers. Through continuous technology innovations and improvements in operational efficiency, we were able to reduce our silicon consumption rate from 6.0 grams per watt in the second half of 2009 to 5.8 grams per watt in the second half of 2010, achieving one of the lowest silicon consumption rates in the industry to our knowledge, from over 6.8 grams per watt in the first quarter of 2008. Improved productivity through equipment customization and cost reduction initiatives enabled us to significantly reduce our non-silicon wafer processing cost to an average of \$0.24 per watt in the fourth quarter of 2010 from an average of \$0.33 per watt in the fourth quarter of 2009. We plan to further reduce our wafer processing cost per watt in the future through, among other things, development of new equipment used to manufacture ingots, optimizing supply chain management, process improvements, improvements in polysilicon production and in house production of certain key consumables. Through these initiatives, we expect our wafer processing costs to decrease from \$0.24 per watt in 2010 to approximately \$0.18 per watt in 2011.

Availability and prices of raw materials

Polysilicon is the primary raw material used to make crystalline silicon solar wafers. The increase in demand for solar power products in the past few years led to an industry-wide polysilicon shortage and significant price increases in polysilicon. Based on our purchase orders, polysilicon prices increased from \$270 per kilogram in 2007 to between \$280 and \$460 per kilogram in most of 2008. To address this shortage, we manufactured solar wafers from a wide range of silicon raw materials, including reclaimable silicon raw materials such as broken wafers and broken cells that are difficult to process but are less expensive than other reclaimable silicon raw materials.

The solar power industry experienced weakened demand from late 2008 to late 2009 as a result of the global economic downturn during the period. With increased industry supply of polysilicon since the fourth quarter of 2008, market polysilicon prices fell rapidly to \$150 to \$200 per kilogram in the beginning of 2009, further decreased to \$50 to \$55 per kilogram in the fourth quarter of 2009, but increased to \$80 to \$90 per kilogram in the fourth quarter of 2010. As a result of greater supply of polysilicon, we believe the cost advantage in the continuing use of reclaimable silicon raw materials quickly diminished. In late 2008, we decided to stop using reclaimable silicon raw materials as primary feedstock, and started using polysilicon as primary raw materials instead.

We mitigate the risk of volatility in the price of polysilicon affecting our profit margins by sourcing polysilicon from various sources, including long-term supply contracts, short term contracts, customers under processing services and spot purchases in China and internationally. Our short-term and spot purchase contracts and orders generally reflect the prevailing market prices.

In addition, we secure feedstock from some of our customers and sell solar wafers or ingots to them in return. We also provide some of our customers with wafer processing services. These agreements enhance the utilization rate of our manufacturing capacity and mitigate the risk of raw material price increases and strengthen our strategic partnerships with customers.

With the ramp up of our polysilicon manufacturing facility in Meishan, Sichuan Province, we believe our polysilicon manufacturing facility provides us with a stable, in-house and cost-effective supply of polysilicon, which complements our existing long-term and short-term polysilicon purchase agreements.

Government subsidies and incentives

We believe that growth of the solar market depends largely on the availability and scale of government subsidies and economic incentives. Today, the cost of solar power substantially exceeds the cost of electricity

[Table of Contents](#)

generated from conventional fossil fuels such as coal and natural gas. As a result, national and local governmental bodies in Germany, Spain, Italy, France, North America and Japan, among others, have provided subsidies and economic incentives in the form of feed-in tariffs, rebates, tax credits and other incentives to end-users, distributors, system integrators and manufacturers of solar power products to promote the use of solar energy and to reduce dependence on other forms of energy. These government subsidies and economic incentives have been in the form of capital cost rebates, feed-in tariffs, tax credits, net metering and other incentives to end users, distributors, system integrators and manufacturers of solar power products. The demand for our solar power products, particularly solar modules, in our current, targeted and potential markets is affected significantly by the availability of such government subsidies and economic incentives.

However, government subsidies and economic incentives could be reduced or eliminated altogether. In particular, political changes in a particular country could result in significant reductions or eliminations of subsidies or economic incentives, and the effects of the recent global economic crisis may affect the fiscal ability of governments to offer certain types of incentives such as tax credits at the level previously targeted, if at all. For instance, in 2009 and 2010, Germany's government reduced the country's solar energy feed-in tariffs. Germany's government announced in the beginning of 2011 that it expects to further trim solar power subsidies by up to 15% in 2011 as demand for solar power panels continue to thrive in the country. The reduction in government incentives to users of solar power products in Germany may materially and adversely impact the German solar market if such measures are not implemented prudently, which may in turn materially and adversely affect our direct or indirect sales into Germany. In 2010, Italy's government also announced annual reductions to feed-in tariffs beginning in 2011 in an effort to impede overheating of its solar market. In Spain, since 2009, continued reductions in the feed-in tariff as a result of the government's spending cut backs have resulted in a weakened solar market.

A significant reduction in the scope or discontinuation of government subsidies and incentive programs, especially those in our target markets, could cause demand for our products and our revenue to decline, and have a material adverse effect on our business, financial condition, results of operations and prospects.

Overview of Financial Results

Net Revenues

Historically, we have derived revenue primarily from sales of solar wafers. We acquired JC Solar in June 2009 to expand downstream into sales of solar cells and modules. In 2008, we derived a portion of our revenues from the sale of ingots, when our ingot manufacturing capacity was larger than our wafer slicing capacity. Set forth below is the breakdown of our net revenues by product, in absolute amount and as a percentage of total net revenues, for the periods indicated.

	Year Ended December 31,					
	2008		2009		2010	
	(in thousands, except percentages)					
Net revenues						
Solar wafers ⁽¹⁾	\$661,502	98.7%	\$449,776	88.1%	\$685,075	56.8%
Solar modules ⁽²⁾	8,864	1.3%	60,629	11.9%	520,504	43.2%
Total	<u>\$670,366</u>	<u>100.0%</u>	<u>\$510,405</u>	<u>100.0%</u>	<u>\$1,205,579</u>	<u>100.0%</u>

(1) Includes approximately \$0.6 million and \$45,046 from sales of solar ingots in the years ended December 31, 2008 and 2009, respectively, and \$15.1 million, \$1.7 million and \$8.0 million from sales of other materials in the years ended December 31, 2008, 2009 and 2010, respectively. Does not include intercompany transactions.

(2) Includes approximately \$8.9 million, \$4.3 million and \$4.0 million from sales of solar cells in the years ended December 31, 2008, 2009 and 2010, respectively. Does not include intercompany transactions.

[Table of Contents](#)

Our net revenues derived from product sales are net of VAT, sales returns and exchanges. Factors affecting our net revenues derived from product sales include our unit sales volume and average selling price. We increased wafer shipment in 2008, 2009 and 2010 due to strong demand for our products, increased production output and increased brand recognition. The average selling price of our solar wafers increased in 2008 until the fourth quarter when selling prices started falling due to the negative impact of the global financial crisis on the solar power industry. Although selling prices of our solar wafers decreased in 2009 due to weak market demand and increased competition, the price reduction decelerated towards the end of 2009 due to increased demand as a result of the global economic recovery. The average selling price increased in 2010 due to the recovery in demand for solar power products in the industry.

Sales of wafers to our major customers are typically made under multi-year sales contracts, supplemented by short term and market spot sales. Multi-year sales contracts typically provide for the sales volume and price of our solar wafers for each year of the contract term. However, the pricing terms are either fixed or subject to reset in situations where the market benchmark price for solar wafers changes more than a certain percentage from the contracted price. In addition, we have entered into one-year sales contracts with some of our customers which provide for an agreed sales volume at a fixed price schedule and multi-year framework contracts with variable pricing and volume terms. Compared to spot sales contracts, we believe our sales contracts not only provide us with better visibility into future revenues, but also help us enhance relationships with our customers. Generally the prices of our solar wafers are determined near the end of the previous year or at the time when the contracts are entered into. Our sales contracts historically required our customers to make a prepayment depending on their credit status, market demand and the term of the contracts, with the remaining price to be paid before shipment or within a short period after shipment, depending on the customer's credit worthiness and historical relationship with us. Our ability to require prepayment from our customers primarily depends on industry demand and supply. We currently have over 20 long-term wafer contracts for periods of one to five years and total contracted shipments of 1,300 MW for 2011, which represent all of our expected wafer shipments for 2011.

We have also entered into wafer processing arrangements with certain customers, under which we process their silicon raw materials into wafers for a processing fee. The payments we make for the feedstock and the payments our customers make for the solar wafers are generally settled separately, which is in line with market practice. In 2009, we entered into a wafer processing arrangement with an international module manufacturer. Under the terms of the contract, we supplied this module manufacturer with 120 MW of monocrystalline and multicrystalline solar wafers in 2009 and this module manufacturer supplied certain amounts of polysilicon to us. Additionally, in 2010, we entered into three processing arrangements with three international solar power product companies. Under the terms of these agreements, we will obtain polysilicon from these customers and sell solar wafers to them in return over periods of approximately two years, four years and five years. In 2008, 2009 and 2010, service revenue from processing arrangements accounted for approximately 13.6%, 4.9% and 5.5%, respectively, of our revenues generated from wafer sales. We have supplied 143.1 MW of solar wafers as of February 28, 2011 and expect to supply 337.2 MW of solar wafers for the remainder of 2011 under our wafer processing arrangements.

We sell our modules primarily to distributors and power plant developers. Our focus on which type of clients depends largely on the demand in the specific markets. A small number of customers have accounted for a majority of our net sales. In 2010, our top five module customers accounted for 44.0% of our module sales and 19.0% of our total net revenues, and our largest module customer accounted for approximately 11.5% of our module sales and 5.0% of our total net revenues.

We sell our modules through spot orders, short-term contracts with terms of less than one year and framework agreements with term of generally one year. The prices for spot orders is based on the then market prices and trends. The prices for our framework agreements and most of our short-term contracts are generally determined on a quarterly basis with fixed quantities.

We also enter into processing arrangements under which customers provide polysilicon and other raw materials to us for processing into modules. In the first quarter of 2010, we entered into three module processing

[Table of Contents](#)

contracts to provide an aggregate of 700 MW of solar modules to three major global solar companies periods of approximately two quarters, three quarters and three years, respectively. In 2010, service revenue from processing arrangements accounted for approximately 7.8% of our revenues generated from module sales.

A substantial portion of our sales contracts and processing arrangements require our customers to make a prepayment set at a certain percentage of the total contract value to secure future delivery of our products. Many of these contracts require customers to provide bank guarantees or irrevocable letters of credit to support their purchase commitment in absence of prepayment.

Geographical Distribution

In 2008, 2009 and 2010, a significant portion of our wafer sales were made to companies based in Asia, primarily to leading solar cell and module companies in China, Hong Kong and Taiwan. While we will continue to maintain our customer base in this region, particularly in China, where many leading solar cell and module manufacturers are located and where the central government and some of the regional governments have recently implemented strong policy and fiscal support to the growth of solar power industry, we have also expanded sales to key international markets in Europe and North America. By adding larger sized solar wafers to our product portfolio, we will be able to offer a diversified selection of solar wafers to our customers to satisfy their needs.

A majority of our module sales in 2010 were made to distributors located in Europe. Solar power manufacturers like us have capitalized on government and regulatory policies for the promotion of solar power in many jurisdictions. In order to continue growing our sales and to reduce our exposure to any particular market segment, we intend to broaden our geographic presence and customer base. While Germany continues to be our largest market in Europe, we have significantly expanded our sales of modules to several other solar markets, including Italy and the Czech Republic.

The following table sets forth the breakdown of our net revenues by geographic market, in absolute amount and as a percentage of total net revenues, for the periods indicated.

	Year Ended December 31,					
	2008		2009		2010	
	(in thousands, except percentages)					
China (including Hong Kong)	\$407,924	60.9%	\$316,158	61.9%	\$ 462,782	38.4%
Taiwan	48,384	7.2	66,961	13.1	105,628	8.8
Rest of Asia Pacific countries	173,373	25.9	21,259	4.2	120,844	10.0
Germany	37,382	5.6	49,253	9.6	180,913	15.0
Italy	3,140	0.5	7,744	1.5	70,270	5.8
Spain	20	<0.1	6,165	1.2	66,834	5.5
Rest of Europe	—	—	25,554	5.0	107,045	8.9
United States	51	<0.1	8,764	1.7	60,415	5.0
Others	92	<0.1	8,546	1.7	30,847	2.6
Total	<u>\$670,366</u>	<u>100.0%</u>	<u>\$510,405</u>	<u>100.0%</u>	<u>\$1,205,579</u>	<u>100.0%</u>

Cost of Revenues

Our cost of revenues consists primarily of costs for:

- polysilicon raw materials;
- consumables, including crucibles, steel sawing wires, slurry, glass and EVA film;
- direct labor costs, including salaries and benefits for our manufacturing personnel;

Table of Contents

- overhead costs, including equipment maintenance and utilities such as electricity and water used in manufacturing; and
- depreciation of manufacturing facilities and equipment.

All the above costs increased from 2008 to 2010 as we expanded our manufacturing capacity and increased our sales volume. The increase in our feedstock costs was attributable to increases in raw material purchase volume from 2008 to 2010. However, polysilicon spot prices started to fall significantly in the fourth quarter of 2008 as a result of the negative impact of the global financial crisis on the solar power industry. As such, the increase in raw material costs in 2009 and 2010 as a result of increased shipment volume was partially offset by reductions in raw material prices. We recorded inventory write-downs in 2008 and 2009 to reflect the decreased value of our feedstock, work in progress and finished goods against the net realizable value of inventories as a result of the significant decline of the market prices for silicon raw materials.

We have sold solar modules since our acquisition of JC Solar in June 2009. Module sales are typically carried with a warranty for minimum power output of up to 25 years following the date of sale. We also provided a warranty for our solar modules against defects in materials and workmanship for a period of five years from the date of sale. We accrued warranty costs from solar module sales of approximately \$2.6 million in 2009 attributable to our acquisition of JC Solar and \$5.3 million in 2010.

Gross Margin

Our gross margin is affected by changes in our net revenues and cost of revenues. Our net revenues are determined by the average selling price of our products, as well as MW of products that we are able to sell. Our cost of revenues is affected by our ability to manage raw material costs and our ability to manage our manufacturing processes efficiently. Our gross margin decreased from negative 2.1% in 2008 to negative 8.5% in 2009. The decrease was primarily due to the further decline in selling prices of our products as well as the \$71.3 million inventory write-down we made in 2009. Our gross margin increased from negative 8.5% in 2009 to 28.9% in 2010 primarily due to the upward trend in the selling prices of our products, no inventory write-downs and our operational improvements including:

- increasing production yield by efficiently reducing silicon consumption through technical innovations and improving labor skills (to improve processing efficiency);
- reducing manufacturing costs through enhanced supply chain management; and
- providing processing services to selected customers to increase equipment utilization rate.

Operating Expenses

Our operating expenses include sales and marketing expenses, general and administrative expenses and research and development expenses.

Sales and marketing expenses

Sales and marketing expenses consist primarily of salaries, bonuses and pensions for our sales personnel, commission paid to our sales agents, outbound freight, share-based compensation expenses and benefits, travel and other sales and marketing expenses.

We expect our selling expenses to increase in the near term as we increase our sales efforts, hire additional sales personnel, improve workmanship, and establish a minimum power output warranty for our module products consistent with industry averages, target new markets and initiate additional marketing programs to build our brand. However, as sales revenues are expected to grow as a result of economies of scale and anticipated demand growth, our sales and marketing expenses, as a percentage of net revenues, is expected to decrease.

[Table of Contents](#)

General and administrative expenses

General and administrative expenses consist primarily of salaries, bonuses and benefits for our administrative and management personnel, consulting and professional service fees and travel and related costs of our administrative and management personnel. In 2008, 2009 and 2010, we recognized share-based compensation expenses in connection with certain members of our management team. In 2008, our general and administrative expenses increased primarily due to increased salaries and benefits as we hired staff to manage our growing business as well as expenses related to setting up our offices in Malaysia, Singapore and the United States. During the same period, we also experienced an increase in professional fees and compliance expenses as we became a public company listed on NYSE. Likewise for 2009 and 2010, our general and administrative expenses increased primarily due to increased salaries and benefits as we hired additional staff to manage our growing business and an increase in professional fees and compliance expenses related to rules and requirements applicable to public companies.

We expect our general and administrative expenses to continue to increase as we hire additional personnel and advisors and incur expenses including costs to support our growing operations and compliance-related costs due to our being a publicly listed company in the United States.

Research and development expenses

Research and development expenses primarily relate to equipment and raw materials used in our research and development activities, research and development personnel costs, and other costs related to the design, development, testing and enhancement of our products and processes. In 2008, 2009 and 2010, our research and development expenses amounted to approximately \$9.7 million, \$14.5 million and \$36.3 million, respectively.

We expect our research and development expenses to increase in the near future as we will continue to expand and promote innovations in our processing technologies of manufacturing polysilicon, ingots, wafers, cells and modules. We plan to hire more research and development personnel and devote greater resources to research and development efforts. We plan to focus on improving manufacturing efficiency and reducing our manufacturing costs by enhancing manufacturing yields, which enable us to deliver higher efficiency products at a lower cost in each segment of our production. In ingot manufacturing, our research and development efforts will continue to focus on optimizing process improvement and equipment re-configuration to increase productivity of ingot growing. In wafer slicing, our efforts will focus on process improvement to optimizing slicing yield through expediting slicing speed and slicing thinner wafers. In cell manufacturing, we will focus on improving cell efficiency through various development projects. Accordingly, the amount of our research and development expenses is expected to increase moderately.

Other Income and Expenses

Our other income and expenses consist primarily of interest income, interest expenses, foreign currency exchange gains or losses and gains on repurchase of convertible bonds, and other-than-temporary impairment loss on available-for-sale investment.

Our interest income represents interest on our cash balance. Our interest expenses relate primarily to our short-term borrowings from banks, less capitalized interest expenses to the extent they relate to our capital expenditures.

Our foreign currency exchange gain or loss results from our net exchange gains and losses on our monetary assets and liabilities denominated in foreign currencies during the relevant period. Our functional currency is Renminbi. Foreign currency transactions have been translated into functional currency at the exchange rate prevailing on the date of transaction. Foreign currency denominated monetary assets and liabilities are translated into our functional currency at exchange rates prevailing on the balance sheet date. Due to the continued

[Table of Contents](#)

appreciation of Renminbi against the U.S. dollar since 2005, we incurred foreign exchange losses when we held more U.S. dollar-denominated assets than our U.S. dollar-denominated liabilities. Our reporting currency is the U.S. dollar. Assets and liabilities have been translated into our reporting currency using exchange rates prevailing on the balance sheet date. Income statement items have been translated into our reporting currency using the weighted average exchange rate for the relevant periods. Translation adjustments have been reported as a component of accumulated other comprehensive income in the consolidated balance sheets. In 2008, 2009 and 2010, we had foreign exchange losses of \$3.1 million, \$1.4 million and \$1.8 million, respectively.

We recorded gains of \$8.0 million in 2009 on the repurchase of our convertible bonds due to the repurchase price discount.

We recorded an other-than-temporary impairment loss on available-for-sale investment of \$13.4 million in 2009 as a result of the decline in the fair value of our equity interest in the Investee. This loss was recorded as non-operating expenses.

We also recognized other income and expenses from the disposal of fixed assets and cash incentives received from the PRC government to support the solar power industry.

Taxation

Under the current laws of the British Virgin Islands, we are not subject to any income or capital gains tax. Additionally, dividend payments made by us are not subject to any withholding tax in the British Virgin Islands.

PRC enterprise income tax is calculated primarily on the basis of taxable income determined under PRC Enterprise Income Tax Law. As a foreign-invested enterprise in a manufacturing business, Zhejiang Yuhui is entitled to a two-year exemption from enterprise income tax starting from its first profitable year of operation, which is 2005, and a 50% deduction for the succeeding three years, which are 2007, 2008 and 2009. To enjoy the above preferential treatment, the authorized operation duration of Zhejiang Yuhui shall be no less than 10 years.

In March 2007, the National People's Congress of China enacted a new Enterprise Income Tax Law, which became effective on January 1, 2008. In December 2007, the State Council of China promulgated the Implementing Regulation of the new Enterprise Income Tax Law, which became effective on January 1, 2008. The new Enterprise Income Tax Law imposes a unified enterprise income tax rate of 25% on all domestic enterprises and foreign-invested enterprises unless they qualify under certain limited exceptions. According to the new Enterprise Income Tax Law and its relevant implementation rules, enterprises that were established before March 16, 2007 and were eligible for preferential tax exemptions or reduction within the specified time under the then effective laws and regulations will continue to enjoy the original preferential tax exemptions or reductions until the expiration of the specified terms, except that the relevant exemption or reduction shall start from January 2008 if the first profitable year for the relevant enterprise is later than January 1, 2008.

Zhejiang Yuhui increased its registered capital from \$1.5 million to \$16.5 million in April 2006, \$28.5 million in September 2006, \$45.0 million in January 2007 and \$102.5 million in August 2007. According to relevant PRC tax regulations before the enactment of the Enterprise Income Tax Law, Zhejiang Yuhui is entitled to a full exemption from enterprise income tax for two years starting from its first profitable year of operation with respect to income from operations attributable to the increased capital and a 50% deduction in income taxes for the following three years, upon written approval from the tax authority. Since Zhejiang Yuhui's capital increase from \$45.0 million to \$102.5 million was registered after March 16, 2007, it has received an approval from the PRC tax authority in Zhejiang Province which provided that income attributable to this capital increase would receive preferential tax treatment until December 31, 2007.

In addition, although the approval letter Zhejiang Yuhui received from the PRC tax authority indicated that income attributable to Zhejiang Yuhui's capital increase from \$45.0 million to \$102.5 million can only enjoy

[Table of Contents](#)

preferential tax treatment before December 31, 2007, in practice Zhejiang Yuhui has only paid tax on income attributable to such capital increase at a rate of 12.5% after January 1, 2008, which is 50% of the statutory tax rate. The tax authority may request Zhejiang Yuhui to make a supplementary tax payment on our income which was taxed at a rate of 12.5%.

Under the Provisional Regulation of China on Value Added Tax and its implementing rules, all entities and individuals engaged in the sale of goods, the provision of processing, repairs and replacement services, and the importation of goods into China are generally required to pay VAT at a rate of 17.0% of the gross sales proceeds received, less any deductible VAT already paid or borne by the taxpayer. Further, when exporting goods, the exporter is entitled to a partial or full refund of VAT that it has already paid or borne. Accordingly, we are subject to a 17.0% VAT with respect to our sales of solar wafers in China. Historically, we were entitled to a 13% refund on VAT that we had already paid or borne with respect to our export of solar wafers. However, starting from July 1, 2007, the VAT refund is reduced to 5%, which materially affects our export of solar wafers. Since April 1, 2009, the VAT refund has reverted to 13%. Imported raw materials that are used for manufacturing export products and are deposited in bonded warehouses are exempt from import VAT.

Zhejiang Yuhui was also entitled to tax credits for up to 40% of the purchase price of certain domestic equipment purchases. Such tax credits could be used to offset up to the incremental amount of Zhejiang Yuhui's income tax compared to that of the year before such purchases, and the tax credit could be carried forward for up to seven years. This tax credit is no longer available for any purchase of PRC equipment from January 1, 2008 due to the enactment of the new Enterprise Income Tax Law. As of December 31, 2010, Zhejiang Yuhui had tax credit carried forward of \$0.8 million, which will expire in 2011. If it is more likely than not that some or all of the deferred tax assets will not be realized, we will provide for valuation allowances based on available evidence. As of December 31, 2010, our subsidiaries Zhejiang Yuhui and Sichuan ReneSola had net operating losses carry forward of \$60.0 million, which will expire in 2014.

Zhejiang Yuhui obtained the approval of High and New-Tech Enterprise, or HNTE, status in 2009. With this approval, Zhejiang Yuhui is allowed to apply a reduced income tax rate of 15% for the period of three years, i.e. from 2009 to 2011. We elected to utilize the transition relief for Zhejiang Yuhui up until and including 2010, i.e. enjoying the residual tax holiday granted before the effectiveness of new Enterprise Income Tax Law, when calculating enterprise income tax. The blended income tax rate of Zhejiang Yuhui is 1.9%, 12.5%, 12.5% and 23% for 2007, 2008, 2009 and 2010, respectively. In 2011, we elect to use HNTE status, which entitles Zhejiang Yuhui to a tax rate of 15%. Our blended income tax rate of 23% for 2010 was primarily due to the tax holidays enjoyed during 2010.

ReneSola America is incorporated in the state of Delaware. ReneSola America does not conduct any business activity in Delaware. It is not subject to Delaware State income tax. However, as ReneSola America conducts business activities in the state of Indiana, it is subject to a progressive federal corporate income tax from 15% to 35% and Indiana income tax of 8.5%, which is deductible from federal tax.

ReneSola Singapore is incorporated in the Republic of Singapore. The corporate income tax rate is 17%.

Sichuan ReneSola, ReneSola Shanghai, JC Solar, Zhejiang ReneSola, Sichuan Ruiyu, Sichuan Ruisheng and Sichuan Ruixin are incorporated in the PRC. The corporate income tax rate is 25%.

Disposal of Equity Interest in Linzhou Zhongsheng Semiconductor

In August 2007, we invested in a 49% equity interest in Linzhou Zhongsheng Semiconductor, a polysilicon manufacturing company located in Henan Province. Linzhou Zhongsheng Steel invested 51% equity in the joint venture. Under the joint venture agreement, we are obligated to purchase 90% of the Joint Venture's output, at 97% of the market price, for a period of thirty years. In June 2008, we and Linzhou Zhongsheng Steel amended our joint venture agreement to reduce our contracted obligation to purchase the output of Linzhou Zhongsheng

[Table of Contents](#)

Semiconductor from 90% to a minimum of 55% at market price with a term of three years, instead of thirty years in the original agreement. We sold our 49% equity interest in the joint venture to Linzhou Zhongsheng Steel in September 2008. We consolidated Linzhou Zhongsheng Semiconductor in our December 31, 2007 balance sheet, as Linzhou Zhongsheng Semiconductor was deemed a variable interest entity with our company as the primary beneficiary. The equity interest of Linzhou Zhongsheng Semiconductor not owned by us was reported as a minority interest on the balance sheet as of December 31, 2007.

As a result of our amendment to the joint venture agreement to reduce our contractual obligation to purchase the output of Linzhou Zhongsheng Semiconductor, Linzhou Zhongsheng Semiconductor was no longer considered a variable interest entity given that we no longer absorbed significant variability of Linzhou Zhongsheng Semiconductor and were no longer the primary beneficiary of Linzhou Zhongsheng Semiconductor. Effective from June 28, 2008, we accounted for our investment in Linzhou Zhongsheng Semiconductor prospectively under the equity method of accounting. Equity method adjustments include our proportionate share of the investee's income or loss, gains or losses resulting from investee capital transactions, adjustments to recognize certain differences between our carrying value and our equity in net assets of the investee at the date of investment, impairments, and other adjustments required by the equity method. Our equity interest in the earnings of Linzhou Zhongsheng Semiconductor was RMB159.7 million prior to the divestiture in September 2008.

We sold our 49% equity interest in Linzhou Zhongsheng Semiconductor to Linzhou Zhongsheng Steel in September 2008 at a total consideration of RMB200 million. The share transfer agreement with Linzhou Zhongsheng Steel was amended in December 2008. The amended agreement stipulates that, of the total consideration of RMB200 million, RMB40 million would be paid in cash, RMB4 million would be treated as credit for existing purchases of polysilicon and RMB156 million would be treated as prepayment, to either be used as a credit through a discount to spot market price against future delivery of polysilicon from the joint venture or be repaid in cash, at our discretion. However, Linzhou Zhongsheng Semiconductor stopped the delivery of polysilicon in early 2009 and continued to fail to fulfill its obligations. We decided to take legal action to collect the remaining amount of the receivable and to record a full provision of \$8.6 million in the fourth quarter of 2009 against doubtful other receivables accordingly.

We initiated arbitration proceedings against Linzhou Zhongsheng Steel and Linzhou Zhongsheng Semiconductor before China International Economic and Trade Arbitration Commission, or CIETAC, for the equity transfer dispute. The arbitration hearing was held in February 2011 and the arbitration decision is scheduled for April 2011.

Critical Accounting Policies

We prepare our financial statements in conformity with U.S. GAAP, which requires us to make judgments, estimates and assumptions. We continually evaluate these estimates and assumptions based on the most recently available information, our own historical experience and various other assumptions that we believe to be reasonable under the circumstances. Since the use of estimates is an integral component of the financial reporting process, actual results could differ from those estimates.

An accounting policy is considered critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time such estimate is made, and if different accounting estimates reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact the consolidated financial statements. We believe that the following accounting policies involve a higher degree of judgment and complexity in their application and require us to make significant accounting estimates. The following descriptions of critical accounting policies, judgments and estimates should be read in conjunction with our consolidated financial statements and other disclosures included in this annual report.

Revenue recognition

We recognize revenues when persuasive evidence of an arrangement exists, the products are delivered and title and risk of loss has passed to customers, the price to the buyer is fixed and determinable, and collectability is reasonably assured. Revenue includes reimbursement of shipping and handling costs. Shipping and handling costs incurred on sale of products and included in sales and marketing expense were \$78,705, \$0.4 million and \$1.1 million for the years ended December 31, 2008, 2009 and 2010, respectively. Sales agreements typically contain customary product warranties but do not contain any post-shipment obligations nor any return or credit provisions.

A majority of our contracts provide that products are shipped under free on board, or FOB, terms or cost, insurance and freight, or CIF, terms. Under FOB, we fulfill our obligation when the goods have passed over the ship's rail at the named port of shipment. The customer bears all costs and risks of loss of or damage to the goods from that point. Under CIF, we must pay the costs, insurance and freight necessary to bring the goods to the named port of destination, and bear the risk of loss of or damage to the goods during transit. We recognize revenue when the title of goods and risk of loss or damage is transferred to the customers based on the terms of the sales contracts if other criteria are met.

We extend credit terms only to a limited number of customers and receive cash for the majority of the sales transactions before delivery of products, which are recorded as advances from customers. For customers to whom credit terms are extended, we assess collectability based on a number of factors, including past transaction history with the customer and creditworthiness of the customer.

We also generate revenue from processing silicon raw materials into silicon ingots or solar wafers for customers.

Impairment of long-lived assets

We evaluate our long-lived assets and definite life intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When these events occur, we measure impairment by comparing the carrying amount of the assets to future undiscounted net cash flows expected to result from the use of the assets and their eventual disposition. If the sum of the expected undiscounted cash flow is less than the carrying amount of the assets, we recognize an impairment loss based on the fair value of the assets. The determination of fair value of the intangible and long lived assets acquired involves certain judgments and estimates. These judgments can include, but are not limited to, the cash flows that an asset is expected to generate in the future. This analysis also relies on a number of factors, including changes in strategic direction, business plans, regulatory developments, economic and budget projections, technological improvements, and operating results. Any write-downs would be treated as permanent reductions in the carrying amounts of the assets and an operating loss would be recognized. These impairment tests also involve the use of accounting estimates and assumptions believed to be reasonable, the results of which form the basis for our conclusions. Significant changes to these estimates and assumptions could adversely impact our conclusion to these impairment tests.

The impairment loss of long-lived assets was \$0.8 million, nil and nil for the years ended December 31, 2008, 2009 and 2010. The impairment loss incurred in fiscal year 2008 is related to the impairment of long-lived assets of ReneSola Malaysia. The impairment loss incurred in fiscal year 2010 is related to the impairment of long-lived assets of Sichuan ReneSola due to the termination of a previously planned manufacturing process facility. We determined the fair value using a market-based valuation technique.

Income tax

We periodically evaluate the likelihood of the realization of deferred tax assets, and reduce the carrying amount of these deferred tax assets by a valuation allowance to the extent we believe a portion will not be realized. We consider positive and negative evidence to determine whether a portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible for tax purposes. A valuation allowance is required to reduce the carrying amounts of deferred tax assets if, based on the available evidence, it is more likely than not that such assets will not be realized. Accordingly, the need to establish valuation allowances for deferred tax assets is assessed periodically based on a more-likely-than-not realization threshold. This assessment considers, among other matters, the nature, frequency and severity of current and cumulative losses, forecasts of future profitability, the duration of statutory carry forward periods, our experience with operating losses in the China solar power industry, tax planning strategies implemented and other tax planning alternatives. If our operating results are less than currently projected and there is no objectively verifiable evidence to support the realization of our deferred tax asset, additional valuation allowance may be required to further reduce our deferred tax asset. The reduction of the deferred tax asset could increase our income tax expenses and have an adverse effect on our results of operations and tangible net worth in the period in which the allowance is recorded. We realized a tax benefit of \$41.3 million in 2010 by offsetting our income tax for 2010. The total current and non-current deferred tax assets and liabilities were \$23.3 million and \$2.5 million, respectively, as of December 31, 2010.

Inventory

Our inventories are stated at the lower of cost or net realizable value. The valuation of inventory requires us to estimate excess and slow moving inventory. The determination of the value of excess and slow moving inventory is based upon assumptions of future demands and market conditions. If actual market conditions are less favorable than those projected by management, inventory write-downs may be required. We routinely evaluate quantities and value of our inventories in light of current market conditions and market trends, and record write-down against the cost of inventories for a decline in net realizable value. Inventory write-down charges establish a new cost basis for inventory. In estimating obsolescence, we utilize our backlog information and project future demand. Market conditions are subject to change and actual consumption of inventories could differ from forecasted demand. Furthermore, the price of polysilicon, our primary raw material, is subject to fluctuations based on global supply and demand. If actual market conditions are less favorable or other factors arise that are significantly different than those anticipated by management, additional inventory write-downs or increases in obsolescence reserves may be required. Our management continually monitors the changes in the purchase price paid for polysilicon, including prepayments to suppliers. While potential advances in solar power technology could render our products uncompetitive or obsolete, historically our products have a long life cycle and obsolescence has not been a significant factor in the valuation of inventories.

In the fourth quarter of 2008, in connection with rapidly declining spot prices of polysilicon, we recorded a \$137.0 million non-cash reserve charge on inventory. In 2009, we made further non-cash inventory write-downs totaling \$71.3 million against the net realizable value of inventories. Net realizable value of inventories is determined based on the estimated selling price of each class of the inventories in the ordinary course of business less estimated costs of completion and disposal and normal profit margin. If actual future demand or market conditions are less favorable than those projected by our management, additional inventory write-downs may be required.

Investments

Investments in marketable equity securities are classified as trading, available-for-sale, or held-to-maturity. Investments classified as “available-for-sale” are reported at fair value with unrealized gains and losses recorded in other comprehensive income (loss) until they are realized. We determine the realized gains and losses upon the

[Table of Contents](#)

sale of marketable equity securities using the specific identification cost method. Available-for-sale marketable securities are subject to periodic review to determine whether there is any impairment. Investments identified as being impaired are subject to further review to determine if the investment is other than temporarily impaired, in which case we would write down the investment to reflect the impairment and establish that amount as its new cost basis. We measure the fair value of our marketable securities using quoted prices for securities with similar characteristics and other observable inputs (such as interest rates that are observable at commonly quoted intervals) and we consider the effect of our counterparties' credit standings in these fair value measurements. Determining the observable market values most relevant to the measurement of the fair value of marketable securities and the further counterparties' credit risk adjustment, if needed, requires significant judgment. Changes in market conditions can also significantly affect the fair value measurements from period to period and can cause realized values to vary significantly from previous estimates.

Allowance for doubtful receivables and advances to suppliers

We maintain allowances for doubtful accounts and advances to suppliers primarily based on the age of receivables or advances and factors surrounding the credit risk of specific customers or suppliers. If there is a deterioration of a major customer or supplier's creditworthiness or actual defaults are higher than our historical experience, we may need to maintain additional allowances.

In order to secure a stable supply of silicon raw materials, we make advance payments to suppliers for raw material supplies. Advances to suppliers for purchases expected within twelve months as of each balance sheet date are recorded as advances to suppliers in current assets. Future balances are recorded in long-term advances to suppliers. As of December 31, 2008, 2009 and 2010, advances to suppliers in current assets were \$37.0 million, \$12.1 million and \$26.3 million, respectively, and long-term advances to suppliers for silicon raw material supplies were \$45.7 million, \$8.1 million and \$13.7 million, respectively. We do not require collateral or other security against our advances to suppliers. We perform ongoing credit evaluations on the financial condition of our suppliers. As a result, our claims for such prepayments are unsecured, which expose us to the suppliers' credit risk.

We establish an allowance for doubtful receivables mainly based on the age of receivables and factors surrounding the credit risk of specific customers. Allowances for doubtful receivables are comprised of allowances for account receivables, allowances for other receivables and allowances for advances to suppliers.

We made provisions for doubtful receivables and other receivable of in the aggregate amount of \$4.0 million, \$9.9 million and \$3.9 million for the years ended December 31, 2008, 2009 and 2010, respectively. We made a significant provision for doubtful receivables in 2009 primarily due to Linzhou Zhongsheng Semiconductor's failure in its obligations to deliver polysilicon to us in 2009. See"—Disposal of Equity Interest in Linzhou Zhongsheng Semiconductor" for more information.

Fair value measurement

On January 1, 2008, we adopted a new accounting guidance for fair value measurements. This guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (also referred to as an exit price). This guidance establishes a hierarchy for inputs used in measuring fair value that gives the highest priority to observable inputs and the lowest priority to unobservable inputs. Valuation techniques used to measure fair value shall maximize the use of observable inputs.

When available, we measure the fair value of financial instruments based on quoted market prices in active markets, valuation techniques that use observable market-based inputs or unobservable inputs that are corroborated by market data. When observable market prices are not readily available, we generally estimate the fair value using valuation techniques that rely on alternate market data or inputs that are generally less readily

observable from objective sources and are estimated based on pertinent information available at the time of the applicable reporting periods.

Derivative assets related to foreign currency forward contracts

We use foreign exchange forward contracts to hedge the foreign currency exchange risk inherent in the future cash flows associated with forecasted sales denominated in foreign currencies, mainly in U.S. dollar or euro.

We account for these forward contracts as derivative instruments and recognize all derivative instruments as either assets or liabilities at fair value in other financial assets or other financial liabilities in the consolidated balance sheets. We do not offset the carrying amounts of derivatives with the same counterparty.

We used foreign currency cash flow hedge accounting with respect to certain foreign-currency forward exchange contracts that we entered into hedge, for accounting purposes, changes in the cash flow of forecasted foreign currency denominated sales transactions within next two years attributable to changes in foreign currency exchange rate. When hedging relationships are highly effective, the effective portion of gain or loss on the derivative cash flow hedges is recorded in accumulated other comprehensive income, net of tax, until the underlying hedged transaction is recognized in the consolidated income statements. The ineffective portion of cash flow hedges, if any, is recognized in income immediately. The effectiveness of designated hedging relationships is tested and documented on at least quarterly basis. Our cash flow hedge is tested to be effective.

The loss from change in fair value of derivatives qualified for cash flow hedges reported in accumulated other comprehensive income was nil, nil and \$713,497 as of December 31, 2008, 2009 and 2010, respectively. The amount reclassified into revenue in 2010 was \$83,594. \$835,476 is expected to be reclassified into revenue within the next twelve months.

The other derivatives do not qualify for hedge accounting. Accordingly, gains or losses resulting from changes in the values of those derivative instruments are recognized in fair value change on derivatives. Net gain (loss) on derivative instruments from foreign currency forward exchange contracts was nil, (\$89,683) and \$7.1 million, in the years ended December 31, 2008, 2009 and 2010, respectively. As of December 31, 2010, we had outstanding foreign exchange forward contracts with a total notional amount of \$712.9 million, including \$151.4 million qualified for hedge accounting.

As of December 31, 2010, we had \$11.7 million derivative assets and \$3.0 million derivative liabilities in total, including \$0.8 million derivative assets and \$1.6 million derivative liabilities qualified for hedge accounting, respectively.

Valuation of Derivative Financial Instruments

Derivative instruments are principally used to manage currency exchange rate risk and are not used for speculative or trading purposes. There are two aspects of accounting for derivative instruments that require significant estimates and judgments: measuring the fair values of the derivative instruments and applying special "hedge accounting" rules. For example, we normally use commonly accepted discounted cash flow modeling techniques and third party pricing models that we believe produce the best estimates for the type of the financial instruments we hold. The inputs and assumptions used in the models reflect management's best estimate of assumptions that market participants would use in pricing the same or similar instruments in a current transaction as of the measurement date. We normally take into account key inputs, including the contract terms, interest rate yield curves, option volatility, and currency rates. Due to the nature of our financial instruments, the valuation methodologies we employ require specific inputs that do not necessitate significant judgments and a substantial majority of the inputs we use are normally readily observable and generally do not vary significantly by source.

[Table of Contents](#)

Had we based our estimates of key assumptions on different data representing other reasonably possible estimates, there would have been no material change in the valuations.

Derivative instruments are reported on the consolidated balance sheet at their fair values. See the notes to our consolidated financial statements for information about how measurement of the fair values of derivative instruments is performed. The types of derivative instruments are commonly used by many companies outside reliable sources for the information that are used as inputs to these valuation models. However, the selection of the valuation models and the inputs used in them still require the exercise of significant judgment. The amount that are used as valuation model inputs can change significantly from one period to another as markets fluctuate. This can cause the estimated fair value for any specific derivative instrument to vary significantly from one period to another.

Some of our derivative instruments are designated as cash-flow hedges. Under cash-flow hedge accounting, the “effective portion” of the change in fair value of the specified future cash flow that it hedges is recorded as a component of comprehensive income until the hedged cash flow affects the computation of current income. At that time, the “effective portion” of the net change in the fair value of the derivative instrument is reclassified to current income.

Among other things, cash flow hedge accounting requires testing of each hedging derivative instrument at the inception of the hedging relationship and at the end of each reporting period thereafter for its effectiveness in offsetting changes in the fair value of the hedged cash flow. If it is determined that the overall hedging relationship is ineffective, cash-flow hedge accounting for the derivative instrument is discontinued and all future amounts are recorded for future fair value changes in income. It also requires the measurement of any portion of the change in the fair value of the derivative instrument that is not effective in offsetting changes in the fair value of the hedged cash flow and to record that measured ineffectiveness in current income. Because of these requirements, estimates and judgments that affect the amounts that are used to measure for the fair value derivative instruments, and the hedged cash flows, can also have a significant impact on how presented changes in those fair values are reflected in the financial statements (current income versus other comprehensive income).

Segment Operations

Historically, we managed our business as a single operating segment engaged in the manufacturing and sale of solar power products, including solar wafers, cells and modules. In order to better manage and measure the performance of our module line of business, we grouped our business into two reportable segments:

- wafer sales segment, which involves the manufacture and sales of monocrystalline and multicrystalline solar wafers; and
- module sales segment, which involves the manufacture and sales of solar cells and modules.

The two segments are evaluated regularly by our management to decide how to allocate resources and to assess performance. We do not allocate operating expenses by segment.

We have sold solar modules since our acquisition of JC Solar in June 2009. JC Solar began its cell production in October 2008 and module production in November 2005 and had an annual cell manufacturing capacity of 240 MW and an annual module production capacity of 400 MW as of December 31, 2010. Although sales from our wafer segment will continue to be our dominant business, we believe that sales from our cell and module segment will represent a significant portion of our revenues and gross profit in the future. See “—Results of Operations” for a discussion of period-to-period comparison among the segments.

[Table of Contents](#)

Results of Operations

The following table sets forth a summary, for the periods indicated, of our consolidated results of operations with each item expressed as a percentage of our total net revenues.

	Year Ended December 31,					
	2008		2009		2010	
	(in thousands, except percentages)					
Net revenues	\$ 670,366	100.0%	\$ 510,405	100.0%	\$1,205,579	100.0%
Cost of revenues	(684,676)	(102.1)	(553,607)	(108.5)	(857,615)	(71.1)
Gross profit (loss)	(14,310)	(2.1)	(43,202)	(8.5)	347,964	28.9
Operating expenses:						
Sales and marketing	(620)	(0.1)	(5,399)	(1.1)	(8,360)	(0.7)
General and administrative	(23,194)	(3.5)	(29,084)	(5.7)	(43,314)	(3.6)
Research and development	(9,714)	(1.4)	(14,507)	(2.8)	(36,263)	(3.0)
Impairment loss on property, plant and equipment	(763)	(0.1)	—	—	—	—
Other operating (expenses) income	84	—	1,633	0.3	(14,083)	(1.2)
Total operating expenses	(34,207)	(5.1)	(47,356)	(9.3)	(102,020)	(8.5)
Income (loss) from operations	(48,516)	(7.2)	(90,558)	(17.7)	245,944	20.4
Non-operating income (expenses):						
Interest income	1,783	0.3	1,716	0.3	1,835	0.2
Interest expense	(11,869)	(1.8)	(17,122)	(3.4)	(23,246)	(1.9)
Foreign exchange (loss) gain	(3,097)	(0.5)	(1,433)	(0.3)	(1,814)	(0.2)
Gain on repurchase of convertible bonds	—	—	7,995	1.6	6	—
Fair value change on derivative	—	—	—	—	9,428	0.8
Investment income (loss)	—	—	—	—	(3,160)	(0.3)
Other-than-temporary impairment loss on available-for-sale investment	—	—	(13,367)	(2.6)	—	—
Total non-operating expenses	(13,183)	(2.0)	(22,211)	(4.4)	(16,950)	(1.4)
Income (loss) before income tax, noncontrolling interest and equity in earnings (loss) of investee	(61,700)	(9.2)	(112,770)	(22.1)	228,994	19.0
Income tax benefit (expense)	2,420	0.4	41,156	8.1	(59,998)	(5.0)
Equity in earnings (loss) of investee, net of tax	5,175	0.8	(291)	(0.1)	—	—
Net income (loss)	(54,104)	(8.1)	(71,904)	(14.1)	168,996	14.0
Net loss attributable to noncontrolling interests	(802)	(0.1)	—	—	—	—
Net income (loss) attributable to holders of common shares	\$ (54,906)	(8.2)%	\$ (71,904)	(14.1)%	\$ 168,996	14.0%

Year Ended December 31, 2010 Compared to Year Ended December 31, 2009

Net revenues. Our net revenues increased significantly from \$510.4 million in 2009 to \$1,205.6 million in 2010 primarily due to an increase in the volume of our solar power product sales, partially offset by a decline in the average selling prices of our products. In 2010, we shipped 1,182.8 MW of solar power products, representing an increase of 124.6% from 526.6 MW in 2009.

[Table of Contents](#)

Net revenues were \$911.9 million for our wafer sales segment and \$540.5 million for our module sales segment in 2010, compared to \$470.3 million for our wafer sales segment and \$57.5 million for our module sales segment in 2009. These figures include net revenues generated from intercompany transactions between our wafer sales segment and our module sales segment in 2009 and 2010. Please see footnote 19 to our audited consolidated financial statements included elsewhere in this report. The increases in net revenue in both segments were due to the expansion of our business to satisfy greater demand for our solar power products. However, average selling prices of our solar wafers sold to third parties and solar modules decreased in 2010 as compared to 2009, primarily due to general industry trends and decreases in polysilicon prices. Revenues from wafer processing comprised 5.4% of our total wafer sales and revenues from module processing comprised 7.9% of our total module and cell sales in 2010.

Cost of revenues. Our cost of revenues increased from \$553.6 million in 2009 to \$857.6 million in 2010 primarily due to our strong solar wafer and module products sales, as well as an increase in polysilicon prices. Despite the increase in polysilicon prices, we were able to reduce our silicon consumption rate from 6.0 grams per watt in the second half of 2009 to 5.8 grams per watt in the second half of 2010 through continuous technology innovations and improvements in operational efficiency, achieving one of the lowest silicon consumption rates in the industry to our knowledge. Improved productivity through equipment customization and cost reduction initiatives enabled us to significantly reduce our non-silicon wafer processing cost to an average of \$0.24 per watt in the fourth quarter of 2010 from an average of \$0.33 per watt in the fourth quarter of 2009.

Cost of revenues for our wafer sales segment increased from \$525.8 million in 2009 to \$641.6 million in 2010 primarily due to an increase in our net revenues. Cost of revenues for our module sales segment increased significantly from \$46.2 million in 2009 to \$459.9 million in 2010 primarily due to increases in expenditures in raw materials as a result of the rapid expansion of our solar modules business. These figures include cost of revenues for intercompany transactions between our wafer sales segment and our module sales segment in 2009 and 2010. Please see footnote 19 to our audited consolidated financial statements included elsewhere in this report.

Gross profit (loss). Gross profit for 2010 was \$348.0 million, compared to gross loss of \$43.2 million for 2009. Gross margin for 2010 was 28.9%, compared to negative 8.5% for 2009. The increase in gross margin was primarily due to an overall wafer processing cost reduction to an average of \$0.24 per watt and a large decrease in polysilicon cost to between \$55 and \$60 per kilogram.

Gross profit from our wafer sales segment in 2010 was \$270.3 million, compared to a gross loss of \$55.4 million in 2009. Gross margin from our wafer sales segment for 2010 was 29.6%, compared to negative 11.8% for 2009. Gross profit from our module sales segment increased significantly from \$11.3 million in 2009 to \$80.5 million in 2010 primarily due to the rapid expansion of our solar modules business. Gross margin from our module sales segment for 2010 was 14.9%, compared to 19.6% for 2009. These figures include gross profit from intercompany transactions between our wafer sales segment and our module sales segment in 2009 and 2010. Please see footnote 19 to our audited consolidated financial statements included elsewhere in this report.

Sales and marketing expenses. Sales and marketing expenses increased from \$5.4 million in 2009 to \$8.4 million in 2010 primarily due to an increase in warranty provision for solar modules as a result of significant increases in the sale of solar modules. Other selling expenses increased due to costs associated with growing our solar power products business, such as for increased marketing efforts and overseas expansion. Selling expenses as a percentage of net revenues decreased from 1.1% to 0.7%.

General and administrative expenses. General and administrative expenses increased from \$29.1 million in 2009 to \$43.3 million in 2010 primarily due to increased salaries and benefits from increased headcount and compliance related consulting and professional fees, as well as share-based compensation expenses for option grants to our personnel. General and administrative expenses as a percentage of net revenues decreased from 5.7% to 3.6%.

[Table of Contents](#)

Research and development expenses. Research and development expenses increased from \$14.5 million in 2009 to \$36.3 million in 2010 primarily due to increased headcount for and expenditures in research and development projects to reduce processing cost, enhance the quality of our products and improve the utilization rate of our production equipment. Research and development expenses as a percentage of net revenues increased from 2.8% to 3.0%.

Interest income and expenses. Our interest income increased from \$1.7 million in 2009 to \$1.8 million in 2010, primarily due to more cash in interest-bearing bank deposits. Interest expense increased from \$17.1 million in 2009 to \$23.7 million in 2010, primarily due to increased lending rates.

Foreign exchange loss, net. Our foreign exchange loss for 2010 was \$1.8 million, compared to a foreign exchange loss of \$1.4 million in 2009. The change was due to appreciation of the RMB in 2010 against other currencies used in our transactions during 2010, such as the U.S. dollar and euro, and volatility in the value of the euro.

Other-than-temporary impairment loss on available-for-sale investment. In 2010 and 2009, we had an other-than-temporary impairment loss on available-for-sale investment of nil and \$13.4 million, respectively, as a result of the decline in the fair value of our available-for-sale equity interest in our investee.

Income tax expense (benefit). Our income tax expense for 2010 was \$60.0 million, compared to an income tax benefit of \$41.2 million in 2009, primarily due to increased profitability. It also includes a write-back of deferred tax assets of \$5.5 million in the fourth quarter of 2010 to adjust deferred tax credits accumulated in 2009. Our effective tax rates in 2009 and 2010 were 36.4% and 26.2%, respectively.

Net income (loss) attributable to holders of common shares. As a result of the foregoing, we had a net income attributable to holders of common shares of \$169.0 million in 2010, compared to a net loss of \$71.9 million in 2009.

Year Ended December 31, 2009 Compared to Year Ended December 31, 2008

Net revenues. Our net revenues decreased from \$670.4 million in 2008 to \$510.4 million in 2009 primarily due to the decline in the average selling prices of our products, offset by an increase in the volume of our product sales. In 2009, we shipped 526.6 MW of solar power products, representing an increase of 50.4% from 350.1 MW in 2008.

In 2009, net revenues were \$470.3 million for our wafer sales segment and \$57.5 million for our module sales segment, compared to \$661.5 million for our wafer sales segment and \$8.9 million for our module sales segment in 2008. These figures include net revenues generated from intercompany transactions between our wafer sales segment and our module sales segment in 2009. Please see footnote 19 to our audited consolidated financial statements included elsewhere in this report. The decline in the average selling prices of our products was due to the substantial decrease in the selling prices of our solar wafers sold to third parties. Revenues from wafer processing comprised 4.9% of our total wafer sales in 2009, compared to 13.6% in 2008.

Cost of revenues. Our cost of revenues decreased from \$684.7 million in 2008 to \$553.6 million in 2009 primarily due to the decrease in polysilicon price and non-polysilicon processing cost as well as the increased utilization of our facilities. Cost of revenues for our wafer sales segment decreased from \$676.0 million in 2008 to \$525.8 million in 2009. Cost of revenue for our module sale segment increased significantly from \$8.7 million in 2008 to \$46.2 million in 2009. These figures include cost of revenues for intercompany transactions between our wafer sales segment and our module sales segment in 2009. Please see footnote 19 to our audited consolidated financial statements included elsewhere in this report. We wrote off our high cost inventories by the end of 2009 with a carrying cost of below \$60 per kg and also reduced our average non-silicon wafer processing cost significantly to approximately \$0.33 per watt.

[Table of Contents](#)

Gross loss. Gross loss for 2009 was \$43.2 million, compared to gross loss of \$14.3 million for 2008. We had a gross loss of \$55.4 million for our wafer sales segment and a gross profit of \$11.3 million for our module sales segment in 2009. Gross margin for 2009 was negative 8.5%, compared to negative 2.1% in 2008. These figures include gross profit from intercompany transactions between our wafer sales segment and our module sales segment in 2009. Please see footnote 19 to our audited consolidated financial statements included elsewhere in this report. The decrease in gross margin from 2008 to 2009 was primarily due to the significant decrease in wafer average selling prices and the write-off of our inventories.

Sales and marketing expenses. Sales and marketing expenses increased from \$0.6 million in 2008 to \$5.4 million in 2009 primarily due to the amortization of customer relationship and backlog revaluation we recorded as intangible assets related to the acquisition of JC Solar.

General and administrative expenses. General and administrative expenses increased from \$23.2 million in 2008 to \$29.1 million in 2009 primarily due to the non-cash provision for a receivable due from Linzhou Zhongsheng Semiconductor, as well as an increase in compensation expenses relating to our options granted in 2009.

Research and development expenses. Research and development expenses increased from \$9.7 million in 2008 to \$14.5 million in 2009 primarily due to the increased expenditures in research and development in order to reduce processing cost, enhance the quality of our products and improve the utilization rate of our production equipment.

Interest income and expenses. Our interest income decreased from \$1.8 million in 2008 to \$1.7 million in 2009, as a result of a reduced amount of cash in interest-bearing bank deposits. Interest expense increased from \$11.9 million in 2008 to \$17.1 million in 2009, primarily due to the increased balance in bank borrowings.

Foreign exchange loss, net. Our foreign exchange loss for 2009 was \$1.4 million, compared to a foreign exchange loss of \$3.1 million in 2008. The change was due to slower appreciation of the RMB in 2009 against other currencies used in our transactions during 2009, such as the U.S. dollar and Euro.

Other-than-temporary impairment loss on available-for-sale investment. In 2009, we had an other-than-temporary impairment loss on available-for-sale investment of \$13.4 million as a result of the decline in the fair value of our available-for-sale equity interest in the Investee.

Income tax benefit. Our income tax benefit for 2009 was \$41.2 million, compared to an income tax benefit of \$2.4 million in 2008. The increase in 2009 compared to 2008 was primarily due to an increase in our accumulated loss.

Net loss attributable to holders of common shares. As a result of the foregoing, our net loss increased from \$54.9 million in 2008 to a \$71.9 million in 2009.

B. Liquidity and Capital Resources

Liquidity and Capital Resources

We have financed our operations primarily through short-term borrowings, long-term borrowings, proceeds from our equity offerings on the NYSE, the proceeds from our convertible bond offering, which we redeemed in the first quarter of 2010, and cash generated from operations. As of December 31, 2008, 2009 and 2010, we had \$112.3 million, \$106.8 million and \$290.7 million, respectively, in cash and cash equivalents, and \$224.8 million, \$547.9 million and \$522.3 million, respectively, in outstanding borrowings. In 2008, 2009 and 2010, we had bank credit facilities of \$463.2 million, \$649.3 million and \$826.6 million, respectively, of which \$241.5 million, \$527.1 million and \$580.9 million, respectively, had been drawn down. As of December 31, 2008, 2009 and 2010, \$221.7 million, \$122.2 million and \$245.7 million were available under these facilities. The bank facilities are renewable annually.

[Table of Contents](#)

As of December 31, 2008, 2009 and 2010, we had outstanding short-term borrowings of \$192.0 million, \$358.6 million and \$400.8 million, respectively. These short-term borrowings will expire at various times throughout 2011. Our short-term borrowings outstanding as of December 31, 2008, 2009 and 2010 were denominated in RMB, USD and euro and bore a weighted average interest rate of 6.49%, 4.89%, and 4.72%, respectively. Some of our short-term borrowings are secured by our inventories, facilities and equipment. We have other short-term borrowings guaranteed by Mr. Li, our chief executive officer and director, and his wife. Furthermore, according to certain loan agreements, our operating subsidiary Zhejiang Yuhui is not permitted to pay dividends for any given year if it has no after-tax profit, or if it has any principal or interest due in that year which has not been paid. Although we have increased our level of short-term bank borrowings to meet our working capital, capital expenditures or other corporate uses, we have not experienced any financial difficulty with respect to repayment of our borrowings. Part of our short-term borrowings is trade financing and can be rolled over. As most of our banking facilities were obtained from various reputable commercial banks and our credit history has been recognized by various PRC financial institutions, our access to the credit market has not been materially and adversely affected by the recent economic crisis.

As of December 31, 2010, \$117.9 million of our outstanding short-term borrowings was trade financing and could be rolled over. We have historically been able to obtain extensions of our short-term credit facilities before they mature. The majority of our short-term borrowings are provided by some of the largest banks in China which remain financially sound. Historically, most of these Chinese banks, when requested, have extended the terms of their credit facilities before the maturity dates of the outstanding borrowings. We believe our ability to extend our short-term credit facilities prior to their maturity remains strong in the current credit environment, and do not believe such conditions will impact our ability to obtain extensions or alternative financing from our Chinese bank lenders. In the event we are unable to obtain extensions of these facilities or alternative funding in the future, we plan to repay these short-term bank borrowings with our cash on hand, short term investments, cash generated by our operating activities as well as other equity or debt issuances.

As of December 31, 2008, 2009 and 2010, we had outstanding long-term borrowings with maturity dates more than one year in the future of \$32.8 million, \$189.3 million and \$121.5 million, respectively.

We obtained five long-term loans from Industrial and Commercial Bank of China of RMB35 million in April 2008, RMB50 million in March 2009, RMB50 million in March 2009, RMB100 million in September 2009 and RMB14 million (\$2.1 million) in April 2010, to be repaid by March 2011, February 2012, May 2011, September 2012 and March 2012, respectively. We obtained three long-term loans from Agricultural Bank of China of RMB30 million in February 2009, RMB30 million in March 2009, and RMB27 million in March 2009, respectively. In February 2011, we renegotiated these loans into a one-year loan of RMB47 million (\$7.1 million) and a two-year loan of RMB40 million (\$6.1 million). In December 2010, we obtained from Agricultural Bank of China another loan of RMB13 million (\$2.0 million), to be repaid in November 2012. We obtained four long-term loans from China Construction Bank of RMB450 million in January 2009, RMB150 million in June 2009, RMB190 million in June 2009 and RMB10 million in June 2009, respectively, under a RMB800 million loan agreement entered into in January with a term of five years. We repaid RMB100 (\$15.1 million) of these loans in December 2010 and the remainder will be repaid based on the agreed repayment schedule, with the final amount to be repaid in December 2013. These loans are to be used to finance the construction of our polysilicon production facility in Meishan, Sichuan Province. We also obtained another two long-term loans from China Construction Bank of RMB60 million in October 2009, to be repaid in October 2011 and RMB30 million (\$4.5 million) in April 2010, to be repaid in April 2012. We obtained a long-term loan from Standard Chartered Bank of RMB210 million in November 2009 with the final amount due for repayment in November 2011. As of February 2011, we repaid RMB79.8 million (\$12.1 million). This loan is to be used to purchase polysilicon supplies and as working capital. We obtained a long-term loan from Bank of Jiangsu in June 2010 of RMB125 million (\$18.9 million), of which RMB50 million (\$7.6 million) is due in December 2011 and the remaining RMB75 million (\$11.4 million) is due in December 2012.

Interest rates are variable for certain portions of the long-term loans, and are updated every three months, once a year or according to a predetermined schedule based on the applicable benchmark interest rate set by the

[Table of Contents](#)

People's Bank of China. Long-term loans in the amount of \$93.7 million, \$88.2 million and \$33.3 million will be due for repayment upon maturity in 2011, 2012 and 2013, respectively. The weighted average interest rate for our long-term loans was approximately 6.3% in 2010. Some of the above long-term loans are unsecured. Many of the long-term loans, however, provide for one or more of various forms of security, including mortgages over our accounts receivable, inventories, land use rights, property, plant and equipment, and guarantees provided by Mr. Li, our director and chief executive officer, and his family.

Some of our long-term loan agreements contain financial covenants, including maintenance of certain minimum levels of net assets and debt to asset ratio, and restrictive covenants that limit our ability to, among other things, (1) provide guarantees, pledges or mortgages on our operating assets in any manner that will increase risks to the lenders, (2) repay shareholders loans or loans from our related parties, and (3) distribute dividends to shareholders. Our most restrictive covenants require us to maintain minimum levels of net assets and debt to asset ratios of RMB1.3 billion and 75%. In addition, under the terms of our RMB800 million loan agreement with a term of five years with China Construction Bank, we have undertaken to the bank that the gross profit margin of our subsidiary Sichuan ReneSola will be at or above the lowest gross profit margin of companies in the global polysilicon industry as stated in a report to be provided by one of the big-four accounting firms. We believe that because Sichuan ReneSola's operations were still in trial production in 2009, we were not subject to such undertaking in 2010 despite the negative gross profit margin Sichuan ReneSola recorded in 2009. We have obtained a letter from the bank confirming this understanding. Although a formal report will not be provided by a big four accounting firm until June 2011, we believe our gross profit margin of 15.0% from Sichuan ReneSola in the fourth quarter of 2010 was higher than the lowest gross profit margin of companies in the global polysilicon industry. Sichuan ReneSola has also undertaken not to sell its products on credit. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Business—Restrictive covenants and undertakings under our bank loans may limit the manner in which we operate and an event of default under the loan may adversely affect our operations."

In August 2006, we raised net proceeds of \$46.3 million from share issuances in connection with our admission to AIM. We issued RMB928,700,000 U.S. dollar settled 1% convertible bonds due 2012 in March 2007. The bonds were convertible into our shares at an initial conversion price of £5.74 per share, subject to certain adjustments. The maturity of the convertible bonds was on March 26, 2012 at 105.9% of their principal amount plus accrued interest. We had the option to redeem the bonds at any time on or after March 26, 2009, at a premium giving holders a yield of 2.125% per annum, compounded semi-annually, plus accrued interest. During 2009, we repurchased RMB713.9 million aggregate principal amount of our convertible bonds using a combination of \$84.1 million in cash and the issuance of 4,000,000 ordinary shares. As of December 31, 2009, the carrying value of our convertible bonds was \$32.5 million. We redeemed the remaining balance of \$32.5 million in the first quarter of 2010, and there are currently no convertible bonds outstanding.

In October 2009, we closed a follow-on public offering of 15.5 million ADSs for a net proceeds of approximately \$68.1 million after deducting discounts and commissions but before offering expenses.

We have significant working capital commitments because many of our suppliers of silicon raw materials require us to make prepayments in advance of shipment. Due to the volatility of the price of polysilicon, working capital and access to financing to allow for the purchase of silicon raw materials are critical to growing our business. Our short-term borrowings have increased primarily as a result of our need to fund our expanded working capital, including advances to suppliers and increases in our inventory. Our advances to suppliers decreased from \$82.7 million as of December 31, 2008 to \$20.2 million as of December 31, 2009, but increased to \$40.1 million as of December 31, 2010 due to the growth of our business. In 2011, we plan to manage optimal levels of inventory in order to preserve cash, manage our debt levels and meet our working capital requirements. We do not require collateral or other security against our advances to suppliers. As the result, our claims for such prepayments are unsecured, which exposes us to the suppliers' credit risk. We perform ongoing credit evaluations of the financial condition of its suppliers.

Our accounts receivable increased from \$43.2 million as of December 31, 2008 to \$108.0 million as of December 31, 2009, but decreased to \$81.5 million as of December 31, 2010. The decrease in our accounts

[Table of Contents](#)

receivable as of December 31, 2010 compared to December 31, 2009 was primarily due to the recovery in demand for solar power products, which decreased the need to provide longer credit terms to our customers and increased the number of sales transactions for which we received cash before delivery of products, which are recorded as advances from customers. For customers to whom credit terms are extended, we assess a number of factors to determine whether collection from them is reasonably assured, including past transaction history with them and their credit-worthiness. The increase in our accounts receivable as of December 31, 2009 compared to December 31, 2008 was primarily due to the significant expansion of our solar wafer sales and longer credit terms to customers.

The following table sets forth a summary of our cash flows for the periods indicated:

	Year Ended December 31,		
	2008	2009 (in thousands)	2010
Net cash (used in) provided by operating activities	\$ (34,814)	\$ (53,678)	\$ 403,170
Net cash used in investing activities	(336,201)	(257,669)	(151,271)
Net cash provided by (used in) financing activities	422,229	305,753	(72,813)
Net increase (decrease) in cash and cash equivalents	59,197	(5,526)	183,894
Cash and cash equivalents at the beginning of the year	53,137	112,334	106,808
Cash and cash equivalents at the end of the year	\$ 112,334	\$ 106,808	\$ 290,702

Operating activities

Net cash provided by operating activities in 2010 was \$403.2 million, primarily due to (i) a net income of \$169.0 million in 2010, (ii) a decrease in accounts receivables of \$26.9 million due to more advanced cash payments and shorter credit terms to customers as the demand for solar power products recovered, (iii) an increase in deferred tax assets of \$44.3 million, (iv) an increase in accounts payable of \$121.5 million due to longer payment terms granted by our suppliers and more purchases of raw materials as our sales grew and (v) an increase in other current liabilities of \$18.9 million due to our purchases of equipment, offset by an increase in advances to suppliers of \$32.4 million due to an increase in our purchase of silicon raw materials as our business grew and an increase in inventories of \$28.4 million as our business and capacity expanded.

Net cash used in operating activities in 2009 was \$53.7 million, primarily due to (i) an increase in accounts receivables of \$62.7 million due to the significant expansion of our solar wafer sales and longer credit terms to customers in order to promote sales, (ii) an increase in deferred tax assets of \$43.9 million, (iii) an increase in VAT recoverable of \$33.4 million due to the extra VAT credits accumulated as a result of higher raw materials and fixed assets prices applied against our revenues in 2009, and (iv) a decrease in advances from customers of \$23.2 million due to the decline in the average selling prices of our products, offset by an increase in accounts payable due to longer payment terms granted by our suppliers and a decrease in advances to suppliers due to a decrease in the price of polysilicon.

Net cash used in operating activities in 2008 was \$34.8 million, primarily due to (i) an increase in inventories of \$204.8 million as our business and capacity expanded, (ii) an increase in credit granted to our customers of \$34.9 million due to our increased sales, (iii) an increase of long-term polysilicon procurement advances of \$9.3 million, and (iv) increases in VAT recoverable and prepayment expenses and other current assets. The cash outflow was offset in part by an increase in advances from customers of \$89.9 million due to long-term sales contracts, a decrease in amount paid to related parties of \$29.3 million, as well as an increase in accounts payable of \$23.2 million due to longer payment terms granted to us by our suppliers.

Investing activities

Net cash used in investing activities in 2010 was \$151.3 million, primarily due to property, plant and equipment expenditures comprising mainly of purchases of wafer production equipment, polysilicon production equipment, cell and module production equipment, and construction of related facilities.

[Table of Contents](#)

Net cash used in investing activities in 2009 was \$257.7 million, primarily due to property, plant and equipment expenditures of \$225.8 million comprising mainly purchases of wafer production equipment, polysilicon production equipment, cell and module production equipment, and construction of related facilities, as well as the acquisition of JC Solar for \$16.8 million.

Net cash used in investing activities in 2008 was \$336.2 million, primarily due to property, plant and equipment expenditures of \$208.3 million, comprising mainly of purchases of wafer production equipment, and prepayments for polysilicon production equipment of \$129.0 million, partially offset by a government cash subsidy of \$6.0 million received for purchasing equipment and proceeds of the disposal of our investment in Linzhou Zhongsheng Semiconductor of \$6.3 million.

Financing activities

Net cash used in financing activities was \$72.8 million in 2010, primarily due to (i) net cash outflow of \$43.2 million from repayment of bank borrowings and new bank borrowings and (ii) the repurchase of our convertible bonds of \$32.7 million.

Net cash provided by financing activities was \$305.8 million in 2009, primarily due to (i) net proceeds from bank borrowing amounting \$321.5 million, and (ii) net proceeds of \$68.4 million from our follow-on offering completed in October 2009, partially offset by the repurchase of our convertible bonds amounting to \$84.1 million.

Net cash provided by financing activities in 2008 was \$422.2 million, primarily due to net proceeds of \$294.0 million received from our initial public offering on the NYSE in January 2008 and the follow-on offering completed in June 2008, and \$269.5 million from the net proceeds from bank borrowings, partially offset by the repayment of \$141.4 million in bank borrowings.

Restrictions on cash dividends

For a discussion on the ability of our subsidiaries to transfer funds to our company and the impact this has on our ability to meet our cash obligations, see “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—We rely on dividends paid by our subsidiary for our cash needs,” “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—Under the Enterprise Income Tax Law, dividends payable by us and gains on the disposition of our shares or ADSs could be subject to PRC taxation,” and “Item 4. Information on the Company—B. Business Overview—Regulation—Regulation of Foreign Currency Exchange and Dividend Distribution.”

Capital Expenditures

We had capital expenditures of \$337.3 million, \$225.8 million and \$157.1 million in 2008, 2009 and 2010, respectively. We had advances for purchases of property, plant and equipment of \$161.7 million, \$20.8 million and \$26.9 million as of December 31, 2008, 2009 and 2010, respectively. As of December 31, 2008, 2009 and 2010, commitments outstanding for purchases of property, plant and equipment were \$254.2 million, \$77.5 million and \$51.2 million, respectively. Our capital expenditures were used primarily to build our polysilicon manufacturing plant in Meishan, Sichuan Province, wafer and ingot manufacturing plants in Jiashan, Zhejiang Province, and cell and module manufacturing plant in Yixing, Jiangsu Province, to purchase production equipment and to acquire land-use rights for each of the plants.

As of December 31, 2010, we had an annual wafer manufacturing capacity of approximately 1,300 MW, consisting of monocrystalline wafer manufacturing capacity of approximately 400 MW and multicrystalline wafer manufacturing capacity of approximately 900 MW. We plan to expand our annual wafer manufacturing capacity to approximately 1,900 MW, consisting of monocrystalline wafer manufacturing capacity of

[Table of Contents](#)

approximately 400 MW and multicrystalline wafer manufacturing capacity of approximately 1,500 MW by the end of 2011. Our planned manufacturing capacities for 2011 are calculated using the adjusted methodology effective January 1, 2010, which is based on an efficiency rate of 17.4% for monocrystalline wafers and 16.0% for multicrystalline wafers. Due to the current volatile market conditions, we cannot assure you that we will achieve our expansion plan. See “Item 3. Key Information—D. Risk Factors—Risks Related to Our Business—Our dependence on a limited number of third-party suppliers for key manufacturing equipment and spare parts could prevent us from the timely fulfillment of customer orders and successful execution of our expansion plan.”

We believe that our current cash and cash equivalents, anticipated cash flows from our operations and bank borrowings will be sufficient to meet our anticipated cash needs in 2011 based on current capital expenditure and operation plans. We may, however, require additional cash due to changing business conditions or other future developments, including any investments or acquisitions we have decided or may decide to pursue. If our existing cash is insufficient to meet our requirements, we may seek to sell additional equity securities, debt securities or borrow from lending institutions.

Recent Accounting Pronouncements

In October 2009, the FASB issued ASU 2009-13, “Revenue Recognition (Topic 605)—Multiple-Deliverable Revenue Arrangements” (previously EITF 08-1, “Revenue Arrangements with Multiple Deliverables”). This ASU addresses the accounting for multiple-deliverable arrangements to enable vendors to account for products or services (deliverables) separately rather than as a combined unit. Specifically, this guidance amends the criteria for separating consideration in multiple-deliverable arrangements. This guidance establishes a selling price hierarchy for determining the selling price of a deliverable, which is based on: (a) vendor-specific objective evidence; (b) third-party evidence; or (c) estimates. This guidance also eliminates the residual method of allocation and requires that arrangement consideration be allocated at the inception of the arrangement to all deliverables using the relative selling price method. In addition, this guidance significantly expands required disclosures related to a vendor’s multiple-deliverable revenue arrangements. This accounting standard will be effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. Early adoption is permitted. The Company did not early adopt ASU 2009-13.

In January 2010, the FASB issued ASU 2010-06, Consolidation (Topic 810)—Accounting and Reporting—Improving Disclosures about Fair Value Measurement”. ASU 2010-06 amends ASC820 (previously SFAS 157) to add new requirements for disclosures about (1) the different classes of assets and liabilities measured at fair value, (2) the valuation techniques and inputs used, (3) the activity in Level 3 fair value measurements, and (4) the transfers between Levels 1, 2, and 3. The guidance in ASU 2010-06 is effective for the first reporting period beginning after December 15, 2009, except for the requirement to provide the Level 3 activity of purchases, sales, issuances, and settlements on a gross basis, which will be effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. In the period of initial adoption, entities will not be required to provide the amended disclosures for any previous periods presented for comparative purposes. However, those disclosures are required for periods ending after initial adoption. Early adoption is permitted. The Company did not early adopt ASU 2010-06.

In April 2010, the FASB issued ASU 2010-13, “Compensation (Topic 718)—Stock Compensation”. This ASU addresses the classification of an employee share-based payment award with an exercise price denominated in the currency of a market in which the underlying equity security trade. FASB Accounting Standards Codification Topic 718, Compensation—Stock Compensation, provides guidance on the classification of a share-based payment award as either equity or a liability. A share-based payment award that contains a condition that is not a market, performance, or service condition is required to be classified as a liability. Under Topic 718, awards of equity share options granted to an employee of an entity’s foreign operation that provide a fixed exercise price denominated in (1) the foreign operation’s functional currency or (2) the currency in which the employee’s pay is denominated should not be considered to contain a condition that is not a market, performance, or service condition. However, U.S generally accepted accounting principles (GAAP) do not specify whether a share-based payment award with an exercise price denominated in the currency of a market in

which the underlying equity security trades has a market, performance, or service condition. Diversity in practice has developed on the interpretation of whether such an award should be classified as a liability when the exercise price is not denominated in either the foreign operation's functional currency or the currency in which the employee's pay is denominated. The adoption of this ASU did not have a material impact on the Company's consolidated financial statements and related disclosures.

C. Research and Development, Patents and Licenses, Etc.

Research and Development

We focus our research and development efforts on improving our manufacturing efficiency and the quality of our products. As of December 31, 2010, our research and development team consisted of 105 experienced researchers and engineers. In addition, some of our manufacturing employees regularly participate in our research and development programs. A part of our research and development is conducted at our solar power technology development center, which is outfitted with advanced equipment for the research of solar power.

We have developed a variety of proprietary methods for producing ingots and wafers, including a special chemical doping formula for wafers to produce high-efficiency, low-degradation solar cells, a new casting process for multicrystalline solar wafers to increase solar cell conversion efficiency, and a customized monocrystalline hot-zone using simulation technology to reduce oxygen content and power consumption for high efficiency and low degradation. Other notable improvements include our increase in the utilization of recycled slurry and our use of unique bi-directional cutting technology to reduce steel wire consumption. These and other innovations enable us to increase the yield of our ingots, reduce our electricity costs and enhance the utilization rate of our furnaces and consumables, such as graphite, carbon fiber, steel wire and slurry.

In January 2011, we announced the development of the Virtus Wafer, a new multicrystalline wafer that improves solar cell efficiency. The Virtus Wafer, which has been endorsed by several leading global solar cell manufacturers, achieves an average cell conversion efficiency rate of 17.5%, more than 1% higher than the industry-standard cell conversion efficiency rate for cells using multicrystalline wafers. We intend to commence pilot production of the Virtus Wafer in the first half of 2011.

We plan to continue to devote substantial resources to research and development in order to further improve our manufacturing processes, reduce manufacturing costs and increase product performance. We plan to focus our research and development in the following areas:

- *Solar wafer manufacturing.* We will continue to reduce the cost of manufacturing solar wafers by, among other improvements, speeding up the ingot-pulling speed, optimizing our manufacturing equipment and process routine, upgrading from manual programs to semi-automatic or automatic programs, increasing the purity of the ingots we produce, slicing thinner wafers, reducing wafer breakage rates, and enhancing the processes to reduce quality control cost. We also plan to expand our slurry recycling program to reduce the amount of slurry we need to procure from third parties.
- *Polysilicon production.* We are seeking to fine-tune the closed-loop modified Siemens process system at our Meishan polysilicon manufacturing facility to reduce production costs. We plan to reduce production costs by shortening the overall processing time, modifying the TCS production process, and improving the recycling conversion ratio for converting by-products into TCS.
- *Solar cell manufacturing.* We will continue to develop technologies to manufacture high-conversion efficiency solar cells with improved performance. As of December 31, 2010, we were able to achieve conversion efficiency rates of 17.4% for monocrystalline cells and 16.0% for multicrystalline cells manufactured using our solar wafers.
- *Solar module manufacturing.* We will continue to improve the process of module manufacturing by shortening the lamination time to reduce time and power consumption. We will also improve the structure of the module frame to reduce the adhesive sealant on the front side of the module and reduce the time for cleaning the module. We will consider using tempered glass with anti-reflecting film on the module to increase the module efficiency.

[Table of Contents](#)

We have spent considerable resources on improving our equipment by collaborating with a domestic equipment maker in China for the first time to develop a customized multicrystalline furnace.

In each of the three years ended December 31, 2008, 2009 and 2010, our research and development expenses were approximately \$9.7 million, \$14.5 million and \$36.3 million, respectively.

Intellectual Property

As of February 28, 2011, we had 11 patents and 36 pending patent applications in China. These patents and patent applications relate to the technologies utilized in our manufacturing processes. We intend to continue to assess appropriate opportunities for patent protection of critical aspects of our technologies. Our patents and our pending patent applications relate to improvements of the recycling, sorting and purification of silicon raw materials, ingot casting and wafer slicing processes.

We also rely on a combination of trade secrets and employee contractual protections to establish and protect our proprietary rights. We believe that many elements of our solar power products and manufacturing processes involve proprietary know-how, technology or data that are not covered by patents or patent applications, including technical processes, equipment designs, algorithms and procedures. We take security measures to protect these elements. All of our research and development personnel have entered into confidentiality agreements with us. These agreements address intellectual property protection issues and require our employees to assign to us all of the inventions, designs and technologies that they develop when utilizing our resources or when performing their employment-related duties.

We filed trademark registration applications for “ReneSola” and relevant designs with the PRC Trademark Office and U.S. Patent and Trademark Office in 2006, and with the Korean Intellectual Property Office, the Japan Patent Office and EU Office of Harmonization for the Internal Market in 2007. The trademark of “ReneSola” has been separately registered with the EU office of Harmonization for the Internal Market on January 10, 2007 for a period of ten years, with the Japan Patent Office on June 22, 2007 for a period of 10 years, with the Korean Intellectual Property Office on October 8, 2008 and December 13, 2008 for two applications of different commodity category, respectively, both for a period of 10 years, with the U.S. Patent and Trademark Office on October 28, 2008 for a period of 10 years and with the PRC Trademark office on May 21, 2009 for a period of 10 years.

D. Trend Information

Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events for the period from January 1, 2010 to December 31, 2010 that are reasonably likely to have a material adverse effect on our net revenues, income, profitability, liquidity or capital resources, or that would cause reported financial information not necessarily to be indicative of future operating results or financial conditions.

E. Off-balance Sheet Arrangements

As of December 31, 2010, we did not have any off-balance sheet arrangements that had or were reasonably likely to have a current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

F. Tabular Disclosure of Contractual Obligations

The following table sets forth our contractual obligations as of December 31, 2010:

<u>Contractual Obligations</u>	<u>Payments Due by Period</u>			
	<u>Total</u>	<u>Less than 1 year</u>	<u>1-3 years</u>	<u>3-5 years</u>
Long-term borrowings ⁽¹⁾	138,168	—	138,168	—
Purchase obligations ⁽²⁾	390,902	70,054	244,388	76,460
Total	529,070	70,054	382,556	76,460

Table of Contents

- (1) Include estimated interest payable under contract terms.
- (2) Includes commitments to purchase production equipment and payment obligations under construction contracts.

For information relating to our long-term loans, including their maturity profiles and provisions that accelerate repayment obligations, see “—B. Liquidity and Capital Resources.”

G. Safe Harbor

We make “forward-looking statements” throughout this annual report, such as our expected manufacturing capacity in 2011 and our estimated average selling prices of our wafer products in 2011. Whenever you read a statement that is not simply a statement of historical fact (such as when we describe what we “believe,” “expect” or “anticipate” will occur, what “will” or “could” happen, and other similar statements), you must remember that our expectations may not be correct, even though we believe that they are reasonable. We do not guarantee that the transactions and events described in this annual report will happen as described or that they will happen at all. You should read this annual report completely and with the understanding that actual future results may be materially different from what we expect. The forward-looking statements made in this annual report relate only to events as of the date on which the statements are made. We undertake no obligation, beyond that required by law, to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made, even though our situation will change in the future.

Whether actual results will conform to our expectations and predictions is subject to a number of risks and uncertainties, many of which are beyond our control, and reflect future business decisions that are subject to change. Some of the assumptions, future results and levels of performance expressed or implied in the forward-looking statements we make inevitably will not materialize, and unanticipated events may occur which will affect our results. “Item 3. Key Information—D. Risk Factors” describes the principal contingencies and uncertainties to which we believe we are subject. You should not place undue reliance on these forward-looking statements.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

The following table sets forth information regarding our directors and executive officers as of the date of this annual report.

<u>Directors and Executive Officers</u>	<u>Age</u>	<u>Position/Title</u>
Martin Bloom	59	Chairman, Independent Director
Xianshou Li	42	Director and Chief Executive Officer
Yuncaï Wu	43	Director
Jing Wang	63	Independent Director
Tan Wee Seng	55	Independent Director
Charles Xiaoshu Bai	50	Chief Strategy Officer
Panjian Li	47	Senior Vice-President
Julia Xu	39	Chief Financial Officer
Henry Wang	37	Vice President
Stephen Huang	44	Vice President
Zhidong Zheng	43	Vice President
Tim Jia	46	Vice President
Robin Liu	38	Vice President
John Ding	39	Vice President

Directors

Mr. Martin Bloom has been our independent director since July 2006 and has served as our chairman of the board since September 2006. Mr. Bloom is currently the managing director of Emblem Ventures, an investment company established in 1956 where he has been a director since 1976. Mr. Bloom also served as a co-chairman of the China UK Venture Capital Joint Working Group from January 2005. From 1996 to 1997, he worked for Coopers & Lybrand as project manager of the International Business and Industrial Secondments (IBIS) Scheme, a technology transfer scheme between the United Kingdom and Japan on behalf of the Department of Trade & Industry of the United Kingdom. Mr. Bloom has a bachelor's degree with honors in economics from the University of Southampton and a master's degree in history jointly from Imperial College and University College, London. Mr. Bloom is a member of the audit committee, compensation committee and corporate governance and nominating committee of our board of directors.

Mr. Xianshou Li has been our director and chief executive officer since March 2005. Prior to founding our solar power business in 2005, Mr. Li founded Yuhuan Solar Energy Source Co., Ltd., a manufacturer of solar cell and module products for both commercial and residential applications and served as its chairman since its inception. Mr. Li also served as the general manager of Yuhuan County Solar Energy Co., Ltd., a manufacturer of mini solar panels and solar cell modules from 2002 to 2006. He worked as a government official in the Yuhuan County Culture Bureau from 1997 to 2000. Mr. Li received his bachelor's degree in industrial engineering management from Zhejiang Industrial University in 1991.

Mr. Yuncai Wu has been our director since March 2005 and served as our vice president from November 2007 to April 2010. He was our chief operating officer from May 2006 to October 2007. Mr. Wu has been a director of Zhejiang Yuhuan Solar Energy Source Co., Ltd. since its inception in 2004. Mr. Wu worked with the Yuhuan County Government from 1999 to 2005, first as a section chief in Industrial and Economic Committee from 1999 to 2001 and then as a section chief in the Bureau of Economic and Trade from 2001 to 2005. Mr. Wu received his bachelor's degree in computer science from Zhejiang University in 1988.

Mr. Jing Wang has been our independent director since June 2006. Mr. Wang is currently the chief economist at Minsheng Bank. He is also an adviser for the United Nations Development Program. He currently serves as an independent director at Tianjin Binhai Energy & Development Co., Ltd., an energy company listed on the Shenzhen Stock Exchange in China, and Tianjin Marine Shipping Co., Ltd., a shipping company listed on the Shanghai Stock Exchange in China. From 2001 to 2003, he was the general manager of Tianjin Investment Company, a company that invests in the energy sector. From 1999 to 2001, he was a deputy director of Securities and Futures Administrative Office of Tianjin. Mr. Wang received his bachelor's degree in finance from the Tianjin University of Finance & Economics in 1982 and his master's degree in international finance from the University of Paris in 1983. Mr. Wang is a member of the audit committee, compensation committee and corporate governance and nominating committee of our board of directors.

Mr. Tan Wee Seng has been our independent director since April 2009. Mr. Tan has over 30 years of financial, operation and business management experience and has also held various senior management positions in a number of multi-national corporations. Mr. Tan is an independent director of 7 Days Group Holdings Limited, a company listed on the NYSE. Mr. Tan is also a non-executive director of Sa Sa International Holdings Limited and Xtep International Holdings Limited, both listed on the Main Board of the Hong Kong Stock Exchange. From 2003 to 2008, Mr. Tan served in various executive roles, including as executive director, chief financial officer and company secretary for Li Ning Company Limited, a company listed on the Main Board of the Hong Kong Stock Exchange. From 1999 to 2002, Mr. Tan was the senior vice president of Reuters for the China, Mongolia and North Korea regions, and the chief representative of Reuters in China. Prior to that, he served as the managing director of a Reuters subsidiary, AFE Computer Services Limited in Hong Kong, as director of Infocast Pty Limited, a Reuters subsidiary in Australia, and as the regional finance manager of Reuters East Asia. Mr. Tan is a fellow member of the Chartered Institute of Management Accountants in the United Kingdom and a fellow member of the Hong Kong Institute of Directors. Mr. Tan is a member of the audit committee and corporate governance and nominating committee of our board of directors.

Executive Officers

Mr. Charles Xiaoshu Bai has been our chief strategy officer since April 2010. He served as our chief financial officer from May 2006 to March 2010. Prior to joining us, Mr. Bai worked for over 16 years with investment banks and multinational companies. From 2003 to 2005, he worked as the chief financial officer of Fenet Software. From 2001 to 2002, he worked as a vice president of Tractebel Asia Co., Ltd., an energy company based in Thailand. From 1997 to 2001, Mr. Bai worked as a finance director of Ogden Energy Asia Pacific Co., Ltd., an energy company based in Hong Kong. At Tractebel and Ogden, Mr. Bai successfully completed a number of cross border mergers and acquisitions and project finance transactions. He was an associate director of Deutsche Bank in Hong Kong from 1995 to 1997 specializing in project and export finance. Mr. Bai received his bachelor's degree in economics from China Southwestern University of Finance and Economics in 1983 and his MBA degree from IMD in Switzerland in 1989.

Dr. Panjian Li has been our senior vice-president since February 2011 and served as president of JC Solar since November 2009 and chief executive officer of ReneSola America since November 2006. Prior to that, he served as our chief operating officer since March 2009. Dr. Li was our chief strategy officer from April 2008 to March 2009 and our vice president of business development from November 2006 to April 2008. Prior to joining ReneSola, Dr. Li worked with DePuy Orthopedics, a Johnson & Johnson company, as research and development manager. Dr. Li also served as the president of the International Society of Ceramics for Medicine in 2004. Dr. Li received his Ph.D. in biomaterials from Leiden University in the Netherlands in 1993. He spent two years as a postdoctoral fellow at the University of Pennsylvania from 1994 to 1995. Dr. Li is the inventor or co-inventor of seven U.S. patents in material chemistry and has published numerous papers in international publications.

Ms. Julia Xu has been our chief financial officer since April 2010. She served as our vice president of international corporate finance and corporate communications from March 2009 to March 2010. She has over 14 years of international experience in the financial industry. Prior to joining us, she worked at Deutsche Bank as a member of the Debt Capital Market's coverage team and before that as an equity research analyst until mid 2007 after receiving her MBA in 2004. From 1997 to 2002, she worked in various divisions at Bankers Trust and Lehman Brothers in New York, Tokyo and Hong Kong. Ms. Xu obtained her bachelor's degree in Biology from Cornell University in 1995 and received her MBA from Johnson School of Management of Cornell University in 2004.

Mr. Henry Wang has been our vice president of finance since January 2010. He has over 15 years of experience in financial services with extensive experience in accounting and mergers and acquisitions. Before joining ReneSola, Mr. Wang served as the vice president of finance for Jiayu Logistic Group from 2008 to 2010 and financial controller for Expeditors International Incorporation from 2004 to 2008. Mr. Wang holds CPA and CIA certifications and received his bachelor's degree in law from Shanghai JiaoTong University and MBA from Hong Kong Open University.

Mr. Stephen Huang has been our vice president of wafer sales since April 2010. Prior to joining us, he worked in Topco Scientific Co., Ltd. as a vice president of business group from 2007 to 2009, a director of wafer materials division from 2004 to 2006, and various sales and managerial positions from 1994 to 2003. Mr. Huang has over 18 years of managerial and sales experience, including 15 years in the solar industry. Mr. Huang received his bachelor's degree in Agricultural Economics from Taiwan University.

Mr. Zhidong Zheng has been our vice president of wafer technology since May 2010. Mr. Zheng served as our research and development director of wafer technology from February 2009 to May 2010. Mr. Zheng has over twenty years of research and engineering experience with extensive knowledge in optical and photovoltaic processes and operations. Prior to joining ReneSola, from 2005 to 2009, Mr. Zheng served as vice president of technology and operations for Jinggong Shaoxin Solar Energy, where he contributed to the manufacturing of the first Chinese-made multicrystalline furnace. From 1989 to 2005, Mr. Zheng worked as an optical crystal engineer

Table of Contents

and department manager for a variety of companies in Singapore, as well as Zhejiang University. Mr. Zheng received a bachelor's degree in Optics Engineering from Zhejiang University in 1989.

Mr. Tim Jia has been our vice president of human resources since August 2010. Before joining ReneSola, Mr. Jia served as director of Ingersoll Rand Engineering and Technology Center's human resources and engineering administration department in Shanghai, China from 2003 to 2010. He has approximately 20 years of managerial experience with more than a decade of experience in human resources. Prior to Ingersoll Rand, Mr. Jia worked at Shuangliang Group and Shuangliang Trane Joint Venture for 18 years, where he served in several managerial positions including the director of human resources. Mr. Jia received undergraduate degrees in machinery engineering from Wuxi Mechanical Technology College in 1986 and computer engineering from Nanjing University in 1991. He also received an MBA from the Open University of Hong Kong in 2000 and is currently a Ph.D. candidate in law at the China University of Political Science and Law.

Mr. Robin Liu has been our vice president of wafer manufacturing since November 2010. Mr. Liu previously served as our vice general manager and director of our silicon wafer division. Mr. Liu has over 14 years of experience in engineering and operations management, having previously served as a senior manufacturing manager at Kemet (Suzhou) Co., Ltd., industrial operations manager at Schneider (Suzhou) Transformers Co., Ltd., a manufacturing center manager and head of production and engineering at Royal Philips Electronic Sound Solutions Beijing, and an engineer with The Waterborne Transportation Institute of The Ministry of Communications. Mr. Liu received a degree in mechanical engineering from Shanghai Tongji University in 1996.

Mr. John Ding has been our vice president of internal control and audit since March 2011. Mr. Ding had previously served as our director of internal control and audit from 2009 to 2011. With nearly twenty years of work experience in finance, including more than ten years of management experience and over five years of internal control and audit experience, Mr. Ding has comprehensive knowledge of accounting, tax policies, credit control and physical asset management. Before joining ReneSola, Mr. Ding served as the director of internal audit and SOX compliance for The9 Limited, from 2008 to 2009 and held positions in credit, tax and internal control at Dell (China) Co., Ltd. from 2003 to 2008. Mr. Ding received a bachelor's degree in international economics and trade from Fudan University, as well as a master's degree in professional accounting from Xiamen University. He holds CIA and CCSA certificates.

The address of our directors and executive officers is c/o ReneSola Ltd, No. 8 Baoqun Road, Yaozhuang, Jiashan, Zhejiang 314117, People's Republic of China.

Employment Agreements

We have entered into employment agreements with each of our senior executive officers. We may terminate a senior executive officer's employment for cause, at any time, without prior notice or remuneration, for certain acts of the officer, including, but not limited to, a material violation of our regulations, failure to perform agreed duties, embezzlement that causes material damage to us, or conviction of a crime. A senior executive officer may terminate his or her employment at any time by prior written notice. Each senior executive officer is entitled to certain benefits upon termination, including a severance payment equal to a specified number of months of his or her then salary if he or she resigns for certain good reasons specified by the agreement or the relevant rules or if we terminate his or her employment without cause.

B. Compensation of Directors and Executive Officers

For the fiscal year ended December 31, 2010, an aggregate of approximately \$1.9 million in cash was paid to our senior executive officers and directors.

Share Incentive Plan

Our board of directors adopted our 2007 share incentive plan in September 2007, which was amended in January 2009 and further amended on August 20, 2010, to attract and retain the best available personnel for positions of substantial responsibility, provide additional incentive to employees, directors and consultants and

[Table of Contents](#)

promote the success of our business. We have reserved 12,500,000 shares for issuance under our 2007 share incentive plan. The following paragraphs describe the principal terms of our 2007 share incentive plan.

Administration. Our 2007 share incentive plan is administered by our board of directors or, after our board of directors makes the designation, by our compensation committee. In each case, our board of directors or our compensation committee will determine the provisions, terms and conditions of each option grant, including, but not limited to, the option vesting schedule, repurchase provisions, forfeiture provisions, form of payment upon settlement of the award and payment contingencies.

Awards. The following paragraphs briefly describe the principal features of the various awards that may be granted under our 2007 share incentive plan.

- **Options.** Options provide for the right to purchase our shares at a price and period determined by our compensation committee in one or more installments after the grant date.
- **Restricted Shares.** A restricted share award is the grant of our shares determined by our compensation committee. A restricted share is nontransferable, unless otherwise determined by our compensation committee at the time of award and may be repurchased by us upon termination of employment or service during a restricted period. Our compensation committee shall also determine in the award agreement whether the participant will be entitled to vote the restricted shares or receive dividends on such shares.
- **Restricted Share Units.** Restricted share units represent the right to receive our shares at a specified date in the future, subject to forfeiture of such right. If the restricted share unit has not been forfeited, then on the date specified in the award agreement, we shall deliver to the holder unrestricted shares, which will be freely transferable.

Termination of plan. Unless terminated earlier, our 2007 share incentive plan will expire in September 2017. Our board of directors has the authority to amend or terminate our 2007 share incentive plan subject to shareholders' approval to the extent necessary to comply with applicable laws and regulations. However, no such action shall adversely affect in any material way any award previously granted without the prior written consent of the recipient.

Share Options

As of December 31, 2010, our board of directors has granted certain of our directors, officers and employees options for 7,190,500 shares in our company, excluding options forfeited pursuant to the terms of our 2007 share incentive plan and the exercised options. The following paragraphs describe the principal terms of our options.

Option agreement. Options granted under our 2007 share incentive plan are evidenced by an option agreement that contains, among other things, provisions concerning exercisability and forfeiture upon termination of employment arrangement, as determined by our board.

Vesting schedule. Options granted under our 2007 share incentive plan vest yearly over a five-year period following a specified grant date. The plan has twenty percent of the options granted vest at the first anniversary of the grant date, and for the remaining eighty percent, twenty percent shall vest at each of the second, third, fourth and fifth anniversary of the grant date, subject to the optionee continuing to be an employee on each vesting date.

Option exercise. The term of options granted under our 2007 share incentive plan may not exceed the sixth anniversary of the specified grant date.

Termination of options. Where the option agreement permits the exercise of the options that were vested before the recipient's termination of service with us, or the recipient's disability or death, the options will terminate to the extent not exercised or purchased on the last day of a specified period or the last day of the original term of the options, whichever occurs first.

[Table of Contents](#)

The following table summarizes, as of December 31, 2010, the outstanding options that we granted to our directors and executive officers and to other individuals as a group under our share incentive plan.

<u>Name</u>	<u>Shares Underlying Outstanding Options</u>	<u>Exercise Price (\$/Share)</u>	<u>Grant Date</u>	<u>Expiration Date</u>
Xianshou Li	580,000	\$ 3.185	June 21, 2010	June 21, 2016
	670,000	\$ 3.765	August 24, 2010	August 24, 2016
Yuncai Wu	—	—	—	—
Charles Xiaoshu Bai	670,000	\$ 2.565	October 9, 2007	October 9, 2013
Martin Bloom	—	—	—	—
Jing Wang	—	—	—	—
Tan Wee Seng	—	—	—	—
Panjian Li	1,000,000	\$ 2.565	October 9, 2007	October 9, 2013
Julia Xu	120,000	\$ 1.845	May 22, 2009	May 22, 2015
	80,000	\$ 2.565	June 23, 2009	June 23, 2015
	500,000	\$ 2.530	March 15, 2010	March 15, 2016
Stephen Huang	250,000	\$ 2.510	December 21, 2009	December 21, 2015
Henry Wang	250,000	\$ 2.530	March 15, 2010	March 15, 2016
Zhidong Zheng	50,000	\$ 2.565	June 23, 2009	June 23, 2015
	200,000	\$ 3.185	June 21, 2010	June 21, 2016
Tim Jia	250,000	\$ 3.185	June 21, 2010	June 21, 2006
Robin Liu	100,000	\$ 2.945	September 21, 2009	September 21, 2015
	150,000	\$ 4.145	December 20, 2010	December 20, 2016
John Ding	75,000	\$ 2.510	December 21, 2009	December 21, 2015
Directors and executive officers as a group	4,945,000	—	—	—
Other individuals as a group	140,000	\$ 2.565	October 9, 2007	October 9, 2013
	100,000	\$ 2.565	November 30, 2007	November 30, 2013
	201,500	\$ 2.565	June 23, 2009	June 23, 2015
	109,000	\$ 2.945	September 21, 2009	September 21, 2015
	460,000	\$ 2.510	December 21, 2009	December 21, 2015
	375,000	\$ 2.530	March 15, 2010	March 15, 2016
	390,000	\$ 3.185	June 21, 2010	June 21, 2016
	395,000	\$ 5.435	September 20, 2010	September 20, 2016
	75,000	\$ 4.145	December 20, 2010	December 20, 2016

C. Board Practices

Our board of directors currently consists of five directors. A director is not required to hold any shares in the company by way of qualification. A director may vote with respect to any contract, proposed contract or arrangement in which he is materially interested. A director may exercise all the powers of the company to borrow money, mortgage its undertaking, property and uncalled capital and issue debentures or other securities whenever money is borrowed or as security for any obligation of the company or of any third party.

In 2010, our board and committees held meetings or passed resolutions by unanimous written consent 24 times.

Committees of the Board of Directors

We have an audit committee, a compensation committee and a corporate governance and nominating committee under the board of directors. We have adopted a new charter for each of the three committees. Each committee's members and functions are described below.

Audit Committee. Our audit committee consists of Messrs. Martin Bloom, Jing Wang and Tan Wee Seng. Messrs. Martin Bloom, Jing Wang and Tan Wee Seng satisfy the independence requirements of the New York Stock Exchange Listing Rules and Securities and Exchange Commission regulations. The audit committee

[Table of Contents](#)

oversees our accounting and financial reporting processes and the audits of the financial statements of our company. The audit committee is responsible for, among other things:

- selecting the independent auditors and pre-approving all auditing and non-auditing services permitted to be performed by the independent auditors;
- reviewing with the independent auditors any audit problems or difficulties and management's response to such audit problems or difficulties;
- reviewing and approving all related party transactions on an ongoing basis;
- discussing the annual audited financial statements with management and the independent auditors;
- reviewing major issues as to the adequacy of our internal controls and any special audit steps adopted in light of material control deficiencies;
- annually reviewing and reassessing the adequacy of our audit committee charter;
- meeting separately and periodically with management and the independent auditors; and
- reporting regularly to the board of directors.

Compensation Committee. Our compensation committee consists of Messrs. Martin Bloom and Jing Wang. Messrs. Martin Bloom and Jing Wang satisfy the independence requirements of the New York Stock Exchange Listing Rules and Securities and Exchange Commission regulations. The compensation committee discharges the responsibility of the board of reviewing and approving the compensation structure, including all forms of compensation relating to our directors and executive officers. Our chief executive officer may not be present at any committee meeting during which his compensation is deliberated. The compensation committee is responsible for, among other things:

- reviewing and evaluating at least annually and, if necessary, revising the compensation plans, policies and programs adopted by our management;
- reviewing and evaluating at least annually the performance, and determining the compensation, of our chief executive officer;
- reviewing and approving our chief executive officer's employment agreement and amendments thereto, and severance arrangement, if any; and
- reviewing all annual bonus, long-term incentive compensation, stock option, employee pension and welfare benefit plans.

Corporate Governance and Nominating Committee. Our corporate governance and nominating committee consists of Messrs. Martin Bloom, Jing Wang and Tan Wee Seng. Messrs. Martin Bloom, Jing Wang and Tan Wee Seng satisfy the independence requirements of the New York Stock Exchange Listing Rules and Securities and Exchange Commission regulations. The corporate governance and nominating committee assists the board of directors in selecting individuals qualified to become our directors and in determining the composition of the board and its committees. The corporate governance and nominating committee is responsible for, among other things:

- recommending to our board of directors for nomination or appointment by the board such candidates as the committee has found to be qualified to be elected or reelected to serve as a member of our board or its committees or to fill any vacancies on our board or its committees, respectively;
- reviewing annually the composition of our board of directors and its committees in light of the characteristics of independence, qualification, experience and availability of the board members;
- developing and recommending to our board of directors a set of corporate governance guidelines and principles applicable to the company; and

[Table of Contents](#)

- monitoring compliance with the company's code of business conduct and ethics, including reviewing the adequacy and effectiveness of our internal rules and procedures to ensure compliance with applicable laws and regulations.

Duties of Directors

Under British Virgin Islands law, our directors have a duty of loyalty to act honestly and in good faith with a view to our best interests. Our directors also have a duty to exercise the skill they actually possess with such care and diligence that a reasonably prudent person would exercise in comparable circumstances. In fulfilling their duty of care to us, our directors must ensure compliance with our memorandum and articles of association. A shareholder has the right to seek damages if a duty owed by our directors is breached.

Terms of Directors and Officers

Our officers are appointed by and serve at the discretion of the board of directors. At each annual general meeting, one-third of our directors then existing, or if their number is not a multiple of three, then the number nearest to and not exceeding one-third, will be subject to re-election. The directors to retire by rotation shall be those who are longest in office since their election, or by lot should they be of the same seniority. On the assumption that no other director wishes to retire from office at the annual general meetings, Mr. Xianshou Li will be subject to re-election at the 2011 annual general meeting; Mr. Tan Wee Seng will be subject to re-election at the 2012 annual general meeting; and Mr. Yuncai Wu will be subject to re-election at 2013 annual general meeting. We have not entered into any service contracts with the directors providing them with severance benefits upon termination of their terms with us.

D. Employees

We had 3,258 and 5,074 full-time employees as of December 31, 2008 and 2009, respectively. As of December 31, 2010, we had 7,869 full-time employees, including 6,438 in manufacturing, 145 in equipment maintenance, 465 in quality assurance, 52 in purchasing, 105 in research and development, 28 in sales and marketing, and 636 in general and administrative. Substantially all of these employees are located in China with a small portion of employees based in Singapore and the United States. We consider our relations with our employees to be good.

E. Share Ownership

The following table sets forth information with respect to the beneficial ownership of our shares as of the date of this annual report by:

- each of our directors and executive officers; and
- each person known to us to own beneficially more than 5.0% of our shares.

Table of Contents

Beneficial ownership is determined in accordance with Rule 13d-3 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended, or the Exchange Act, and includes voting or investment power with respect to the securities.

	Shares Beneficially Owned	
	Number	% ⁽¹⁾
Directors and Executive Officers:		
Xianshou Li ⁽²⁾	37,514,939	21.49%
Yuncai Wu ⁽³⁾	18,504,970	10.60%
Charles Xiaoshu Bai ⁽⁴⁾	668,333	0.38%
Martin Bloom	—	—
Jing Wang	—	—
Tan Wee Seng	—	—
Panjian Li ⁽⁵⁾	660,000	0.38%
Julia Xu ⁽⁶⁾	100,000	0.06%
Henry Wang ⁽⁷⁾	50,000	0.03%
Stephen Huang ⁽⁸⁾	50,000	0.03%
Zhidong Zheng ⁽⁹⁾	10,000	0.01%
Tim Jia	—	—
Robin Liu ⁽¹⁰⁾	20,000	0.01%
John Ding ⁽¹¹⁾	15,000	0.01%
All Directors and Executive Officers as a Group	57,593,242	32.81%
Principal Shareholders:		
Champion Era Enterprises Limited ⁽¹²⁾	23,266,229	13.33%
Assets Train Limited ⁽¹³⁾	13,053,614	7.48%
Dynasty Time Limited ⁽¹⁴⁾	9,955,871	5.70%
Buoyant Wise Limited ⁽¹⁵⁾	9,684,195	5.55%

- (1) Percentage of beneficial ownership of each listed person is based on 174,596,912 shares issued as of the date of this annual report, as well as the shares that such person has the right to acquire by option or other agreement within 60 days after the date of this annual report.
- (2) Consists of 23,266,229 shares held by Champion Era Enterprises Limited, or Champion, 13,053,614 shares held by Assets Train Limited, or Assets, 1,135,096 shares held by Dynasty Time Limited, or Dynasty, and 60,000 shares issuable upon exercise of options held by Ms. Xiahe Lian, the wife of Mr. Li, within 60 days after the date of this annual report. Mr. Li holds sole voting power of 23,266,229 shares held by Champion and shared voting power of 13,053,614 shares held by Assets and 1,135,096 shares held by Dynasty pursuant to an irrevocable voting agreement. Mr. Li's business address is Chengzhong Road, Zhuguang Town, Yuhuan County, Zhejiang Province, PRC.
- (3) Consists of 9,684,195 shares held by Buoyant Wise Limited, or Buoyant, and 8,820,775 shares held by Dynasty. Mr. Wu holds sole voting power of 9,684,195 shares held by Buoyant and shared voting power of 8,820,775 shares held by Dynasty pursuant to an irrevocable voting agreement. Mr. Wu's business address is Suite 201, No. 32, Xianqian Road, Cheng Guan Cheng District, Zhejiang Province, PRC.
- (4) Includes 498,333 shares held by Mr. Bai and 170,000 shares issuable upon exercise of options held by Mr. Bai within 60 days after the date of this annual report. Mr. Bai's business address is No. 8 Baoqun Road, Yaozhuang Industrial Park, Jiashan County, Zhejiang Province, 314117, PRC.
- (5) Includes 120,000 shares issuable pursuant to the employment agreement between the Company and Mr. Li, 40,000 shares issued pursuant to the employment agreement between the Company and Mr. Li and 500,000 shares issuable upon exercise of options held by Mr. Li within 60 days after the date of this annual report. Mr. Li's business address is No. 8 Baoqun Road, Yaozhuang Industrial Park, Jiashan County, Zhejiang Province, 314117, PRC.
- (6) Represents 100,000 shares issuable upon exercise of options held by Ms. Xu within 60 days after the date of this annual report. Ms. Xu's business address is No. 8 Baoqun Road, Yaozhuang Industrial Park, Jiashan County, Zhejiang Province, 314117, PRC.

Table of Contents

- (7) Represents 50,000 shares issuable upon exercise of options held by Mr. Wang within 60 days after the date of this annual report. Mr. Wang's business address is No. 8 Baoqun Road, Yaozhuang Industrial Park, Jiashan County, Zhejiang Province, 314117, PRC.
- (8) Represents 50,000 shares issuable upon exercise of options held by Mr. Huang within 60 days after the date of this annual report. Mr. Huang's business address is No. 8 Baoqun Road, Yaozhuang Industrial Park, Jiashan County, Zhejiang Province, 314117, PRC.
- (9) Represents 10,000 shares issuable upon exercise of options held by Mr. Zheng within 60 days after the date of this annual report. Mr. Zheng's business address is No. 8 Baoqun Road, Yaozhuang Industrial Park, Jiashan County, Zhejiang Province, 314117, PRC.
- (10) Represents 20,000 shares issuable upon exercise of options held by Mr. Liu within 60 days after the date of this annual report. Mr. Liu's business address is No. 8 Baoqun Road, Yaozhuang Industrial Park, Jiashan County, Zhejiang Province, 314117, PRC.
- (11) Represents 15,000 shares issuable upon exercise of options held by Mr. Ding within 60 days after the date of this annual report. Mr. Ding's business address is No. 8 Baoqun Road, Yaozhuang Industrial Park, Jiashan County, Zhejiang Province, 314117, PRC.
- (12) Champion is a company incorporated in the British Virgin Islands and its sole shareholder is Chain Path Limited. Chain Path Limited is a company incorporated in the British Virgin Islands and wholly owned by the LXS Family Trust, of which Mr. Li is the settlor and to which Mr. Li has all administration, voting and management power. The trustee of the LXS Family Trust is HSBC International Trustee Limited. The address for Champion is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.
- (13) Assets is a company incorporated in the British Virgin Islands and its sole shareholder is Apex Level Limited. Apex Level Limited is a company incorporated in the British Virgin Islands and wholly owned by the LZM Family Trust, of which Mr. Zhengmin Lian is the settlor and to which Mr. Lian has administration, voting and management power. The trustee of the LXS Family Trust is HSBC International Trustee Limited. Assets has entered into an irrevocable voting agreement in respect to its entire holding of 13,053,614 shares with Mr. Li. The address for Assets is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. Mr. Lian's business address is No. 8 Baoqun Road, Yaozhuang Industrial Park, Jiashan County, Zhejiang Province, 314117, China.
- (14) Dynasty is a company incorporated in the British Virgin Islands and its sole shareholder is Direct Manage Holdings Limited. Direct Manage Holdings Limited is a company incorporated in the British Virgin Islands and wholly owned by the DXJ Family Trust, of which Mr. Xiangjun Dong is the settlor and to which Mr. Dong has administration, voting and management power. The trustee of the DXJ Family Trust is HSBC International Trustee Limited. Dynasty has entered into an irrevocable voting agreement in respect to 1,135,096 of its shares with Mr. Li and 8,820,775 of its shares with Mr. Wu. The address for Dynasty is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. Mr. Dong's business address is No. 8 Baoqun Road, Yaozhuang Industrial Park, Jiashan County, Zhejiang Province, 314117, China.
- (15) Buoyant is a company incorporated in the British Virgin Islands and its sole shareholder is Brilliant Chariot Limited. Brilliant Chariot Limited is a company incorporated in the British Virgin Islands and wholly owned by the WYC Family Trust, of which Mr. Wu is the settlor and to which Mr. Wu has all administration, voting and management power. The trustee of the WYC Family Trust is HSBC International Trustee Limited. The address for Buoyant is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.

Our ADSs are traded on the NYSE and brokers or other nominees may hold ADSs in "street name" for customers who are the beneficial owners of the ADSs. As a result, we may not be aware of each person or group of affiliated persons who beneficially own more than 5.0% of our common stock.

As of December 31, 2010, 174,596,912 of our shares were issued, 173,846,412 were outstanding and 86,042,839 were held as ADSs by the depository. As of December 31, 2010, we had no record shareholders in the United States.

[Table of Contents](#)

None of our shareholders has different voting rights from other shareholders as of the date of this annual report. We are currently not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

Please refer to “Item 6. Directors, Senior Management and Employees—E. Share Ownership.”

B. Related Party Transactions

Cash Advances, Loans and Guarantees

As of December 31, 2008, 2009 and 2010, amounts due from related parties were approximately \$0.5 million, \$0.4 million and \$0.4 million, respectively. Amounts due from related parties included cash advances to Zhejiang Yuhuan Solar Energy Source Co., Ltd., or Zhejiang Yuhuan and Ruiyu Solar Energy Technology Co., Ltd., or Ruiyu. Ruiyu is a Hong Kong company wholly-owned by Ms. Xiahe Lian, the wife of Mr. Xianshou Li. Those advances are for the purchase of raw materials and amounts receivable from the sales of goods.

As of December 31, 2008, 2009 and 2010, amounts due to related parties were approximately \$11.9 million, \$0.02 million and \$0.02 million, respectively. The amounts due to related parties included short-term advances from Jinko Solar Co., Ltd. or Jinko. Jinko is a company co-founded by, and whose directors include, the brothers of Xianshou Li, our director and chief executive officer.

Zhejiang Yuhui enters into short-term and long-term loans from time to time with domestic banks, some of which are guaranteed by Mr. Xianshou Li, our director and chief executive officer, or jointly with his wife, Ms. Xiahe Lian. As of December 31, 2010, we had an aggregate of approximately \$106.1 million of outstanding borrowings that were guaranteed, directly or indirectly, by Mr. Xianshou Li and Ms. Xiahe Lian, including a guarantee provided jointly by Mr. Xianshou Li and Ms. Xiahe Lian in January 2009 for up to RMB900 million for our borrowings from China Construction Bank, Meishan Branch from January 2009 to January 2014.

Zhejiang Yuhuan

In April 2007, Zhejiang Yuhui leased 24 apartments from Zhejiang Yuhuan for an aggregate rent of RMB36,000 per month. In October 2007, the parties entered into a written agreement to record the lease. In an agreement entered into in January 2009, the parties further clarified that this lease shall be a long-term agreement that will remain effective as long as none of the parties wish to terminate it. These leased apartments have been used as housing for Zhejiang Yuhui’s employees.

In June 2008, Zhejiang Yuhui lent RMB17 million to Zhejiang Yuhuan to repay its debts owed to Desheng Energy Co., Ltd., or Desheng Energy. In August 2008, we received RMB14 million from Zhejiang Yuhuan. As of December 31, 2010, our outstanding loans to Zhejiang Yuhuan were RMB2.6 million (\$0.4 million). We plan to offset such loans against the rents to be paid by us to Zhejiang Yuhuan.

Desheng Energy, Jinko and Ruiyu

Desheng Energy is a company controlled by Messrs. Xiande Li and Xianhua Li, brothers of Mr. Xianshou Li. In 2008, we sold \$0.4 million of polysilicon to Desheng Energy. In 2008, we purchased \$1.9 million of silicon raw materials from Desheng Energy. In 2008, we provided processing services to Desheng Energy for \$23,749.

In 2008, we sold \$4.3 million of polysilicon to Jinko. In 2008 and 2009, we purchased \$79.9 million and \$15.7 million, respectively, of silicon raw materials from Jinko. In 2008 and 2009, we provided processing services to Jinko for \$0.3 million and \$42,409, respectively.

In 2008, we purchased \$0.1 million of raw materials from Ruiyu.

[Table of Contents](#)

These transactions were entered into on an arm's length basis, and we believe the pricing terms were comparable to terms that could have been obtained from independent third parties.

Employment Agreements

See "Item 6. Directors, Senior Management and Employees—A. Directors and Senior Management" for details regarding employment agreements with our senior executive officers.

Share Incentives

See "Item 6. Directors, Senior Management and Employees—B. Compensation of Directors and Executive Officers" for a description of share options and stock purchase rights we have granted to our directors, officers and other individuals as a group.

C. Interests of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

We have appended consolidated financial statements filed as part of this annual report.

Legal and Administrative Proceedings

We have initiated arbitration proceedings against Linzhou Zhongsheng Steel Co., Ltd and Linzhou Zhongsheng Semiconductor Silicon Material Co., Ltd. before CIETAC for the equity transfer dispute. As of the date of this annual report, CIETAC has accepted our arbitration application and the arbitration decision is scheduled for April 2011.

As of the date of this annual report, there were several pending disputes with some of our raw material suppliers, including Nature Power Co., Ltd., Nihon B.S.B and Silfine Co., Ltd., over prepayments for silicon raw materials. We have initiated arbitration proceedings against Silfine Co., Ltd. We will consider initiating arbitration proceedings before CIETAC if we are unable to resolve the remaining disputes through negotiations. In addition, we have served demand letters to Helios Technology, one of our solar wafer customers, in connection with payments for wafer sales. Helios Technology has subsequently paid a portion of amounts owed to us, with \$630,000 remaining outstanding. We have initiated legal proceedings against Helios Technology, with the first court hearing scheduled for April 2011.

Except as described above, we are not involved in any litigation or other legal proceedings that would have a material adverse impact on our business or operations. We may from time to time be subject to various judicial or administrative proceedings arising in the ordinary course of our business.

Dividend Policy

We have no present plan to declare and pay any dividends on our shares or ADSs in the near future. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business.

We are a limited liability holding company incorporated in the British Virgin Islands. We rely on dividends from Zhejiang Yuhui, our subsidiary in China, and any newly formed subsidiaries to fund the payment of

Table of Contents

dividends, if any, to our shareholders. Current PRC regulations permit our subsidiaries to pay dividends to us only out of their retained profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, our subsidiary in China is required to set aside a certain amount of its retained profits each year, if any, to fund certain statutory reserves. These reserves may not be distributed as cash dividends. Furthermore, when Zhejiang Yuhui or any newly formed subsidiary incurs debt on its own behalf, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. For example, according to certain short-term loan agreements between Zhejiang Yuhui and its banks, Zhejiang Yuhui is not permitted to pay dividends for any given year if it has no after-tax profit or if it has any principal or interest due in that year which has not been paid. In addition, pursuant to the new PRC Enterprise Income Tax Law and its Implementing Regulation, which became effective on January 1, 2008, a 10% withholding tax applies to dividends distributed to foreign investors out of the profits generated after January 1, 2008 unless any such non-Chinese enterprise's tax residency jurisdiction has a tax treaty with China that provides for a different withholding arrangement. The British Virgin Islands, where our company was incorporated, does not have such a treaty with China. Thus, the Company expects that a 10% withholding tax will apply to dividends paid to the Company by its PRC subsidiaries if the Company is classified as a non-resident enterprise. The Company does not currently intend to declare dividends for the foreseeable future.

Subject to the approval of our shareholders, our board of directors has complete discretion over distribution of dividends. Even if our board of directors decides to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the board of directors may deem relevant.

B. Significant Changes

Except as disclosed elsewhere in this annual report, we have not experienced any significant changes since the date of our audited consolidated financial statements included in this annual report.

ITEM 9. THE OFFER AND LISTING

A. Offering and Listing Details

Our ADSs, each representing two of our shares, have been listed on the NYSE since January 29, 2008 under the symbol "SOL." Please refer to "—C. Markets" below for historical trading prices. In August 2006, our shares were admitted for trading on the AIM. In November 2010, with the approval of our board of directors, our shares ceased to trade on AIM and our admission to trading on the AIM was cancelled.

B. Plan of Distribution

Not applicable.

[Table of Contents](#)

C. Markets

Our ADSs, each representing two of our shares, have been listed on the NYSE since January 29, 2008. Our ADSs trade under the symbol “SOL.” For the period from January 29, 2008 to December 31, 2010, the trading price of our ADSs on the NYSE has ranged from US\$2.02 to US\$29.48 per ADS. The following table provides the high and low market prices for our ADSs on the NYSE.

	Trading Price	
	High US\$	Low US\$
Quarterly Highs and Lows		
First quarter of 2008 (from January 29, 2008)	14.19	7.36
Second quarter of 2008	29.48	10.80
Third quarter of 2008	19.70	9.50
Fourth quarter of 2008	11.70	2.06
First quarter of 2009	5.60	2.02
Second quarter of 2009	7.90	2.86
Third quarter of 2009	6.42	4.22
Fourth quarter of 2009	5.28	3.50
First quarter of 2010	6.15	4.32
Second quarter of 2010	8.75	4.91
Third quarter of 2010	12.72	6.05
Fourth quarter of 2010	15.34	7.90
Annual and Monthly Highs and Lows		
2008 (from January 29, 2008)	29.48	2.06
2009	7.90	2.02
2010	15.34	4.32
September	12.72	8.90
October	15.34	11.39
November	14.13	8.15
December	9.60	7.90
2011		
January	11.45	8.86
February	13.25	10.46
March (through March 7)	9.95	8.90

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

[Table of Contents](#)

B. Memorandum and Articles of Association

We incorporate by reference into this annual report our amended and restated memorandum and articles of association filed as Exhibit 4.1 to our Post-effective Amendment No.1 to Form S-8 (File No. 333-153647) filed with the SEC on March 13, 2009.

We are a British Virgin Islands company, and our affairs are governed by our memorandum and articles of association and the British Virgin Islands Business Companies Act of 2004 (as amended), which is referred to as the Companies Law below.

The following are summaries of material provisions of our memorandum and articles of association and the Companies Law insofar as they relate to the material terms of our shares.

Registered Office and Objects

Our registered office in the British Virgin Islands is located at the offices of Harneys Corporate Services Limited, Craigmuir Chambers, P.O. Box 71, Road Town, Tortola, British Virgin Islands.

According to Clause 5 of our memorandum of association, subject to the Companies Act and any other British Virgin Islands legislation, our company has full capacity to carry on or undertake any business or activity, do any act or enter into any transaction, and there are no limitations on the business that our Company may carry on.

Board of Directors

See “Item 6. Directors, Senior Management and Employees.”

Shares

General. All of our outstanding shares are fully paid and non-assessable. Certificates representing the shares are issued in registered form. Our shareholders who are non-residents of the British Virgin Islands may freely hold and vote their shares.

Dividends. By a resolution of directors, we may declare and pay dividends in money, shares, or other property. Our directors may from time to time pay to the shareholders such interim dividends as appear to the directors to be justified by the profits of our company. No dividends shall be declared and paid unless the directors determine that immediately after the payment of the dividend the value of our assets will exceed our liabilities and we will be able to satisfy our liabilities as they fall due. The holders of our shares are entitled to such dividends as may be declared by our board of directors subject to the Companies Law.

Unissued Shares. Our unissued shares shall be at the disposal of the directors who may without prejudice to any rights previously conferred on the holders of any existing shares or class or series of shares offer, allot, grant options over or otherwise dispose of shares to such persons, at such times and upon such terms and conditions as we may by resolution of the directors determine. Before issuing shares for a consideration other than money, the directors shall pass a resolution stating the amount to be credited for the issue of the shares, their determination of the reasonable present cash value of the non-money consideration for the issue, and that, in their opinion, the present cash value of the non-money consideration for the issue is not less than the amount to be credited for the issue of the shares.

Voting Rights. Each share is entitled to one vote on all matters upon which the shares are entitled to vote. We are required by our Articles to hold an annual general meeting each year. Additionally our directors may convene meetings of our shareholders at such times and in such manner and places within or outside the British

Table of Contents

Virgin Islands as the directors consider necessary or desirable. Upon the written request of shareholders holding 10% or more of the outstanding voting rights attaching to our shares the directors shall convene a meeting of shareholders. The director shall give not less than 14 days' notice of a meeting of shareholders to those persons whose names at the close of business on a day to be determined by the directors appear as shareholders in our share register and are entitled to vote at the meeting.

A meeting of shareholders is duly constituted if, at the commencement of the meeting, there are present in person or by proxy not less than 50% of the votes of the shares entitled to vote on shareholder resolutions to be considered at the meeting. If a quorum is present, notwithstanding the fact that such quorum may be represented by only one person, then such person or persons may resolve any matter and a certificate signed by such person and accompanied, where such person be a proxy, by a copy of the proxy form shall constitute a valid resolution of shareholders.

If within two hours from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of shareholders, shall be dissolved; in any other case it shall stand adjourned to the next business day at the same time and place or to such other time and place as the directors may determine, and if at the adjourned meeting there are present within one hour from the time appointed for the meeting in person or by proxy not less than one third of the votes of the shares of each class or series of shares entitled to vote on the resolutions to be considered by the meeting, those present shall constitute a quorum but otherwise the meeting shall be dissolved. The chairman, may, with the consent of the meeting, adjourn any meeting from time to time, and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

An action that may be taken by the shareholders at a meeting may also be taken by a resolution of shareholders consented to in writing without the need for any notice, but if any resolution of shareholders is adopted otherwise than by the unanimous written consent of all shareholders, a copy of such resolution shall forthwith be sent to all shareholders not consenting to such resolution.

Transfer of Shares. Certificated shares in our company may be transferred by a written instrument of transfer signed by the transferor and containing the name and address of the transferee, but in the absence of such written evidence of transfer the directors may accept such evidence of a transfer of shares as they consider appropriate. We may also issue shares in uncertificated form. We shall not be required to treat a transferee of a registered share in our Company as a member until the transferee's name has been entered in the register of members.

The register of members may be closed at such times and for such periods as the board of directors may from time to time determine, not exceeding in whole thirty days in each year, upon notice being given by advertisement in a leading daily newspaper and in such other newspaper (if any) as may be required by the law of British Virgin Islands and the practice of the London Stock Exchange or the NYSE.

The board of directors may decline to register a transfer of any share to a person known to be a minor, bankrupt or person who is mentally disordered or a patient for the purpose of any statute relating to mental health. The board of directors may also decline to register any transfer unless:

- (a) any written instrument of transfer, duly stamped (if so required), is lodged with us at the registered office or such other place as the board of directors may appoint accompanied by the certificate for the shares to which it relates (except in the case of a transfer by a recognized person or a holder of such shares in respect of whom we are not required by law to deliver a certificate and to whom a certificate has not been issued in respect of such shares);
- (b) there is provided such evidence as the board of directors may reasonably require to show the right of the transferor to make the transfer and, if the instrument of transfer is executed by some other person;
- (c) on his behalf, the authority of that person to do so; any instrument of transfer is in respect of only one class or series of share; and

Table of Contents

(d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four.

Liquidation. In the case of the distribution of assets by a voluntary liquidator on a winding-up of our company, subject to payment of, or to discharge of, all claims, debts, liabilities and obligations of our company any surplus assets shall then be distributed amongst the Shareholders according to their rights and interests in our company according to our Memorandum and Articles. If the assets available for distribution to members shall be insufficient to pay the whole of the paid up capital, such assets shall be shared on a pro rata basis amongst members entitled to them by reference to the number of fully paid up shares held by such members respectively at the commencement of the winding up.

Calls on Shares and Forfeiture of Shares. Our board of directors may from time to time make calls upon shareholders for any amounts unpaid on their shares in a notice served to such shareholders at least 14 days prior to the specified time and place of payment. The shares that have been called upon and remain unpaid at the specified time are subject to forfeiture.

Redemption of Shares. The Companies Law provides that subject to the memorandum and articles of association of a company, shareholders holding 90% or more of all the voting shares in a company, may instruct the directors to redeem the shares of the remaining shareholders. The directors shall be required to redeem the shares of the minority shareholders, whether or not the shares are by their terms redeemable. The directors must notify the minority shareholder in writing of the redemption price to be paid for the shares and the manner in which the redemption is to be effected. In the event that a minority shareholder objects to the redemption price to be paid and the parties are unable to agree to the redemption amount payable, the Companies Law sets out a mechanism whereby the shareholder and the company may each appoint an appraiser, who will together appoint a third appraiser and all three appraisers will have the power to determine the fair value of the shares to be compulsorily redeemed. Pursuant to the Companies Law, the determination of the three appraisers shall be binding on the company and the minority shareholder for all purposes.

Variations of Rights of Shares. If at any time the issued or unissued shares are divided into different classes of shares, the rights attached to any class may only be varied, whether or not the Company is in liquidation, with the consent in writing or by resolution passed at a meeting by the holders of not less than 50% of the issued shares of that class.

Inspection of Books and Records. Holders of our shares have a general right under British Virgin Islands law to inspect our books and records on giving written notice to the company. However, the directors have power to refuse the request on the grounds that the inspection would be contrary to the interests of the Company. However, we will provide our shareholders with annual audited financial statements.

C. Material Contracts

We have not entered into any material contracts other than in the ordinary course of business and other than those described in “Item 4. Information on the Company” or elsewhere in this annual report.

D. Exchange Controls

See “Item 4. Information on the Company—B. Business Overview—Regulation—Regulation of Foreign Currency Exchange and Dividend Distribution.”

E. Taxation

The following summary of the material British Virgin Islands and U.S. federal income tax consequences of an investment in our ADSs or shares is based upon laws and relevant interpretations thereof in effect as of the

[Table of Contents](#)

date of this annual report, all of which are subject to change. This summary does not deal with all possible tax consequences relating to an investment in our ADSs or shares, such as the tax consequences under state, local and other tax laws not addressed herein. To the extent that the discussion relates to matters of British Virgin Islands tax law, it represents the opinion of Harney Westwood & Riegels, our British Virgin Islands counsel.

British Virgin Islands Taxation

Under the present laws of the British Virgin Islands, there are no applicable taxes on the profits or income of the Company. There are no taxes on profits, income, nor are there any capital gains tax, estate duty or inheritance tax applicable to any shares held by non-residents of the British Virgin Islands. In addition, there is no stamp duty or similar duty on the issuance, transfer or redemption of the shares. Dividends remitted to the holders of shares resident outside the British Virgin Islands will not be subject to withholding tax in the British Virgin Islands. The Company is not subject to any exchange control regulations in the British Virgin Islands.

European Union Directive on the Taxation of Savings Income (Directive 2003/48/EC)

The European Union has formally adopted a new Directive regarding the taxation of savings income. From July 1, 2005, member states are required to provide to the tax authorities of another member state details of payments of interest and other similar income paid by a person within its jurisdiction to or for an individual resident in that other member state, except that Austria, Belgium and Luxembourg instead impose a withholding system for a transitional period (unless during such period they elect otherwise).

The British Virgin Islands is not a member of the European Union and not within the European Union fiscal territory, but the government of the United Kingdom had requested the Government of the British Virgin Islands to voluntarily apply the provisions of the EU Savings Tax Directive. The Mutual Legal Assistance (Tax Matters) (Amendment) Act introduces a withholding tax system in respect of payments of interest, or other similar income, made to an individual beneficial owner resident in a European Union member state by a paying agent situated in the British Virgin Islands. The withholding tax system will apply for a transitional period prior to the implementation of a system of automatic communication to European Union member states of information regarding such payments. During this transitional period, such an individual beneficial owner resident in an European Union member state will be entitled to request a paying agent not to withhold tax from such payments but instead to apply a system by which the details of such payments are communicated to the tax authorities of the European Union member state in which the beneficial owner is resident.

No stamp duty is payable in the British Virgin Islands in respect of instruments relating to transactions involving a company incorporated in the British Virgin Islands.

U. S. Federal Income Taxation

The following discussion describes the material U.S. federal income tax consequences to U.S. Holders (as defined below) under current law of an investment in the ADSs or shares. This discussion applies only to U.S. Holders that hold the ADSs or shares as capital assets (generally, property held for investment) and that have the U.S. dollar as their functional currency. This discussion is based on the tax laws of the United States in effect as of the date of this annual report and on U.S. Treasury regulations in effect or, in some cases, proposed as of the date of this annual report, as well as judicial and administrative interpretations thereof available on or before such date. All of the foregoing authorities are subject to change, which change could apply retroactively and could affect the tax consequences described below.

The following discussion does not address the tax consequences to any particular investor or to persons in special tax situations such as:

- banks and other financial institutions;
- insurance companies;

[Table of Contents](#)

- regulated investment companies;
- real estate investment trusts;
- broker-dealers;
- traders that elect to use a mark-to-market method of accounting;
- U.S. expatriates;
- tax-exempt entities;
- persons liable for alternative minimum tax;
- persons holding ADSs or shares as part of a straddle, hedging, conversion or integrated transaction;
- persons that actually or constructively own 10% or more of the total combined voting power of all classes of our voting stock;
- persons who acquired ADSs or shares pursuant to the exercise of any employee share option or otherwise as compensation; or
- partnerships or other pass-through entities, or persons holding ADSs or shares through such entities.

INVESTORS SHOULD CONSULT THEIR TAX ADVISORS REGARDING THE APPLICATION OF THE U.S. FEDERAL TAX RULES TO THEIR PARTICULAR CIRCUMSTANCES AS WELL AS THE STATE, LOCAL, NON-U.S. AND OTHER TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF OUR ADSs OR SHARES.

The discussion below of the U.S. federal income tax consequences to “U.S. Holders” will apply to you if you are a beneficial owner of our ADSs or shares and you are, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) organized under the laws of the United States, any State thereof or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust that (1) is subject to the primary supervision of a court within the United States and the control of one or more U.S. persons for all substantial decisions or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

If a partnership (or other entity treated as a partnership for U.S. federal income tax purposes) is a beneficial owner of our ADSs or shares, the tax treatment of a partner in such partnership will depend on the status of such partner and the activities of such partnership. If you are such a partner or partnership, you should consult your tax advisors regarding the U.S. federal income tax consequences to you of the purchase, ownership and disposition of the ADSs or shares.

The discussion below assumes that the representations contained in the deposit agreement are true and that the obligations in the deposit agreement and any related agreement have been and will be complied with in accordance with their terms. If you beneficially own ADSs, you should be treated as the beneficial owner of the underlying shares represented by those ADSs for U.S. federal income tax purposes.

The U.S. Treasury has expressed concerns that U.S. holders of ADSs may be claiming foreign tax credits in situations where an intermediary in the chain of ownership between the holder of an ADS and the issuer of the security underlying the ADS has taken actions inconsistent with the ownership of the underlying security by the person claiming the credit. Such actions (for example, a pre-release of an ADS by a depository) may also be inconsistent with the claiming of the reduced rate of tax applicable to dividends received by certain

[Table of Contents](#)

non-corporate U.S. holders of ADSs, including individual U.S. holders (discussed below). Accordingly, the availability of foreign tax credits or the reduced tax rate for dividends received by certain non-corporate U.S. Holders, including individual U.S. Holders, could be affected by actions taken by the U.S. Treasury or the depository.

Taxation of dividends and other distributions on the ADSs or shares

Subject to the passive foreign investment company rules discussed below, the gross amount of any distributions we make to you with respect to the ADSs or shares (including the amount of any taxes withheld therefrom) will generally be includible in your gross income as dividend income on the date of receipt by the depository, in the case of ADSs, or by you, in the case of shares, but only to the extent that the distribution is paid out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). To the extent that the amount of the distribution exceeds our current and accumulated earnings and profits, such excess amount will be treated first as a tax-free return of your tax basis in your ADSs or shares, and then, to the extent such excess amount exceeds your tax basis, as capital gain. We currently do not, and we do not intend to, calculate our earnings and profits under U.S. federal income tax principles. Therefore, a U.S. Holder should expect that a distribution will be reported as a dividend even if that distribution would otherwise be treated as a non-taxable return of capital or as capital gain under the rules described above. Any dividends we pay will not be eligible for the dividends-received deduction allowed to corporations in respect of dividends received from other U.S. corporations.

With respect to certain non-corporate U.S. Holders, including individual U.S. Holders, for taxable years beginning before January 1, 2013, dividends will be taxed at the lower capital gains rate applicable to qualified dividend income, provided that (1) our ADSs or shares are readily tradable on an established securities market in the United States, or we are eligible for the benefits of a qualifying income tax treaty with the United States that includes an exchange of information program, (2) we are neither a passive foreign investment company nor treated as such with respect to you for our taxable year in which the dividend is paid and the preceding taxable year, and (3) certain holding period requirements are met. Under U.S. Internal Revenue Service authority, common or ordinary shares, or ADSs representing such shares, are considered for purposes of clause (1) above to be readily tradable on an established securities market in the United States if they are listed on the NYSE, as are our ADSs (but not our shares). If we are treated as a PRC “resident enterprise” for PRC tax purposes (see “Item 3. Key Information—D. Risk Factors—Risks Related To Doing Business In China—Expiration of, or changes to, current PRC tax incentives that our business enjoys could have a material adverse effect on our results of operations”), we may be eligible for the benefits of the income tax treaty between the United States and the PRC. You should consult your tax advisors regarding the availability of the lower capital gains rate applicable to qualified dividend income for any dividends paid with respect to the ADSs or shares, as well as the effects of any change in applicable law after the date of this annual report.

For foreign tax credit purposes, the limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, any dividends we pay with respect to our ADSs or shares will generally constitute “passive category income” but could, in the case of certain U.S. Holders, constitute “general category income.” Any dividends we pay will generally constitute foreign source income for foreign tax credit limitation purposes. If the dividends are taxed as qualified dividend income (as discussed above), the amount of the dividend taken into account for purposes of calculating the foreign tax credit limitation will be limited to the gross amount of the dividend, multiplied by the reduced tax rate applicable to qualified dividend income and divided by the highest tax rate normally applicable to dividends. If PRC withholding taxes apply to dividends paid to you with respect to the ADSs or shares (see “Item 3. Key Information—D. Risk Factors—Risks Related To Doing Business In China—Under the Enterprise Income Tax Law, dividends payable by us and gains on the disposition of our shares or ADSs could be subject to PRC taxation”), subject to certain conditions and limitations, such PRC withholding taxes may be treated as foreign taxes eligible for credit against your U.S. federal income tax liability. The rules relating to the determination of the federal tax credit are complex and you should consult your tax advisors regarding the availability of a foreign tax credit in your particular circumstances.

Taxation of dispositions of ADSs or shares

Subject to the passive foreign investment company rules discussed below, you will recognize taxable gain or loss on any sale, exchange or other taxable disposition of an ADS or share equal to the difference between the amount realized (in U.S. dollars) for the ADS or share and your tax basis (in U.S. dollars) in the ADS or share. The gain or loss will be capital gain or loss. If you are a non-corporate U.S. Holder, including an individual U.S. Holder, who has held the ADS or share for more than one year, you will be eligible for reduced tax rates. The deductibility of capital losses is subject to limitations.

Any gain or loss that you recognize on a disposition of our ADSs or shares will generally be treated as U.S. source income or loss for foreign tax credit limitation purposes. However, if we are treated as a PRC “resident enterprise” for PRC tax purposes, we may be eligible for the benefits of the income tax treaty between the United States and the PRC. In such event, if PRC taxes were to be imposed on any gain from the disposition of the ADSs or shares (see “Item 3. Key Information—D. Risk Factors—Risks Related To Doing Business In China—Under the Enterprise Income Tax Law, dividends payable by us and gains on the disposition of our shares or ADSs could be subject to PRC taxation”), a U.S. Holder that is eligible for the benefits of the income tax treaty between the United States and the PRC may elect to treat the gain as PRC source income. You should consult your tax advisors regarding the proper treatment of gain or loss in your particular circumstances.

Passive foreign investment company

A non-U.S. corporation will be a passive foreign investment company, or PFIC, for any taxable year if, applying certain look-through rules, either:

- at least 75% of its gross income for such year is passive income, or
- at least 50% of the value of its assets (based on an average of the quarterly values of the assets) during such year is attributable to assets that produce passive income or are held for the production of passive income (the “asset test”).

Based on the value of our assets and the composition of our income and assets, we do not believe that we were a PFIC for U.S. federal income tax purposes for our taxable year ended December 31, 2010. In addition, we do not expect to be a PFIC for our current taxable year ending December 31, 2011 or any future taxable year. We must make a separate determination after the close of each taxable year as to whether we were a PFIC for that year. Accordingly, we cannot assure you that we will not be a PFIC for our current taxable year ending December 31, 2011 or any future taxable year. Because the value of our assets for purposes of the asset test will generally be determined by reference to the market price of our ADSs or shares, fluctuations in the market price of the ADSs or shares may cause us to become a PFIC. In addition, changes in the composition of our income or assets may cause us to become a PFIC.

If we are a PFIC for any taxable year during which you hold our ADSs or shares, we will continue to be treated as a PFIC with respect to you for all succeeding years during which you hold the ADSs or shares, unless we cease to be a PFIC and you make a “deemed sale” election with respect to the ADSs or shares, as applicable. If such election is made, you will be deemed to have sold the ADSs or shares you hold at their fair market value and any gain from such deemed sale would be subject to the consequences described in the following paragraph. After the deemed sale election, your ADSs or shares with respect to which such election was made will not be treated as shares in a PFIC unless we subsequently become a PFIC.

For each taxable year that we are treated as a PFIC with respect to you, you will be subject to special tax rules with respect to any “excess distribution” you receive and any gain you recognize from a sale or other disposition (including a pledge) of the ADSs or shares, unless you make a “mark-to-market” election as discussed below. Distributions you receive in a taxable year that are greater than 125% of the average annual

[Table of Contents](#)

distributions you received during the shorter of the three preceding taxable years or your holding period for the ADSs or shares will be treated as an excess distribution. Under these special tax rules:

- the excess distribution or recognized gain will be allocated ratably over your holding period for the ADSs or shares;
- the amount allocated to the current taxable year, and any taxable years in your holding period prior to the first taxable year in which we were a PFIC, will be treated as ordinary income; and
- the amount allocated to each other year will be subject to the highest tax rate in effect for individuals or corporations, as applicable, for each such year, and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

A U.S. Holder of “marketable stock” (as defined below) of a PFIC may make a mark-to-market election for such stock to elect out of the PFIC rules described above regarding excess distributions and recognized gains. If you make a mark-to-market election for the ADSs or shares, you will include in gross income for each year that we are a PFIC an amount equal to the excess, if any, of the fair market value of the ADSs or shares you hold as of the close of your taxable year over your adjusted basis in such ADSs or shares. You will be allowed a deduction for the excess, if any, of the adjusted basis of the ADSs or shares over their fair market value as of the close of the taxable year. However, deductions will be allowable only to the extent of any net mark-to-market gains on the ADSs or shares included in your income for prior taxable years. Amounts included in your income under a mark-to-market election, as well as any gain from the actual sale or other disposition of the ADSs or shares, will be treated as ordinary income. If you make a valid mark-to-market election, any distribution that we make would generally be subject to the tax rules discussed above under “—Taxation of dividends and other distributions on the ADSs or shares,” except that the lower capital gains rate applicable to qualified dividend income generally would not apply.

The mark-to-market election is available only for “marketable stock,” which is stock that is traded in greater than *de minimis* quantities on at least 15 days during each calendar quarter (“regularly traded”) on a qualified exchange or other market, as defined in applicable U.S. Treasury regulations. Our ADSs are listed on the NYSE, which is a qualified exchange or other market for these purposes. Consequently, if the ADSs continue to be listed on the NYSE and are regularly traded, and you are a holder of the ADSs, we expect that the mark-to-market election would be available to you if we become a PFIC.

Alternatively, a U.S. Holder of stock of a PFIC may make a “qualified electing fund” election with respect to such corporation to elect out of the PFIC rules described above regarding excess distributions and recognized gains. A U.S. Holder that makes a valid qualified electing fund election with respect to a PFIC will generally include in gross income for a taxable year such holder’s *pro rata* share of the corporation’s earnings and profits for the taxable year. However, the qualified electing fund election is available only if the PFIC provides such U.S. Holder with certain tax information as required under applicable U.S. Treasury regulations. We do not intend to prepare or provide the information that would enable you to make a qualified electing fund election.

You should consult your tax advisors regarding the application of the PFIC rules to your investment in our ADSs or shares and the elections discussed above.

Information reporting and backup withholding

Dividend payments with respect to ADSs or shares and proceeds from the sale, exchange or other disposition of ADSs or shares may be subject to information reporting to the U.S. Internal Revenue Service and possible U.S. backup withholding at a current rate of 28%. Backup withholding will not apply, however, to a U.S. Holder that furnishes a correct taxpayer identification number and makes any other required certification on U.S. Internal Revenue Service Form W-9 or that is otherwise exempt from backup withholding. U.S. Holders that are required to establish their exempt status generally must provide such certification on U.S. Internal Revenue

Table of Contents

Service Form W-9. Certain individuals holding the ADSs or ordinary shares other than in an account at certain financial institutions may be subject to additional information reporting requirements. U.S. Holders should consult their tax advisors regarding the application of the U.S. information reporting and backup withholding rules.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against your U.S. federal income tax liability, and you may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the U.S. Internal Revenue Service and furnishing any required information in a timely manner.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We have filed with the SEC registration statements on Form F-1 (File Number 333-148550 and 333-151315) and prospectuses under the Securities Act with respect to the shares represented by the ADSs. We also filed with the SEC a related registration statement on Form F-6 (File Number 333-148559) with respect to the ADSs. We also filed with the SEC a registration statement on Form S-8 (File Number 333-153647) with respect to our securities to be issued under our 2007 share incentive plan.

We are subject to the periodic reporting and other informational requirements of the Exchange Act as applicable to foreign private issuers. Under the Exchange Act, we are required to file reports and other information with the SEC. Specifically, we are required to file annually a Form 20-F no later than six months after the close of each fiscal year, which is December 31. Copies of reports and other information, when so filed with the SEC, can be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You can request copies of these documents, upon payment of a duplicating fee, by writing to the SEC. The public may obtain information regarding the Washington, D.C. Public Reference Room by calling the Commission at 1-800-SEC-0330. The SEC also maintains a web site at www.sec.gov that contains reports, proxy and information statements, and other information regarding registrants that make electronic filings with the SEC using its EDGAR system. As a foreign private issuer, we are exempt from the rules of the Exchange Act prescribing the furnishing and content of quarterly reports and proxy statements, and our executive officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we are not required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act.

We will furnish The Bank of New York, the depository of our ADSs, with our annual reports, which will include a review of operations and annual audited consolidated financial statements prepared in conformity with U.S. GAAP, and all notices of shareholders' meetings and other reports and communications that are made generally available to our shareholders. The depository will make such notices, reports and communications available to holders of ADSs and, upon our request, will mail to all record holders of ADSs the information contained in any notice of a shareholders' meeting received by the depository from us.

I. Subsidiary Information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Inflation

Since our inception, inflation in China has not materially impacted our results of operations. According to the National Bureau of Statistics of China, inflation as measured by the consumer price index in China was 5.9%, negative 0.7% and 3.3% in 2008, 2009 and 2010, respectively.

Foreign Exchange Risk

Our sales in China are denominated in Renminbi, and our export sales are generally denominated in U.S. dollars and other currencies. Our costs and capital expenditures are largely denominated in Renminbi and foreign currencies, including U.S. dollars, euro and Japanese Yen. Fluctuations in currency exchange rates, particularly between the U.S. dollar and Renminbi and between the euro and Renminbi, could have a significant impact on our financial condition and results of operations, affect our gross and operating profit margins, and result in foreign exchange and operating gains or losses. For example, as of December 31, 2009 and 2010, we held \$108.0 million and \$81.5 million in accounts receivable, respectively, some of which were denominated in U.S. dollars. Had we converted all of our accounts receivable as of either date into Renminbi at an exchange rate of RMB6.6000 for \$1.00, the exchange rate as of December 31, 2010, our accounts receivable would have been RMB712.8 million and RMB537.9 million as of December 31, 2009 and December 31, 2010, respectively. Assuming that Renminbi appreciates by a rate of 10% to an exchange rate of RMB5.9400, we would record a loss in the fair value of our accounts receivable in Renminbi terms. A 10% appreciation of Renminbi would result in our holding Renminbi equivalents of RMB641.5 million and RMB484.1 million in accounts receivable as of December 31, 2009 and December 31, 2010, respectively. These amounts would therefore reflect a theoretical loss of RMB71.3 million and RMB53.8 million for our accounts receivable as of December 31, 2009 and December 31, 2010, respectively. This calculation model is based on multiplying our accounts receivable, which are held in U.S. dollars, by a smaller Renminbi equivalent amount resulting from an appreciation of Renminbi. This calculation model does not take into account optionality nor does it take into account the use of financial instruments.

We incurred foreign currency exchange losses of approximately \$3.1 million, \$1.4 million and \$1.8 million in 2008, 2009 and 2010, respectively. Our risk management strategy includes the use of derivative and non-derivative financial instruments as hedges of foreign currency exchange risk, whenever management determines their use to be reasonable and practical. This strategy does not permit the use of derivative financial instruments for trading purposes, nor does it allow for speculation. The purpose of our foreign currency derivative activities is to protect us from the risk that the U.S. dollar net cash flows resulting from forecasted foreign currency-denominated transactions will be negatively affected by changes in exchange rates. We use foreign currency forward exchange contracts to offset changes in the amount of future cash flows associated with certain third-party sales expected to occur within the next two years. Gains or losses on those contracts are recognized in other income in the consolidated income statements. The recognition of gains or losses resulting from changes in the values of those derivative instruments is based on the use of each derivative instrument. We had net losses of \$89,683 and \$7.1 million on derivative instruments from foreign currency forward exchange contracts in 2009 and 2010, respectively.

Interest Rate Risk

Our exposure to interest rate risk relates to interest expenses incurred by our short-term and long-term borrowings, and interest income generated by excess cash invested in demand deposits with original maturities of three months or less. We have not used any derivative financial instruments to manage our interest rate risk exposure due to lack of such financial instruments in China. Historically, we have not been exposed to material risks due to changes in interest rates; however, our future interest income may decrease or interest expenses on our borrowings may increase due to changes in market interest rates. We are currently not engaged in any interest rate hedging activities.

Table of Contents

An increase of 100 basis point in interest rates at the reporting dates indicated below would have decreased our loss for the year and increased our equity by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	As of December 31,		
	2008	2009	2010
100 basis point increase			
Decrease in loss and increase in equity	\$1,653	\$3,576	\$4,529

A 100 basis point decrease would have had the equal but opposite effect to the amounts shown above, assuming all other variables remain constant.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable

C. Other Securities

Not applicable.

D. American Depositary Shares.

Fees and Charges Our ADS Holders May Have to Pay

Our American depositary shares, each of which represents two shares, are listed on the NYSE. The Bank of New York Mellon is the depository of our ADS program and its principal executive office is situated at One Wall Street, New York, New York 10286. The depository collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depository collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depository may collect its annual fee for depository services by deductions from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The depository may generally refuse to provide fee-attracting services until its fees for those services are paid.

Persons depositing or withdrawing shares must pay:

\$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)

\$.02 (or less) per ADS

A fee equivalent to the fee that would be payable if securities distributed to you had been shares and the shares had been deposited for issuance of ADSs

For:

- Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property
- Cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates
- Any cash distribution to ADS registered holders
- Distribution of securities distributed to holders of deposited securities that are distributed by the depository to ADS registered holders

Table of Contents

Persons depositing or withdrawing shares must pay:

\$.02 (or less) per ADSs per calendar year

Registration or transfer fees

Expenses of the depositary

Taxes and other governmental charges the depositary or the custodian have to pay on any ADS or share underlying an ADS, for example, stock transfer taxes, stamp duty or withholding taxes

Any charges incurred by the depositary or its agents for servicing the deposited securities

For:

- Depository services
- Transfer and registration of shares on our share register to or from the name of the depositary or its agent when you deposit or withdraw shares
- Cable, telex and facsimile transmissions (when expressly provided in the deposit agreement)
- Converting foreign currency to U.S. dollars
- As necessary
- As necessary

Fees and Other Payments Made by the Depositary to Us

The depositary has agreed to reimburse us for expenses we incur that are related to the administration and maintenance of our ADS facility including, but not limited to, investor relations expenses, the annual NYSE listing fees, ADS offering expenses or any other program related expenses. There are limits on the amount of expenses for which the depositary will reimburse us, but the amount of reimbursement available to us is not related to the amounts of fees the depositary collects from investors. The annual reimbursement is also conditioned on certain requirements and criteria and will be adjusted proportionately to the extent such requirements or criteria are not met. For 2010, the depositary waived a total of \$102,234 in payments that we owed to the depositary for certain shareholder meeting and registered holders services the depositary performed for us, but did not otherwise pay us any annual reimbursement.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

A.—D. Material Modifications to the Rights of Security Holders

None.

E. Use of Proceeds

On February 1, 2008, we and certain selling shareholders of our company completed an initial public offering of 10,000,000 ADSs on the NYSE at \$13.00 per ADS. The aggregate amount registered and sold was approximately \$130.0 million, of which we received net proceeds of approximately \$109.0 million from our initial public offering. From January 28, 2008, the effective date of our registration statements on Form F-1 (Registration No. 333-148550) and Form F-6 (Registration No. 333-148559) for the offering, to December 31, 2008, we used our net proceeds as follows:

- approximately \$51 million to expand our solar wafer manufacturing facilities and purchase additional equipment for our wafer capacity expansion plan; and
- approximately \$58 million to invest in polysilicon manufacturing production.

On June 18, 2008, we and certain selling shareholders of our company completed a follow-on public offering of 10,350,000 ADSs on the NYSE at \$20.50 per ADS. The aggregate price of the offering amount registered was approximately \$212.2 million, of which we received net proceeds of approximately \$187.0 million, excluding offering expenses. The underwriting discount for this offering was approximately \$9.5 million. The total expense for this offering was approximately \$1.6 million. From June 17, 2008, the effective date of our registration statement on Form F-1 (Registration No. 333-151315) for the offering, to December 31, 2008, we used the net proceeds from our follow-on offering as follows:

- approximately \$90 million to expand our solar wafer manufacturing facilities and purchase additional equipment for our wafer capacity expansion plan; and
- approximately \$105 million to invest in polysilicon manufacturing production.

We did not receive any of the proceeds from the sale of ADSs by the selling shareholders. Credit Suisse, Deutsche Bank Securities, Piper Jaffray, Lazard Capital Markets, and Oppenheimer & Co. were the underwriters for the initial public offering and the follow-on offering of our ADSs. None of the net proceeds from our initial public offering were paid directly or indirectly to directors or officers of our company or their associates, persons owning 10% or more of our equity securities or our affiliates.

On October 5, 2009, we completed a follow-on public offering of 15,500,000 ADSs on the NYSE at \$4.75 per ADS. We received aggregate net proceeds of approximately \$69.9 million, after deducting discounts and commissions but before offering expenses. From October 1, 2009, the effective date of our registration statement on Form F-6 (Registration No. 333-162257) for the offering, to December 31, 2009, we used the net proceeds from our follow-on offering as follows:

- approximately \$64.3 million for redemption of our U.S. dollar settled 1% convertible bonds due 2012; and
- approximately \$5.6 million to supplement our working capital.

[Table of Contents](#)

Credit Suisse, UBS AG and Lazard Capital Markets were the underwriters for the above follow-on offering of our ADSs. None of the net proceeds from the offering were paid directly or indirectly to directors or officers of our company or their associates, persons owning 10% or more of our equity securities or our affiliates.

ITEM 15. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our chief executive officer and our chief financial officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Exchange Act. Based on that evaluation, our chief executive officer and chief financial officer have concluded that our disclosure controls and procedures were effective as of the end of the period covered by this annual report.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) under the Exchange Act. Our management evaluated the effectiveness of our internal control over financial reporting, as required by Rule 13a-15(c) of the Exchange Act, based on criteria established in the framework in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management has concluded that our internal control over financial reporting was effective as of December 31, 2010.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements. In addition, projections of any evaluation of effectiveness of our internal control over financial reporting to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Attestation Report of the Registered Public Accounting Firm

Our independent registered public accounting firm, Deloitte Touche Tohmatsu CPA Ltd., who has also audited our consolidated financial statements for the year ended December 31, 2010, has audited the effectiveness of our internal control over financial reporting as of December 31, 2010, as stated in its report, which appears on page F-2 of this annual report on Form 20-F.

Changes In Internal Control Over Financial Reporting

As required by Rule 13a-15(d), under the Exchange Act, our management, including our chief executive officer and chief financial officer, has conducted an evaluation of our internal control over financial reporting to determine whether any changes occurred during the period covered since last report have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Based on this evaluation, it has been determined that there has been no significant changes during the period covered by this annual report that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our board of directors has determined that Tan Wee Seng, an independent director, is our audit committee financial expert. Mr. Tan satisfies the independent requirements of Section 303A of the Corporate Governance Roles of the NYSE and Rule 60A-3 under the Exchange Act.

ITEM 16B. CODE OF ETHICS

Our board of directors has adopted a code of business conduct and ethics that applies to our directors, officers, employees and agents, including certain provisions that specifically apply to our chief executive officer,

[Table of Contents](#)

chief financial officer, chief operating officer, chief technology officer, vice presidents and any other persons who perform similar functions for us. We have posted a copy of our code of business conduct and ethics on our website at www.renesola.com. We hereby undertake to provide to any person without charge, a copy of our code of business conduct and ethics within ten working days after we receive such person's written request.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by Deloitte Touche Tohmatsu CPA Ltd., our independent registered public accounting firm, for the periods indicated. We did not pay any other fees to our independent registered public accounting firm during the periods indicated below.

	For the Year Ended December 31,		
	2008	2009	2010
	(in thousands)		
Audit fees ⁽¹⁾	\$ 1,250	\$ 985	\$ 1,019
Audit-related fees ⁽²⁾	320	232	40
Tax fees	80	124	80
Other fees	—	—	—

- (1) "Audit fees" means the aggregate fees billed for professional services rendered by our independent registered public accounting firm for the audit of our annual financial statements and the review of our comparative interim financial statements.
- (2) "Audit related fees" represents aggregate fees billed for professional services rendered by our independent registered public accounting firm for the assurance and related services rendered in connection with our filing of Form F-3.

The policy of our audit committee is to pre-approve all audit and non-audit services provided by our independent registered public accounting firm, including audit services, audit-related services, tax services and other services as described above, other than those for de minimus services that are approved by the Audit Committee prior to the completion of the audit.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

None.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

Section 303A.08 of the NYSE Listed Company Manual requires a NYSE listed company to obtain its shareholders' approval of all equity-compensation plans, and any material revisions to the terms of such plans. Section 303A.11 permits a foreign private issuer like our company to follow home country practice in certain corporate governance matters. Our British Virgin Islands counsel, Harney Westwood & Riegels, has advised that

[Table of Contents](#)

under the existing British Virgin Islands laws, we are not required to obtain shareholders' approval for amendments to our existing equity incentive plan. Upon board approval in January 2009, we effected amendments to our 2007 share incentive plan. We will continue to follow the British Virgin Islands practice.

Other than the home country practice described above, we are not aware of any significant ways in which our corporate governance practices differ from those followed by U.S. domestic companies under the NYSE listing rules.

PART III**ITEM 17. FINANCIAL STATEMENTS**

We have elected to provide financial statements pursuant to Item 18.

ITEM 18. FINANCIAL STATEMENTS

The consolidated financial statements of ReneSola Ltd are included at the end of this annual report.

ITEM 19. EXHIBITS

Exhibit Number	Description of Document
1.1*	Memorandum and Articles of Association, as amended
2.1	Registrant's Specimen American Depositary Receipt (incorporated by reference to Exhibit 4.1 from our F-1 registration statement (File No. 333-151315), as amended, initially filed with the Commission on May 30, 2008)
2.2	Registrant's Specimen Certificate for Shares (incorporated by reference to Exhibit 4.2 from our F-1 registration statement (File No. 333-151315), as amended, initially filed with the Commission on May 30, 2008)
2.3	Form of Deposit Agreement among the Registrant, the depository and holder of the American Depositary Receipts (incorporated by reference to Exhibit 4.3 from our F-1 registration statement (File No. 333-151315), as amended, initially filed with the Commission on May 30, 2008)
4.1*	2007 Share Incentive Plan, amended and restated as of August 20, 2010
4.2	Form of Indemnification Agreement with the Registrant's Directors (incorporated by reference to Exhibit 10.2 from our F-1 registration statement (File No. 333-151315), as amended, initially filed with the Commission on May 30, 2008)
4.3	Service Agreement among the Registrant, Zhejiang Yuhui Solar Energy Source Co., Ltd. and Xianshou Li dated as of May 22, 2006 (incorporated by reference to Exhibit 10.3 from our F-1 registration statement (File No. 333-151315), as amended, initially filed with the Commission on May 30, 2008)
4.4	Employment Contract between the Registrant and Charles Xiaoshu Bai dated as of June 10, 2009 (incorporated by reference to Exhibit 4.4 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on June 10, 2009)
4.5	Employment Agreement among the Registrant, ReneSola America Inc. and Panjian Li dated as of October 29, 2006 (incorporated by reference to Exhibit 10.7 from our F-1 registration statement (File No. 333-151315), as amended, initially filed with the Commission on May 30, 2008)
4.6	Employment Contract between the Registrant and Julia Xu dated as of March 2, 2009 (incorporated by reference to Exhibit 4.7 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on June 10, 2009)
4.7*	English Translation of Employment Contract between Zhejiang Yuhui Energy Source Co., Ltd. and Huazhang Ding dated as of August 27, 2009

Table of Contents

<u>Exhibit Number</u>	<u>Description of Document</u>
4.8	English Translation of Equity Joint Venture Contract between the Registrant and Linzhou Zhongsheng Steel Co., Ltd. dated as of August 3, 2007 (incorporated by reference to Exhibit 10.31 from our F-1 registration statement (File No. 333-151315), as amended, initially filed with the Commission on May 30, 2008)
4.9	English Translation of Purchase Contract between Wuxi Suntech Power Co., Ltd. And Zhejiang Yuhui Solar Energy Source Co, Ltd. dated as of September 30, 2007 (incorporated by reference to Exhibit 10.32 from our F-1 registration statement (File No. 333-151315), as amended, initially filed with the Commission on May 30, 2008)
4.10	English Translation of Polysilicon Supply Contract between Sichuan Yongxiang Polysilicon Co., Ltd. and Zhejiang Yuhui Energy Source Co, Ltd. dated as of October 16, 2007 (incorporated by reference to Exhibit 10.34 from our F-1 registration statement (File No. 333-151315), as amended, initially filed with the Commission on May 30, 2008)
4.11	English Translation of Polysilicon Purchase and Sales Contract between Daqo New Material Co., Ltd. and Zhejiang Yuhui Solar energy Source Co., Ltd. dated as of October 31, 2007 (incorporated by reference to Exhibit 10.39 from our F-1 registration statement (File No. 333-151315), as amended, initially filed with the Commission on May 30, 2008)
4.12	English Translation of Products Purchase and Sales Contract between Jingao Solar Co., Ltd. and Zhejiang Yuhui Solar Energy Source Co., Ltd. dated as of December 13, 2007 (incorporated by reference to Exhibit 10.40 from our F-1 registration statement (File No. 333-151315), as amended, initially filed with the Commission on May 30, 2008)
4.13	English Translation of Loan Agreement between Sichuan ReneSola Silicon Material Co., Ltd. and Bank of Construction dated as of January 24, 2009 (incorporated by reference to Exhibit 4.26 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on June 10, 2009)
4.14	English Translation of Guarantee Contract among China Construction Bank, Xiahe Lian and Xianshou Li date as of January 24, 2009 (incorporated by reference to Exhibit 4.27 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on June 10, 2009)
4.15	Contract between ALD Vacuum Technologies GmbH and Zhejiang Yuhui Solar Energy Source Co., Ltd. dated as of July 15, 2008 (incorporated by reference to Exhibit 4.28 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on June 10, 2009)
4.16	Contract between BP Solar International Inc. and ReneSola Singapore Pte., Ltd. dated as of January 19, 2009 (incorporated by reference to Exhibit 4.29 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on June 10, 2009)
4.17	English Translation of Lease Agreement between Zhejiang Yuhuan and Zhejiang Yuhui dated January 1, 2009 (incorporated by reference to Exhibit 4.30 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on June 7, 2010)
4.18	English Translation of Employment Contract between Zhejiang Yuhui Solar Energy Source Co., Ltd. and Songde Huang dated as of December 30, 2009 (incorporated by reference to Exhibit 4.31 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on June 7, 2010)
4.19	English Translation of Employment Contract between Zhejiang Yuhui Solar Energy Source Co., Ltd. and Cheng Wang dated as of January 4, 2010 (incorporated by reference to Exhibit 4.32 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on June 7, 2010)

Table of Contents

<u>Exhibit Number</u>	<u>Description of Document</u>
4.20	English Translation of Employment Contract between Zhejiang Yuhui Solar Energy Source Co., Ltd. and Zhidong Zheng dated as of January 20, 2009 (incorporated by reference to Exhibit 4.33 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on June 7, 2010)
8.1*	Subsidiaries of the registrant
11.1	Code of Business Conduct and Ethics of the Registrant (incorporated by reference to Exhibit 99.1 from our F-1 registration statement (File No. 333-151315), as amended, initially filed with the Commission on May 30, 2008)
12.1*	CEO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2*	CFO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13.1*	CEO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2*	CFO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1*	Consent of Harney Westwood & Riegels
15.2*	Consent of Haiwen & Partners
15.3*	Consent of Deloitte Touche Tohmatsu CPA Ltd.

* Filed with this annual report on Form 20-F.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

RENESOLA LTD

By: /s/ Xianshou Li
Name: Xianshou Li
Title: Director and Chief Executive Officer

Date: March 8, 2011

[Table of Contents](#)

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm	F-2
Consolidated Balance Sheets as of December 31, 2009 and 2010	F-4
Consolidated Income Statements for the Years Ended December 31, 2008, 2009 and 2010	F-6
Consolidated Statements of Changes in Equity and Comprehensive Income (Loss) for the Years Ended December 31, 2008, 2009 and 2010	F-7
Consolidated Statements of Cash Flows for the Years Ended December 31, 2008, 2009 and 2010	F-8
Notes to the Consolidated Financial Statements	F-10
Schedule 1—ReneSola Ltd Condensed Financial Statements	F-42

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
ReneSola Ltd:

We have audited the accompanying consolidated balance sheets of ReneSola Ltd and subsidiaries (the “Company”) as of December 31, 2009 and 2010, and the related consolidated income statements, consolidated statements of changes in equity and comprehensive income (loss), and consolidated cash flows for each of the three years in the period ended December 31, 2010 and the related financial statement schedule included in Schedule I. These financial statements and financial statement schedule are the responsibility of the Company’s management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of ReneSola Ltd and subsidiaries as of December 31, 2009 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2010, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of December 31, 2010, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 7, 2011 expressed an unqualified opinion on the Company’s internal control over financial reporting.

/s/ Deloitte Touche Tohmatsu CPA Ltd.

Deloitte Touche Tohmatsu CPA Ltd.

Shanghai, China
March 7, 2011

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
ReneSola Ltd:

We have audited the internal control over financial reporting of ReneSola Ltd and subsidiaries (the “Company”) as of December 31, 2010, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provide a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed by, or under the supervision of, the company’s principal executive and principal financial officers, or persons performing similar functions, and effected by the company’s board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and the related financial statement schedule as of and for the year ended December 31, 2010 of the Company and our report dated March 7, 2011 expressed an unqualified opinion on those financial statements and financial statement schedule.

/s/ Deloitte Touche Tohmatsu CPA Ltd.

Deloitte Touche Tohmatsu CPA Ltd.

Shanghai, China
March 7, 2011

RENESOLA LTD
CONSOLIDATED BALANCE SHEETS
(Amounts expressed in U.S. dollars)

	<u>As of December 31,</u>	
	<u>2009</u>	<u>2010</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 106,807,945	\$ 290,701,669
Restricted cash	25,266,358	33,640,407
Available-for-sale investment	6,207,119	3,331,540
Accounts receivable, net of allowances for doubtful accounts of \$114,271 and \$2,412,695 as of December 31, 2009 and 2010, respectively	107,986,540	81,540,094
Inventories	137,844,182	170,598,793
Advances to suppliers—current	12,091,913	26,315,038
Amounts due from related parties	439,503	389,091
Value added tax recoverable	51,842,962	44,102,175
Prepaid expenses and other current assets	7,325,662	16,946,345
Derivative assets	—	11,659,723
Deferred convertible bond issue costs	86,002	—
Deferred tax assets	24,325,502	14,762,758
Total current assets	480,223,688	693,987,633
Property, plant and equipment, net	702,815,884	801,471,848
Prepaid land use right	23,137,371	37,188,981
Other intangible assets	1,349,274	—
Deferred tax assets	40,227,229	8,525,910
Advances for purchases of property, plant and equipment	20,840,441	26,930,088
Advances to suppliers—non-current	8,071,801	13,743,176
Other long-lived assets	2,839,955	2,753,214
Goodwill	5,323,406	5,323,406
Total assets	\$ 1,284,829,049	\$ 1,589,924,256

See notes to consolidated financial statements.

RENESOLA LTD
CONSOLIDATED BALANCE SHEETS—(Continued)
(Amounts expressed in U.S. dollars)

	<u>As of December 31,</u>	
	<u>2009</u>	<u>2010</u>
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term borrowing	\$ 358,634,285	\$ 400,797,904
Accounts payable	93,406,183	220,798,309
Advances from customers—current	53,851,586	57,396,476
Amounts due to related parties	23,874	24,691
Convertible bond payable—current	32,474,501	—
Derivative liabilities	—	1,380,585
Income tax payable	3,585,996	12,416,684
Deferred tax liabilities	70,488	1,778,355
Other current liabilities	67,803,835	79,633,135
Total current liabilities	<u>609,850,748</u>	<u>774,226,139</u>
Long-term borrowings	189,279,292	121,515,030
Advances from customers—non-current	78,578,381	76,080,371
Deferred gains	6,510,622	20,604,133
Other long-term liabilities	4,347,075	11,034,087
Total liabilities	<u>888,566,118</u>	<u>1,003,459,760</u>
Commitments and contingencies (see Note 18)		
Equity		
Common shares (no par value; 250,000,000 and 500,000,000 shares authorized at December 31, 2009 and 2010, respectively; 172,624,912 issued and outstanding at December 31, 2009 ;174,596,912 shares issued and 173,846,412 shares outstanding at December 31,2010)	413,752,964	422,039,086
Additional paid-in capital	21,065,401	19,857,905
Retained earnings (accumulated deficit)	(60,609,305)	108,386,781
Accumulated other comprehensive income	22,053,871	36,180,724
Total equity	<u>396,262,931</u>	<u>586,464,496</u>
Total liabilities and equity	<u>\$ 1,284,829,049</u>	<u>\$ 1,589,924,256</u>

See notes to consolidated financial statements

RENESOLA LTD
CONSOLIDATED INCOME STATEMENTS
(Amounts expressed in U.S. dollars, except number of shares and per share data)

	Years ended December 31,		
	2008	2009	2010
Net revenues:			
Product sales	\$ 580,374,536	\$ 488,507,712	\$ 1,127,537,872
Processing services	89,991,568	21,897,067	78,040,989
Total net revenues	670,366,104	510,404,779	1,205,578,861
Cost of revenues			
Product sales	631,677,378	541,569,928	807,457,192
Processing services	52,998,555	12,036,661	50,157,941
Total cost of revenues	684,675,933	553,606,589	857,615,133
Gross profit (loss)	(14,309,829)	(43,201,810)	347,963,728
Operating expenses:			
Sales and marketing	619,684	5,398,559	8,359,858
General and administrative	23,193,809	29,083,848	43,314,291
Research and development	9,713,621	14,506,591	36,262,716
Impairment loss on property, plant and equipment	763,426	—	—
Other operating expense (income)	(84,012)	(1,632,857)	14,082,643
Total operating expenses	34,206,528	47,356,141	102,019,508
Income (loss) from operations	(48,516,357)	(90,557,951)	245,944,220
Non-operating expenses:			
Interest income	(1,782,695)	(1,715,675)	(1,835,016)
Interest expense	11,869,167	17,122,262	23,245,598
Foreign exchange loss	3,096,699	1,433,404	1,813,711
Fair value change on derivatives	—	—	(9,428,116)
Investment loss	—	—	3,160,044
Gain on repurchase of convertible bonds	—	(7,995,337)	(5,891)
Other-than-temporary impairment loss on available-for-sale investment	—	13,366,936	—
Total non-operating expenses	13,183,171	22,211,590	16,950,330
Income (loss) before income tax, noncontrolling interests and equity in earnings (loss) of investee	(61,699,528)	(112,769,541)	228,993,890
Income tax benefit (loss)	2,420,260	41,156,343	(59,997,804)
Equity in earnings (loss) of investee, net of tax	5,175,046	(290,469)	—
Net income (loss)	(54,104,222)	(71,903,667)	168,996,086
Less: net loss attributed to noncontrolling interests	(801,904)	—	—
Net income (loss) attributed to holders of common shares	\$ (54,906,126)	\$ (71,903,667)	\$ 168,996,086
Earnings (loss) per share			
Basic	\$ (0.43)	\$ (0.49)	\$ 0.98
Diluted	\$ (0.43)	\$ (0.49)	\$ 0.97
Weighted average number of shares used in computing earnings per share			
Basic	127,116,062	147,553,679	172,870,921
Diluted	127,116,062	147,553,679	175,111,731

See notes to consolidated financial statements

RENESOLA LTD
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY AND COMPREHENSIVE INCOME (LOSS)

(Amount expressed in U.S. dollars, except number of shares)

	Common shares		Additional paid-in capital	Retained earnings (accumulated deficit)	Accumulated other comprehensive income	Non controlling interest	Total equity	Total Comprehensive income (loss)
	Shares	Amount						
Balance at January 1, 2008	100,000,032	\$ 36,265,997	\$14,826,696	\$ 66,200,488	\$ 8,415,476	\$ 9,216,908	\$134,925,565	\$ 50,133,006
Share-based compensation	—	—	3,087,288	—	—	—	3,087,288	—
Issuance of common shares	37,524,880	315,536,270	—	—	—	—	315,536,270	—
Share issuance costs	—	(21,524,196)	—	—	—	—	(21,524,196)	—
Issuance of common shares upon restricted shares and stock option exercise	100,000	387,516	(144,756)	—	—	—	242,760	—
Net loss	—	—	—	(54,906,126)	—	801,904	(54,104,222)	(54,104,222)
Decrease due to deconsolidation	—	—	—	—	—	(9,739,733)	(9,739,733)	—
Foreign exchange translation adjustment	—	—	—	—	13,663,748	—	13,663,748	13,663,748
Balance at December 31, 2008	137,624,912	\$330,665,587	\$17,769,228	\$ 11,294,362	\$22,079,224	279,079	\$382,087,480	\$ (40,440,474)
Repurchase of convertible bonds	4,000,000	14,979,469	—	—	—	—	14,979,469	—
Issuance of common shares	31,000,000	73,625,000	—	—	—	—	73,625,000	—
Share issuance costs	—	(5,517,092)	—	—	—	—	(5,517,092)	—
Share-based compensation	—	—	3,296,173	—	—	—	3,296,173	—
Net loss	—	—	—	(71,903,667)	—	—	(71,903,667)	(71,903,667)
Decrease due to deconsolidation	—	—	—	—	—	(279,079)	(279,079)	—
Foreign exchange translation adjustment	—	—	—	—	(25,353)	—	(25,353)	(25,353)
Balance at December 31, 2009	172,624,912	\$413,752,964	\$21,065,401	\$ (60,609,305)	\$22,053,871	—	\$396,262,931	\$ (71,929,020)
Changes in fair value of AFS	—	—	—	—	(2,329,761)	—	(2,329,761)	(2,329,761)
Changes in fair value of cash flow hedges	—	—	—	—	(713,497)	—	(713,497)	(713,497)
Share exercised by employees	1,221,500	8,286,122	(5,142,061)	—	—	—	3,144,061	—
Share-based compensation	—	—	3,934,565	—	—	—	3,934,565	—
Net profit	—	—	—	168,996,086	—	—	168,996,086	168,996,086
Foreign exchange translation adjustment	—	—	—	—	17,170,111	—	17,170,111	17,170,111
Balance at December 31, 2010	173,846,412	\$422,039,086	\$19,857,905	\$108,386,781	\$36,180,724	—	\$586,464,496	\$183,122,939

See notes to consolidated financial statements

RENESOLA LTD
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts expressed in U.S. dollars)

	Years ended December 31,		
	2008	2009	2010
Operating activities:			
Net income (loss)	\$ (54,104,222)	\$ (71,903,667)	\$ 168,996,086
Adjustment to reconcile net income to net cash used in operating activities:			
Equity in earnings of investee	(5,175,046)	290,469	—
Investment income			3,160,043
Inventory write-down	138,429,300	71,252,806	1,165,610
Depreciation and amortization	15,517,433	32,745,074	56,353,672
Amortization of deferred convertible bond issuance costs and premium	3,121,333	3,510,773	332,668
Allowance of doubtful receivables, advance to suppliers and prepayment for purchases of property, plant and equipment	4,027,423	9,872,894	3,919,044
Prepaid land use right expensed	256,538	439,624	—
Change in fair value of derivatives	(574,454)	(1,171)	(9,428,116)
Share-based compensation	3,087,288	3,296,174	3,934,566
Loss on impairment of long-lived assets	763,426	—	—
Loss on disposal of long-lived assets	5,638	12,798	1,254,267
Gain on early extinguishment of debt, net of inducement charges	—	(7,995,337)	(5,891)
Gain from advance restructuring	—	(554,731)	—
Other-than-temporary impairment loss on available-for-sale investment	—	13,366,936	—
Changes in operating assets and liabilities:			
Accounts receivable	(34,936,540)	(62,658,713)	26,886,223
Inventories	(204,846,808)	(1,721,040)	(28,433,451)
Advances to suppliers	(9,253,655)	23,888,226	(32,383,209)
Amounts due from related parties	29,308,471	(11,807,383)	63,815
Value added tax recoverable	(13,312,210)	(33,376,658)	9,276,785
Prepaid expenses and other current assets	(13,901,942)	5,041,008	(11,130,425)
Prepaid land use right	(1,628,439)	—	11,172,445
Accounts payable	23,185,315	38,022,985	121,462,667
Advances from customers	89,948,367	(23,220,017)	(1,362,227)
Income tax payables	3,375,044	152,617	9,555,345
Other current liabilities	280,415	1,429,813	18,933,622
Other long-term liabilities	1,228,433	(472,518)	(138,861)
Accrued warranty cost	—	561,424	5,260,590
Deferred tax assets	(9,615,351)	(43,850,841)	44,325,073
Net cash used in operating activities	<u>(34,814,243)</u>	<u>(53,678,455)</u>	<u>403,170,341</u>

RENESOLA LTD
CONSOLIDATED STATEMENTS OF CASH FLOWS—(Continued)
(Amounts expressed in U.S. dollars)

	Years ended December 31,		
	2008	2009	2010
Investing activities:			
Purchases of property, plant and equipment	(208,312,476)	(358,084,269)	(137,714,729)
Advances for purchases of property, plant and equipment	(128,974,659)	132,290,980	(6,816,721)
Purchases of other long-lived assets	(1,037,722)	(1,411,489)	1,186,219
Cash received from government subsidy	6,030,669	5,959,476	2,407,787
Proceeds from disposal of property, plant and equipment	1,232	—	149,937
Proceeds from disposal of investment	6,335,472	(634,552)	—
Changes in restricted cash	(5,827,679)	(18,958,147)	(7,323,041)
Cash decreased due to deconsolidation	(4,415,577)	—	—
Cash consideration for acquisition, net of cash received	—	(16,831,050)	—
Net proceeds from redemption of financial assets	—	—	(3,160,043)
Net cash used in investing activities	(336,200,740)	(257,669,051)	(151,270,591)
Financing activities:			
Proceeds from bank borrowings	269,480,182	767,191,912	665,007,359
Repayment of bank borrowings	(141,403,468)	(445,677,335)	(708,249,446)
Proceeds from issuance of common shares	315,536,270	73,625,000	—
Cash paid for share issuance cost	(21,524,196)	(5,265,134)	—
Proceeds from exercise of stock options	242,760	—	3,144,830
Cash paid for repurchase of convertible bonds	—	(84,121,078)	(32,715,276)
Dividend paid to minority shareholder	(102,862)	—	—
Cash received from related parties	15,000	—	—
Cash paid to related parties	(15,000)	—	—
Net cash provided by financing activities	422,228,686	305,753,365	(72,812,533)
Effect of exchange rate changes	7,983,581	68,290	4,806,507
Net increase (decrease) in cash and cash equivalent	59,197,284	(5,525,851)	183,893,724
Cash and cash equivalents, beginning of year	53,136,512	112,333,796	106,807,945
Cash and cash equivalents, end of year	\$ 112,333,796	\$ 106,807,945	\$ 290,701,669
Supplemental schedule of non-cash transactions			
Payables for purchase of property, plant and equipment	\$ 31,172,658	\$ 51,214,481	\$ 42,918,003
Contribution from shareholders of variable interest entity in the form of property and equipment	\$ 7,886,300	\$ —	\$ —
Prepayment settled with equity interest	\$ —	\$ 19,019,325	\$ —
Supplemental disclosure of cash flow information			
Interest paid	\$ 12,681,771	\$ 23,852,308	\$ 29,679,865
Income tax paid (return)	\$ 8,123,251	\$ (552,613)	\$ 2,890,157

See notes to consolidated financial statements

RENESOLA LTD**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****1. ORGANIZATION AND NATURE OF OPERATIONS**

ReneSola Ltd was incorporated in the British Virgin on March 17, 2006. ReneSola Ltd and its subsidiaries (collectively the “Company”) are engaged in the manufacture and sale of solar power products including virgin polysilicon, monocrystalline and multicrystalline solar wafers and photovoltaic (PV) cells and modules. On January 29, 2008, the Company became listed on the New York Stock Exchange (NYSE) in the United States.

The following table lists all subsidiaries of the Company as of December 31, 2010:

<u>Subsidiaries</u>	<u>Date of acquisition</u>	<u>Date of incorporation</u>	<u>Place of incorporation</u>	<u>Percentage of ownership</u>
Zhejiang Yuhui Solar Energy Source Co., Ltd. (“Zhejiang Yuhui”)	N/A	August 7, 2003	People’s Republic of China (“PRC”)	100%
ReneSola America Inc. (“ReneSola America”)	N/A	November 12, 2006	United States of America	100%
ReneSola Singapore Pte Ltd. (“ReneSola Singapore”)	N/A	March 28, 2007	Singapore	100%
Sichuan ReneSola Silicon Material Co., Ltd. (“Sichuan ReneSola”)	N/A	August 25, 2007	PRC	100%
Yuneng Enterprise Consulting (Shanghai) Co., Ltd (“ReneSola Shanghai”)	N/A	March 20, 2009	PRC	100%
Wuxi Jiacheng Solar Energy Technology Co., Ltd. (“JC Solar”)	May 31, 2009	November 8, 2005	PRC	100%
Zhejiang ReneSola Photovoltaic Materials Co., Ltd. (“Zhejiang ReneSola”)	N/A	April 30, 2010	PRC	100%
Sichuan Ruiyu Photovoltaic Materials Co., Ltd. (“Sichuan Ruiyu”)	N/A	August 24, 2010	PRC	100%
Sichuan Ruisheng Photovoltaic Materials Co., Ltd. (“Sichuan Ruisheng”)	N/A	November 23, 2010	PRC	100%
Sichuan Ruixin Photovoltaic Materials Co., Ltd. (“Sichuan Ruixin”)	N/A	November 22, 2010	PRC	100%

Zhejiang Yuhui commenced operations in July 2005. ReneSola America commenced operations in November 2006. ReneSola Singapore commenced operations in May 2007. ReneSola Malaysia commenced operations in October 2007 and was sold in March 2009. Sichuan ReneSola commenced operations in July 2009. JC Solar was acquired on May 31, 2009. ReneSola Shanghai, Zhejiang ReneSola, Sichuan Ruiyu, Sichuan Ruisheng and Sichuan Ruixin had not commenced operations as of December 31, 2010.

RENESOLA LTD

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Disposal and Acquisition of Subsidiaries and Variable Interest Entity Interest

(a) In July 2007, the Company invested Ringgit Malaysian 1,260,521 (approximately \$370,483) for a 51% equity interest in ReneSola (Malaysia) SND. BHD. (“ReneSola Malaysia”). ReneSola Malaysia is in the business of treating, processing, converting, compounding and dealing in recycled silicon materials. The Company consolidated ReneSola Malaysia in its December 31, 2007 balance sheet. On March 30, 2009, the Company sold its 51% equity interest to ReneSola Malaysia’s joint venture partner for a consideration of Ringgit Malaysia 1 (\$nil).

(b) In August 2007, the Company and Linzhou Zhongsheng Steel Co., Ltd. (“Zhongsheng Steel”) established Linzhou Zhongsheng Semiconductor (the “Joint Venture” or “Former Joint Venture”), a joint venture to engage in virgin polysilicon production in Linzhou, Henan Province, China. Pursuant to the joint venture agreement, the Company made a commitment to contribute approximately RMB102.9 million (\$13.7 million) in cash for a 49% equity interest in the Joint Venture and Zhongsheng Steel made a commitment to contribute approximately RMB107.1 million (\$14.1 million) in the form of facilities, equipment and land use rights for the other 51% equity interest. As of December 31, 2007, the Company had contributed \$8.0 million in cash while Zhongsheng Steel contributed tangible assets in the amount of \$9.3 million. Under the joint venture agreement, The Company was obligated to purchase 90% of the Joint Venture’s output, at 97% of market price, for a period of thirty years. At December 31, 2007, the Company consolidated the financial statements of the Joint Venture as its variable interest entity.

In June 2008, the Company and Zhongsheng Steel amended the joint venture agreement to reduce the Company’s obligation to purchase the Joint Venture’s output from 90% to a minimum of 55% at market prices with a term of three years, instead of thirty years. As a result, the Joint Venture was no longer considered a variable interest entity because ReneSola was no longer determined to be the primary beneficiary of the Joint Venture. Effective from June 28, 2008, the Company accounted for its investment in the Joint Venture as an equity method investment.

In December 2008, the Company sold its equity interest of 49% in the Joint Venture to Zhongsheng Steel for consideration of RMB200,000,000, comprising proceeds of RMB40,000,000 (\$5,862,960) in cash and RMB 4,000,000 (\$586,296) in the form of a credit towards current purchase of polysilicon. The remaining consideration of RMB156,000,000 (\$22,979,328) was receivable in cash or to be applied to future purchases of polysilicon from the Former Joint Venture, at the Company’s option. Additionally, the sales agreement superseded the Company’s obligation to purchase the Joint Venture’s output. The sales agreement required the Former Joint venture to supply polysilicon to the Company at market prices for a three-year period.

In 2009, because the Former Joint Venture did not honor the supply commitment, the Company recognized a full provision against the remaining balance of receivable Former Joint Venture of \$8,608,538 in operating expenses for the year ended December 31, 2009.

(c) On May 20, 2009, ReneSola Ltd’s wholly owned subsidiary Zhejiang Yuhui Solar Energy Source Co., Ltd entered into an agreement to acquire the entire share capital of solar cell and module manufacturer, Wuxi Jiacheng Solar Energy Technology Co. (“JC Solar”) (the “Acquisition”). The total consideration for the Acquisition was RMB140,300,000 (\$20,548,338). The acquisition was completed on May 31, 2009. See Note 3.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

(a) Basis of presentation

The consolidated financial statements have been prepared and presented in accordance with accounting principles generally accepted in the United States of America (“US GAAP”).

RENESOLA LTD

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(b) Basis of consolidation

The consolidated financial statements include the financial statements of ReneSola and its subsidiaries. All significant inter-company transactions, balances and unrealized profits and losses have been eliminated on consolidation.

(c) Fair value measurement

The Company estimates fair value of financial assets and liabilities as the price that would be received from the sales of an asset or paid to transfer a liability (an exit price) on the measurement date in an orderly transaction between market participants.

When available, the Company measures the fair value of financial instruments based on quoted market prices in active markets, valuation techniques that use observable market-based inputs or unobservable inputs that are corroborated by market data. When observable market prices are not readily available, the Company generally estimates the fair value using valuation techniques that rely on alternate market data or inputs that are generally less readily observable from objective sources and are estimated based on pertinent information available at the time of the applicable reporting periods. See Note 7, “Fair Value Measurements”, for further details.

(d) Use of estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of these financial statements and the reported amounts of revenues and expenses for the reporting periods presented. Actual results could materially differ from these estimates. Significant accounting estimates which are susceptible to change as more information becomes available include allowances for doubtful receivables and advances to suppliers, lower of cost or market charges and other provisions for inventories, accrued liabilities, valuation allowances for long-term prepayments, valuation of deferred tax assets, accruals of warranty costs, useful lives of property, plant and equipment and recoverability of the carrying value of long-lived assets, the determination of fair value of financial instruments, assumptions used in foreign exchange forward contracts and valuation of derivative and other financial instruments, impairment of goodwill, assumptions used to measure other-than-temporary-impairment for long-term equity investment and valuation of share-based compensation inclusive of forfeiture rates of stock options.

(e) Cash and cash equivalents

Cash and cash equivalents represent cash on hand and held with banks, including demand deposits, which are unrestricted as to withdrawal and use, and which have original maturities of three months or less when purchased.

(f) Restricted cash

Restricted cash represents amounts held by banks, which are not available for the Company’s general use, as security for issuance of letters of credit, bank acceptance bills, bank borrowings and bank drafts. Upon maturity of the letters of credit and repayment of bank acceptance bills, bank borrowings and bank drafts which generally occur within one year, the deposits are released by the bank and become available for general use by the Company.

RENESOLA LTD

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(g) Inventories

Inventories are stated at the lower of cost or market. Cost is determined by the weighted-average method for work-in-process and finished goods and by the first-in-first-out method for raw materials. Inventory costs comprise direct materials, direct labor and those overhead costs that have been incurred in bringing the inventories to their present location and conditions.

Adjustments are recorded to write down the cost of obsolete and excess inventory to the estimated market value based on historical and forecast demand. The estimated market value is measured as the estimated selling price of each class of the inventories in the ordinary course of business less estimated costs of completion and disposal and normal profit margin.

The Company outsources portions of its manufacturing process, including cutting ingots into wafers and converting wafers into solar cells, to various third-party manufacturers. These outsourcing arrangements may or may not include transfer of title of the raw material inventory (ingots or wafers) to the third-party manufacturers.

For the outsourcing arrangements, the Company maintains such inventory on the Company's balance sheet as raw materials inventory while it is in physical possession of the third-party manufacturer. Upon receipt of the processed inventory, it is reclassified as work-in-process inventory and a processing fee is paid to the third-party manufacturer. The processing fees paid to the manufacturer are added to the cost of inventory.

The Company provides solar wafer processing services on behalf of third parties who have their own polysilicon supplies. Under certain of these solar wafer processing service arrangements, the Company purchases raw materials from a customer and agrees to sell a specified quantity of solar wafers produced from such materials back to the same customer. The quantity of solar wafers sold back to the customer under these processing arrangements is consistent with the amount of raw materials purchased from the customer based on current production conversion rates. The Company records revenue from these processing transactions based on the amount received for solar wafers sold less the amount paid for the raw materials purchased from the customer. The revenue recognized is recorded as solar wafer processing revenue and the production costs incurred related to providing the processing services are recorded as solar wafer processing costs within cost of revenue.

(h) Investments

Investments in marketable equity securities are classified as trading, available-for-sale, or held-to-maturity. Investments classified as trading are reported at fair value with unrealized gains and losses included in income. Investments classified as available-for-sale are reported at fair value with unrealized gains and losses recorded in other comprehensive income. The cost of investments sold is determined by specific identification.

The Company routinely reviews available-for-sale securities for other-than-temporary declines in fair value below the cost basis, and when events or changes in circumstances indicate the carrying value of an asset may not be recoverable, the security is written down to fair value.

Investments are evaluated for impairment at the end of each period. Unrealized losses are recorded to other expenses when a decline in fair value is determined to be other-than-temporary. The Company reviews several factors to determine whether a loss is other-than-temporary. These factors include, but are not limited to, the: (1) nature of the investment; (2) cause and duration of the impairment; (3) extent to which fair value is less than cost; (4) financial conditions and near term prospects of the issuers; and (5) ability to hold the security for a period of time sufficient to allow for any anticipated recovery in fair value.

RENESOLA LTD

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(i) Advances to suppliers and advances for purchase of property, plant and equipment

In order to secure a stable supply of silicon materials and construction materials, the Company makes advance payments to suppliers for raw material supplies and advances on purchases of long-lived assets which are offset against future deliveries. Advances to suppliers for purchases expected within twelve months as of each balance sheet date are recorded as advances to suppliers in current assets. Future balances are recorded in non-current advance to suppliers. As of December 31, 2009 and 2010, advances to suppliers in current assets were \$12,091,913 and \$26,315,038, respectively, and non-current advances to suppliers for silicon raw material supplies were \$8,071,801 and \$13,743,176, respectively. Prepayments for property, plant and equipment are recorded in non-current assets and were \$20,840,441 and \$26,930,088 as of December 31, 2009 and 2010, respectively. The Company does not require collateral or other security against its advances to suppliers. As the result, the Company's claims for such prepayments are unsecured, which exposes the Company to the suppliers' credit risk. The Company performs ongoing credit evaluations of the financial condition of its suppliers. As of December 31, 2009 and 2010, prepayments made to individual suppliers in excess of 10% of total advances and prepayments to suppliers are as follows:

	At December 31,	
	2009	2010
Supplier A	\$ 265,175	—
Supplier B	\$ 10,923,471	\$ 10,418,222
Supplier C	\$ 2,847,963	\$ 11,011
Supplier D	\$ 2,040,000	—
Supplier E	—	\$ 6,540,000
Supplier F	—	\$ 9,845,337

As of December 31, 2009 and 2010, advances for purchases of property, plant and equipment in excess of 10% of total advances and prepayments to equipment suppliers are as follows:

	At December 31,	
	2009	2010
Supplier A	—	\$ 7,667,871
Supplier B	—	\$ 7,186,659
Supplier C	\$ 6,466,321	—
Supplier D	—	\$ 2,921,619
Supplier E	\$ 4,145,978	\$ 279,082

(j) Business combination

The Company accounts for business acquisitions using the acquisition method of accounting and records finite-lived intangible assets separate from goodwill. Intangible assets are recorded at their fair value based on estimates as at the date of acquisition. Goodwill is recorded as the residual amount of the purchase price less the fair value assigned to the individual assets acquired and liabilities assumed as the date of acquisition.

(k) Goodwill

Goodwill represents the excess of the purchase price of acquired businesses over the estimated fair value assigned to the individual assets acquired and liabilities assumed. The Company performs its annual tests for goodwill impairment in the second quarter. The Company will perform an impairment test between scheduled annual tests if facts and circumstances indicate that it is more likely than not that the fair value of a reporting unit that has goodwill is less than its carrying value. The Company compares the fair value of a reporting unit to its

RENESOLA LTD**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

carrying amount to determine if goodwill may be impaired. The Company primarily uses the income methodology of valuation, which includes the discounted cash flow method, and the market approach methodology of valuation, which considers values of comparable businesses to determine the fair value of goodwill. Significant management judgment is required in the forecasts of future operating results and discount rates that we use in the discounted cash flow method of valuation and in the selection of comparable businesses that we used in the market approach. If the fair value of a reporting unit is less than its carrying value, an impairment loss is recorded to the extent that the fair value of the goodwill is less than its carrying value. Fair values for reporting units are determined based on discounted cash flows, market multiples or appraised values.

(l) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is computed on a straight-line basis over the following estimated useful lives:

Buildings	40-50 years
Plant and machinery	10 years
Motor vehicles	4-5 years
Office equipment	3-5 years

Construction in progress represents mainly the construction of new facilities in Sichuan ReneSola and Zhejiang Yuhui. Costs incurred in the construction are capitalized and transferred to property, plant and equipment upon completion, at which time depreciation commences.

(m) Interest capitalization

The Company capitalizes interest costs as part of the costs of constructing certain assets during the period of time required to get the assets ready for their intended use. The Company capitalizes interest to extent that expenditures to construct an asset have occurred and interest costs have been incurred.

(n) Prepaid land use right

Prepaid land use right represent payments made to obtain land use rights. Prepaid land use right is recognized as an expense on a straight-line basis over the lease period of 40-50 years.

Expenses recognized and offset against prepaid land use rights were \$256,538, \$439,624 and \$715,405 for the years ended December 31, 2008, 2009 and 2010, respectively.

(o) Impairment of long-lived assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable or that the useful life is shorter than originally estimated. The Company assesses recoverability of the long-lived assets by comparing the carrying amount of the assets to the estimated future undiscounted cash flows expected to result from the use of the assets and their eventual disposition. The Company recognizes an impairment loss in the event the carrying amount exceeds the estimated future undiscounted cash flows attributable to such assets, measured as the difference between the carrying amount of the assets and the fair value of the impaired assets. The impairment loss of long-lived assets was \$763,426, \$ nil and \$nil for the years ended December 31, 2008, 2009 and 2010, respectively. The impairment loss incurred in fiscal year 2008 was related to the impairment of long-lived assets of ReneSola Malaysia.

RENESOLA LTD

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(p) Deferred convertible bond issuance costs

The issuance costs of the Company's Convertible Bond due 2012 ("Convertible Bonds") in the amount of \$4,796,875 were deferred and amortized on a straight-line basis, which approximates the effective interest rate method, from March 26, 2007, the date of issuance, to March 26, 2010, the earliest redemption date. The amortization expense was \$1,573,614, \$1,232,828 and \$84,677 for the years ended December 31, 2008, 2009 and 2010, respectively.

(q) Income taxes

Deferred income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, tax loss and investment tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is recorded to reduce the carrying amount of deferred tax assets if it is considered more likely than not that some portion, or all, of the deferred tax assets will not be realized.

The Company accounts for uncertainties in income taxes codified in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 740, "Income Taxes" (previously known as FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109), which clarifies the accounting and disclosure for uncertainty in tax positions. This guidance prescribes a more-likely-than-not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It also provides guidance on de-recognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, accounting for income taxes in interim periods and income tax disclosures.

(r) Revenue recognition

The Company sells solar power products including virgin polysilicon, monocrystalline and multicrystalline solar wafers and PV cells and modules. The Company also enters into agreements to process silicon materials into silicon ingots and wafers for customers. The Company recognizes revenues when persuasive evidence of an arrangement exists, the products are delivered and title and risk of loss has passed to customers, the price to the buyer is fixed and determinable, and collectability is reasonably assured. Revenue includes reimbursement of shipping and handling costs. Shipping and handling costs incurred on sale of products and included in sales and marketing expense were \$78,705, \$360,779 and \$1,075,642 for the years ended December 31, 2008, 2009 and 2010, respectively. Sales agreements typically contain customary product warranties but do not contain any post-shipment obligations nor any return or credit provisions.

A majority of the Company's contracts provide that products are shipped under free on board ("FOB") terms or cost, insurance and freight ("CIF") terms. Under FOB, the Company fulfils its obligation when the goods have passed over the ship's rail at the named port of shipment. The customer bears all costs and risks of loss or damage to the goods from that point. Under CIF, the Company must pay the costs, insurance and freight necessary to bring the goods to the named port of destination, and bears the risk of loss of or damage to the goods during transit. The Company recognizes revenue when the title of goods and risk of loss or damage is transferred to the customers based on the terms of the sales contracts if other criteria are met.

The Company extends credit terms to a limited number of customers and receives cash for the majority of the sales transactions before delivery of products, which are recorded as advances from customers. For customers

RENESOLA LTD

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

to whom credit terms are extended, the Company assessed a number of factors to determine whether collection from them is reasonably assured, including past transaction history with them and their credit-worthiness.

(s) Cost of revenues

Cost of revenues consists of production related costs including costs of silicon raw materials, consumables, direct labor, overhead costs, depreciation of plant and equipment, contractor and processing fees and warranty costs.

(t) Research and development

Costs related to the design, formulation and testing of new products or process alternatives are include in research and development expenses. Research and development costs are expensed when incurred.

(u) Warranty costs

The Company's solar modules are typically sold with 10-25-year warranties against specified declines in the initial minimum power generation capacity at the time of delivery. The Company also provides warranties for solar modules against defects in materials and workmanship for a period of two years from the date of sale. Warranty cost is accrued as revenue is recognized. Due to the limited solar module manufacturing history, the Company does not have a significant history of warranty claim. Cost of warranties is estimated based on an assessment of the Company's and competitors' accrual history, industry-standard testing, estimates of failure rates from quality review and other assumptions that are considered to be reasonable under the circumstances. Actual warranty costs are accumulated and charged against accrued warranty liability. To the extent that actual warranty cost differs from the estimates, the Company will prospectively revise the accrual rate. Other assumptions are additional factors that affect estimates of warranty costs, including industry data for warranty claim activities for themselves and competitors and academic research. Such data is widely available. We acknowledge that such estimates are subjective, and we will continue to analyze our claim history and the performance of our products compared to our competitors, industry data for warranty claims and other assumptions such as academic research to determine whether our accrual is adequate. In addition, as a recent entrant in the market, the Company has adopted a warranty accrual rate of 1.0% of PV module revenues, based on its assessment of industry norms which also represents its best estimate to date. Should it begin to experience warranty claims differing from its accrual rate, the Company would prospectively revise the warranty accrual rate.

(v) Start-up costs

The Company expenses all costs incurred in connection with start-up activities, including pre-production costs associated with new manufacturing facilities and costs incurred with the formation of new subsidiaries, such as organization costs. Facilities and employee costs incurred in connection with constructing new manufacturing plants are included in general and administrative expense.

(w) Government grants

Government grants received by the Company consist of unrestricted grants and subsidies and restricted grants. Depending upon the nature of grant, government grants are recognized as either other operating income or as a reduction of property, plant and equipment.

RENESOLA LTD

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The Company recorded \$161,843, \$1,661,588 and \$1,059,995 for the years ended December 31, 2008, 2009 and 2010 in other operating income, respectively. Government grants related to property, plant and equipment are recorded as deferred liabilities and are amortized on a straight-line basis over the useful life of associated assets. The Company received government grant related to property, plant and equipment of \$6,138,979, \$5,959,476 and \$13,986,478 during the years ended December 31, 2008, 2009 and 2010, respectively, and amortized \$nil, \$nil and \$306,965 in other operating income for the years ended December 31, 2008, 2009 and 2010, respectively.

(x) Foreign currency

The functional currency of ReneSola Ltd is the United States Dollar (“U.S. dollar”). The functional currency of ReneSola’s subsidiaries in the PRC is Renminbi (“RMB”). The functional currency of ReneSola America and ReneSola Singapore is the U.S. dollar.

Foreign currency transactions have been translated into the functional currency at the exchange rates prevailing on the date of transactions. Foreign currency denominated monetary assets and liabilities are translated into the functional currency at exchange rates prevailing on the balance sheet date. Exchange gains and losses have been included in determination of net income.

The Company has chosen the U.S. dollar as its reporting currency. Assets and liabilities have been translated using exchange rates prevailing on the balance sheet date. Income statement items have been translated using the weighted average exchange rate for the year. Translation adjustments have been reported as a component of other comprehensive income in the statement of equity.

The RMB is not a freely convertible currency. The PRC State Administration for Foreign Exchange, under the authority of the People’s Bank of China, controls the conversion of RMB into foreign currencies. The value of the RMB is subject to changes in central government policies and to international economic and political developments affecting supply and demand in the China foreign exchange trading system market. The Company’s cash and cash equivalents dominated in RMB amounted to RMB419,714,558 (\$61,488,602) and RMB1,887,831,492 (\$286,034,789) at December 31, 2009 and 2010, respectively. And the Company’s restricted cash dominated in RMB amounted to RMB169,844,918 (\$24,882,450) and RMB222,026,907 (\$33,640,407) at December 31, 2009 and 2010, respectively.

(y) Fair value of financial instruments

On January 1, 2008, the Company adopted the provisions of ASC 820, “Fair Value Measurements and Disclosures” (“ASC 820”), previously FASB Statement (“SFAS”) No. 157, “Fair Value Measurements and Disclosures”. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (also referred to as an exit price). ASC 820 establishes a hierarchy for inputs used in measuring fair value that gives the highest priority to observable inputs and the lowest priority to unobservable inputs. Valuation techniques used to measure fair value shall maximize the use of observable inputs.

When available, the Company measures the fair value of financial instruments based on quoted market prices in active markets, valuation techniques that use observable market-based inputs or unobservable inputs that are corroborated by market data. Pricing information the Company obtains from third parties is internally validated for reasonableness prior to use in the consolidated financial statements. When observable market prices are not readily available, the Company generally estimates the fair value using valuation techniques that rely on alternate market data or inputs that are generally less readily observable from objective sources and are estimated

RENESOLA LTD

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

based on pertinent information available at the time of the applicable reporting periods. In certain cases, fair values are not subject to precise quantification or verification and may fluctuate as economic and market factors vary and the Company's evaluation of those factors changes. Although the Company uses its best judgment in estimating the fair value of these financial instruments, there are inherent limitations in any estimation technique. In these cases, a minor change in an assumption could result in a significant change in its estimate of fair value, thereby increasing or decreasing the amounts of the Company's consolidated assets, liabilities, equity and net income or loss. See Note 7, "Fair Value Measurements", for further details.

(z) Derivative financial instruments

The Company uses foreign exchange forward contracts to hedge the foreign currency exchange risk inherent in the future cash flows associated with forecasted sales denominated in foreign currencies, mainly in U.S. dollar or euro.

The Company accounts for these forward contracts as derivative instruments and recognizes all derivative instruments as either assets or liabilities at fair value in other financial assets or other financial liabilities in the consolidated balance sheets. The Company does not offset the carrying amounts of derivatives with the same counterparty.

The Company qualified for foreign currency cash flow hedge accounting with respect to certain foreign-currency forward exchange contracts that the company entered into hedge, for accounting purposes, changes in the cash flow of forecasted foreign currency denominated sales transactions within next two years attributable to changes in foreign currency exchange rate. When hedging relationships are highly effective, the effective portion of gain or loss on the derivative cash flow hedges is recorded in accumulated other comprehensive income, net of tax, until the underlying hedged transaction is recognized in the consolidated income statements. The ineffective portion of cash flow hedges, if any, is recognized in income immediately. The effectiveness of designated hedging relationships is tested and documented on at least quarterly basis. The company's cash flow hedge is tested to be effective.

The loss from change in fair value of derivatives qualified for cash flow hedges reported in accumulated other comprehensive income was nil, nil and \$713,497 as of December 31, 2008, 2009 and 2010, respectively. The amount reclassified into revenue in 2010 was \$83,594. \$835,476 is expected to be reclassified into revenue within the next twelve months.

The other derivatives do not qualify for hedge accounting. Accordingly, gains or losses resulting from changes in the values of those derivative instruments are recognized in fair value change on derivatives.

Net gain (loss) on derivative instruments from foreign currency forward exchange contracts was nil, (\$89,683) and \$7,136,109, in the years ended December 31, 2008, 2009 and 2010, respectively. As of December 31, 2010, the Company has outstanding foreign exchange forward contracts with a total notional amount of \$712,875,000, including \$151,355,000 qualified for hedge accounting.

As of December 31, 2010, the Company has \$11,659,723 derivative assets and \$2,964,318 derivative liabilities in total, including \$840,596 derivative assets and \$1,589,281 derivative liabilities qualified for hedge accounting, respectively.

RENESOLA LTD

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(aa) Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing income attributable to holders of common shares by the weighted average number of common shares outstanding during the year. Diluted earnings (loss) per share reflects the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted into common shares.

During 2010, the Company issued 750,500 ordinary shares to its share depository bank which will be used to settle stock option awards upon their exercise. No consideration was received by the Company for this issuance of ordinary shares. These ordinary shares are legally issued but are treated as escrowed shares for accounting purposes and therefore, have been excluded from the computation of earnings per share. Any ordinary shares not used in the settlement of stock option awards will be returned to the Company.

(ab) Share-based compensation

The Company recognizes expenses for services received in exchange for awards of equity instruments based on the grant-date fair value of the award as determined by the Black-Scholes option pricing model, net of estimated forfeitures. The estimated compensation cost is recognized ratably over the period the grantee is required to provide services per the conditions of the award. See Note 13, "Share Based Compensation", for further details.

(ac) Comprehensive income (loss)

Comprehensive income is the change in equity during a period from transactions and other events and circumstances from non-shareholder sources. Components of the Company's comprehensive income include net income, foreign currency translation adjustments, unrealized gains and losses on available-for-sale investments and fair value change of the derivatives qualify for hedge accounting.

(ad) Concentrations of credit risk

Financial instruments that potentially expose the Company to concentrations of credit risk consist primarily of cash and cash equivalents, accounts receivable and advances to suppliers and related parties. The Company places its cash and cash equivalents with financial institutions with high-credit ratings and quality. The Company conducts credit evaluations of customers and generally does not require collateral or other security from its customers. The Company establishes an allowance for doubtful receivables mainly based on the age of receivables and factors surrounding the credit risk of specific customers. The Company performs ongoing credit evaluations of the suppliers' financial conditions. The Company generally does not require collateral or other security against such suppliers; however, it maintains a reserve for potential credit losses. Such losses have historically been within management's expectations.

(ae) Recently issued accounting pronouncements

- 1) In October 2009, the FASB issued ASU 2009-13, "Revenue Recognition (Topic 605)—Multiple-Deliverable Revenue Arrangements" (previously EITF 08-1, "Revenue Arrangements with Multiple Deliverables"). This ASU addresses the accounting for multiple-deliverable arrangements to enable vendors to account for products or services (deliverables) separately rather than as a combined unit. Specifically, this guidance amends the criteria for separating consideration in multiple-deliverable arrangements. This guidance establishes a selling price hierarchy for determining the selling price of a deliverable, which is based on: (a) vendor-specific objective evidence; (b) third-party evidence; or (c) estimates. This guidance

RENESOLA LTD

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

also eliminates the residual method of allocation and requires that arrangement consideration be allocated at the inception of the arrangement to all deliverables using the relative selling price method. In addition, this guidance significantly expands required disclosures related to a vendor's multiple-deliverable revenue arrangements. This accounting standard will be effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. Early adoption is permitted. The Company did not early adopt ASU 2009-13.

- 2) In January 2010, the FASB issued ASU 2010-06, Consolidation (Topic 810)—Accounting and Reporting—Improving Disclosures about Fair Value Measurement". ASU 2010-06 amends ASC820 (previously SFAS 157) to add new requirements for disclosures about (1) the different classes of assets and liabilities measured at fair value, (2) the valuation techniques and inputs used, (3) the activity in Level 3 fair value measurements, and (4) the transfers between Levels 1, 2, and 3. The guidance in ASU 2010-06 is effective for the first reporting period beginning after December 15, 2009, except for the requirement to provide the Level 3 activity of purchases, sales, issuances, and settlements on a gross basis, which will be effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. In the period of initial adoption, entities will not be required to provide the amended disclosures for any previous periods presented for comparative purposes. However, those disclosures are required for periods ending after initial adoption. Early adoption is permitted. The Company did not early adopt ASU 2010-06.
- 3) In April 2010, the FASB issued ASU 2010-13, "Compensation (Topic 718)—Stock Compensation". This ASU addresses the classification of an employee share-based payment award with an exercise price denominated in the currency of a market in which the underlying equity security trade. FASB Accounting Standards Codification Topic 718, Compensation—Stock Compensation, provides guidance on the classification of a share-based payment award as either equity or a liability. A share-based payment award that contains a condition that is not a market, performance, or service condition is required to be classified as a liability. Under Topic 718, awards of equity share options granted to an employee of an entity's foreign operation that provide a fixed exercise price denominated in (1) the foreign operation's functional currency or (2) the currency in which the employee's pay is denominated should not be considered to contain a condition that is not a market, performance, or service condition. However, U.S generally accepted accounting principles (GAAP) do not specify whether a share-based payment award with an exercise price denominated in the currency of a market in which the underlying equity security trades has a market, performance, or service condition. Diversity in practice has developed on the interpretation of whether such an award should be classified as a liability when the exercise price is not denominated in either the foreign operation's functional currency or the currency in which the employee's pay is denominated. The adoption of this ASU did not have a material impact on the Company's consolidated financial statements and related disclosures.

3. ACQUISITION OF JC SOLAR

On May 31, 2009, the Company completed the acquisition of JC Solar, in order to acquire JC Solar's solar cell and module business as part of the Company's vertical integration strategy. Total consideration for acquisition was approximately RMB140,300,000 (\$20,548,338), in cash.

RENESOLA LTD

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Purchase price allocation

The Company accounted for this acquisition using the acquisition method. Accordingly, the Company allocated the purchase price to the acquired assets and liabilities based on their estimated fair values at the acquisition date of May 31, 2009, as summarized in the following table (in thousands):

	May 31, 2009
Net tangible assets acquired	\$ 11,274
Deferred tax liability (net)	(767)
Intangible assets:	
Customer relationship	4,498
Backlog	220
Goodwill	5,323
Total consideration	<u>\$ 20,548</u>

Goodwill, which represents the excess of the purchase price over the fair value of net tangible and identified intangible assets acquired, is not being amortized but is reviewed annually for impairment, or more frequently if impairment indicators arise, in accordance with authoritative guidance. In part, goodwill reflected the competitive advantages the Company expected to realize from the vertical integration strategy. Goodwill has been assigned to the cell and module segment and is expected to be deductible for tax purposes.

The Company recognized the acquired intangible assets—order backlog and customer relationship, based on the valuation results, conducted by an independent valuation firm. The fair values of the intangible assets were calculated using the income approach. The order backlog was valued as \$219,752, and was fully amortized in 2009. The customer relationship was valued as \$4,497,581, and \$3,148,306 and \$1,349,275 was amortized in 2009 and 2010, respectively.

The following table summarizes unaudited pro forma results of operation for the year ended December 31, 2009 assuming that the acquisition of JC Solar occurred as of January 1, 2009. The pro forma results have been prepared for comparative purpose only based on management's best estimates regarding the impact to cost of revenues for the period from of January 1, 2009 to May 31, 2009 resulting from purchase accounting adjustment to increase the carrying value of inventories on January 1, 2009 and do not purport to be indicative of the results of operations which actually would have resulted had the acquisition occurred as of January 1, 2009 (in thousands).

	Year ended December 31, 2009
	(Unaudited)
Pro forma revenue	\$551,464
Pro forma net income	\$(68,111)
Pro forma profit attributable to holders of common shares	\$(68,111)
Pro forma earnings per share:	
Basic	\$(0.46)
Diluted	\$(0.46)
Weighted average number of shares used in computation:	
Basic	147,553,679
Diluted	147,553,679

RENESOLA LTD

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

4. ALLOWANCES FOR DOUBTFUL RECEIVABLES

Allowances for doubtful receivables are comprised of allowances for accounts receivable and allowances for other receivables. The Company made provision for doubtful debts of in the aggregate amount of \$4,027,423, \$9,872,894 and \$3,919,044 during the year ended December 31, 2008, 2009 and 2010, respectively.

Analysis of allowances for accounts receivable is as follows:

	At December 31,	
	2009	2010
Beginning of the year	\$ 113,085	\$ 114,271
Allowances made during the year	1,241	2,237,042
Foreign exchange effect	(55)	61,382
Closing balance	<u>\$ 114,271</u>	<u>\$ 2,412,695</u>

Analysis of allowances for other receivables is as follows:

	At December 31,	
	2009	2010
Beginning of the year	\$ 841,838	\$ 9,456,014
Allowances made (reversal) during the year	8,608,538	42,379
Write off	—	(774,792)
Foreign exchange effect	5,638	9,996
Closing balance	<u>\$ 9,456,014</u>	<u>\$ 8,733,597</u>

Analysis of allowances for advances for purchases of property, plant and equipment is as follows:

	At December 31,	
	2009	2010
Beginning of the year	—	\$ —
Allowances made (reversal) during the year	—	1,808,989
Write off	—	(943,340)
Foreign exchange effect	—	22,239
Closing balance	<u>—</u>	<u>\$ 887,888</u>

Analysis of allowances for advances to suppliers is as follows:

	At December 31,	
	2009	2010
Beginning of the year	\$ 3,624,820	\$ 4,887,683
Allowances made (reversal) during the year	1,263,115	(169,366)
Write-off	—	(133,587)
Foreign exchange effect	(252)	76,468
Closing balance	<u>\$ 4,887,683</u>	<u>\$ 4,661,198</u>

RENESOLA LTD
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

5. INVENTORIES

	At December 31,	
	2009	2010
Raw materials	\$ 54,401,080	\$ 81,253,788
Work-in-process	52,177,788	69,820,115
Finished goods	31,265,314	19,524,890
Total inventories	<u>\$ 137,844,182</u>	<u>\$ 170,598,793</u>

In 2008, 2009 and 2010, inventory was written down by \$138,429,300, \$71,252,806 and \$1,165,610, respectively, to reflect the lower of cost or market.

6. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment, net, comprise:

	At December 31,	
	2009	2010
Buildings	\$ 88,771,491	\$ 151,404,817
Leasehold improvement	93,424	93,423
Plant and machinery	363,729,186	720,203,388
Motor vehicles	1,959,069	3,439,748
Office equipment	3,463,495	8,198,446
	458,016,665	883,339,822
Less: Accumulated depreciation	49,043,238	106,055,552
	408,973,427	777,284,270
Construction in progress	293,842,457	24,187,578
Property, plant and equipment, net	<u>\$ 702,815,884</u>	<u>\$ 801,471,848</u>

Construction in progress represents new production facilities under construction in Sichuan ReneSola and Zhejiang Yuhui. Depreciation expense for the years ended December 31, 2008, 2009 and 2010 was \$15,472,703, \$28,131,084 and \$54,205,916 respectively.

7. FAIR VALUE MEASUREMENTS

The Company adopted ASC 820, "Fair Value Measurements and Disclosures", which provides a framework for measuring fair value under U.S. GAAP, and expanded disclosure requirements about assets and liabilities measured at fair value. The Company utilizes a hierarchy for inputs used in measuring fair value that gives the highest priority to observable inputs and the lowest priority to unobservable inputs as follows:

- Level 1—Observable unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2—Observable inputs other than quoted prices in active markets for identical assets or liabilities, for which all significant inputs are observable, either directly or indirectly.
- Level 3—Unobservable inputs to the valuation methodology that are significant to the measurement of fair value of assets or liabilities.

RENESOLA LTD

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Assets and liabilities carried at fair value as of December 31, 2010 are classified in the categories described above based on the lowest level input that is significant to the fair value measurement in its entirety.

Recurring change in fair value

The following table displays assets and liabilities measured on the Company's consolidated balance sheet at fair value on a recurring basis subsequent to initial recognition:

	As of December 31, 2010			
	Fair Value Measurements at Reporting Date Using			
	Total Fair Value and Carrying Value on the Balance Sheet	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Available-for-sale investment	\$ 3,331,540	\$ 3,331,540	\$—	\$ —
Cross currency forward exchange contracts—recorded as derivative assets	11,659,723	—	11,659,723	—
Cross currency forward exchange contracts—recorded as derivative liabilities	(2,964,318)	—	(2,964,318)	—
	<u>\$12,026,945</u>	<u>\$ 3,331,540</u>	<u>\$ 8,695,405</u>	<u>\$ —</u>

	As of December 31, 2009			
	Fair Value Measurements at Reporting Date Using			
	Total Fair Value and Carrying Value on the Balance Sheet	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Available-for-sale investment	<u>\$ 6,207,119</u>	<u>\$ 6,207,119</u>	<u>\$ —</u>	<u>\$ —</u>

Available-for-Sale Investments—Investments in available-for-sale securities consist of equity shares of a publically listed company. The fair value is measured using the closing stock price from the exchange market as of the measurement date and is classified as Level 1 valuation.

On October 22, 2009, the Company obtained an equity interest in a Canadian listed company by settling an outstanding advance to this supplier for \$19,019,325 whose common shares are traded on the Toronto Stock Exchange. The Company accounted for this investment as an available-for-sale investment, based on the closing price on October 22, 2009 and the shares obtained. The impairment loss of \$13,366,936 in 2009 was recorded in non-operating expenses as other-than-temporary impairment, as the investment was experiencing significant liquidity issues and was a going concern and continued to be a going concern subsequent to the 2009 year end. The \$3,331,540 balance represents the fair value of the investment based on subsequent measurements of the investment's fair value. The unrealized fair value loss of \$ 2,329,761, net of tax effect was recorded in other comprehensive income as temporary impairment based on the Company's evaluation of the severity of the impairment, the duration of the impairment, the near-term prospects of the investee and the Company's ability and intent to hold the investment for a reasonable period of time sufficient for a forecasted recovery of fair value.

Derivatives—These are primarily foreign currency forward contracts. As quoted prices in active markets for identical assets are not available, the Company uses quotes obtained from professional pricing sources. The

RENESOLA LTD**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

Company performs internal validation procedures on quotes from pricing sources using valuation techniques commonly used in the industry, and also considers the credit ratings of respective counterparties in determining the impact of risk of defaults on the valuation of derivative assets. These fair value measurements are classified as level 2.

Cash and cash equivalents, restricted cash, accounts receivable, accounts payable, accounts due to and from related parties, and short-term borrowings are carried at cost on the consolidated balance sheets and the carrying amount approximates their fair value because of the short-term nature of these financial instruments.

The carrying amount of the Company's outstanding convertible notes as of December 31, 2009 and 2010 was \$32.5 million and \$nil, respectively. The estimated fair value of those debts was \$30.8 million and \$nil million, respectively, as of December 31, 2009 and 2010. The fair value was measured based on observable market quotes.

The Company's long-term bank borrowing consists of floating rate loans that are reset annually. The carrying amount of long-term borrowings (including the current portions) was \$233.5 million and \$215.2 million as of December 31, 2009 and 2010, respectively. The estimated fair value of long-term borrowings (including the current portions) was \$237 million and \$214 million as of December 31, 2009 and 2010, respectively. The fair value is measured using discounted cash flow technique based on current rates for comparable loans on the respective valuation date.

8. INCOME TAXES

The tax (expense) benefit comprises:

	Years ended December 31,		
	2008	2009	2010
Income (loss) before income tax			
PRC	\$ (49,489,260)	\$ (84,461,049)	\$ 221,358,721
Other jurisdictions	(12,210,268)	(28,308,492)	7,635,169
Total	<u>\$ (61,699,528)</u>	<u>\$ (112,769,541)</u>	<u>\$ 228,993,890</u>
Current tax benefit (expense)			
PRC	\$ (4,785,938)	\$ (2,686,662)	\$ (15,480,534)
Other jurisdictions	(2,409,153)	(7,838)	(158,198)
Subtotal	(7,195,091)	(2,694,500)	(15,638,732)
Deferred tax benefit (expense)			
PRC	\$ 9,253,821	\$ 41,566,764	\$ (44,846,217)
Other jurisdictions	361,530	2,284,079	487,144
Subtotal	9,615,351	43,850,843	(44,359,073)
Total income tax benefit (expense)	<u>\$ 2,420,260</u>	<u>\$ 41,156,343</u>	<u>\$ (59,997,804)</u>

ReneSola is not subject to tax under the laws of British Virgin Islands.

Zhejiang Yuhui is a Foreign Invested Enterprise ("FIE") incorporated in the PRC. The statutory income tax rate in the PRC is 25% starting 2008. As a manufacturing-oriented FIE, it is entitled to a two-year tax exemption (2005 to 2006) followed by a three-year half tax reduction (2007 to 2009) starting from its first profitable year of operation after utilizing any tax losses carried forward from prior years (hereinafter referred to as "Tax Holiday").

RENESOLA LTD

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Zhejiang Yuhui increased its registered capital from \$1.5 million to \$16.5 million in April 2006, to \$28.5 million in September 2006, to \$102.5 million in August 2007, to \$194.1 million in December 2008 then to \$238.1 million in December 2009, and then to \$275.3 million in December 2010. According to relevant PRC tax regulations promulgated before the new Enterprise Income Tax Law which became effective on January 1, 2008, it was entitled to additional tax holiday with respect to the income attributable to operations funded by the increased capital, upon written approval by the tax authority.

On December 26, 2007, the State Council issued a Notice of the State Council Concerning Implementation of Transitional Rules for Enterprise Income Tax Incentives (“Circular 39”). Based on Circular 39, enterprises that were established and already enjoyed preferential tax treatments before March 16, 2007 will continue to enjoy them (i) in the case of preferential tax rates, for a period of five years to transition from lower rate to statutory income tax rate of 25% starting from January 1, 2008, and the enterprises that previously enjoyed the tax rate of 24% shall be subject to the tax rate of 25% from 2008, and (ii) in the case of preferential tax exemption or reduction for a specified term, until the expiration of such term or 2012, whichever is earlier.

Pursuant to Circular 39, Zhejiang Yuhui is entitled to enjoy the residual tax holiday granted before the effectiveness of new EIT Law. With this tax holiday, the blended tax rate for Zhejiang Yuhui is 23% for 2010 and 25% for 2011 and onwards.

Under a separate new tax incentive policy after the new Enterprise Income Tax Law became effective in 2008, Zhejiang Yuhui obtained the approval of New and High-Tech Enterprise (“HNTE”) status in 2009. With this approval, Zhejiang Yuhui was allowed to have reduced income tax rate of 15% for the period of three years, i.e. from 2009 to 2011.

The Company elected to adopt the transition relief for Zhejiang Yuhui, i.e. enjoying the residual tax holiday granted before the effectiveness of new EIT Law, when calculating EIT until its expiration in 2010. For 2011, the company used a reduced tax rate of 15% for HNTE status¹. Therefore, the blended income tax rate of Zhejiang Yuhui is 1.9%, 12.5%, 12.5%, 23% and 15% for 2007, 2008, 2009, 2010 and 2011, respectively.

¹ According to the Circular of the Ministry of Science and Technology, the Ministry of Finance and the State Administration of Taxation regarding the Issuance of Working Guidance on the Recognition of Hi-tech Enterprises (“Circular 172”), enterprise must meet several requirements in order to obtain HNTE status. One of the preliminary requirements is that the ratio of qualifying R&D expenditures over sales revenue for the past three financial years must meet the following threshold:

- A minimum 6% where the enterprise’s revenue is less than RMB50 million in the most recent financial year;
- A minimum 4% where the enterprise’s revenue is from RMB50 million to RMB200 million in the most recent financial year; or
- A minimum 3% where the enterprise’s revenue is more than RMB200 million in the most recent financial year.

In addition, according to Issues Concerning Implementation of Preferential Income Tax Enjoyed by High and New Tech Enterprises (“Circular 203”), enterprises that have been granted the HNTE status but do not meet the requirements as set out in EIT Law and its implementation rules as well as this circular shall not enjoy the preferential tax treatment entitled to HNTE enterprises.

Based on the above circulars, Zhejiang Yuhui should meet the qualification of HNTE in 2011 to enjoy the reduced tax rate of 15%.

RENESOLA LTD**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

ReneSola America is incorporated in the state of Delaware, the United States of America. ReneSola America does not conduct any business activity in Delaware. It is not subject to Delaware State income tax. However, as ReneSola America conducts business activities in the state of Indiana, it is subject to a progressive federal corporate income tax from 15% to 35% and Indiana income tax of 8.5%, which is deductible from federal tax.

ReneSola Singapore is incorporated in the Republic of Singapore. The corporate income tax rate is 17%.

Sichuan ReneSola, ReneSola Shanghai, JC Solar, Zhejiang Ruineng, Sichuan Ruiyu, Sichuan Ruisheng and Sichuan Ruixin are incorporated in the PRC. The corporate income tax rate is 25%.

During the year ended December 31, 2008, 2009 and 2010, the Company recorded liabilities of \$1,439,880, \$nil and \$nil respectively, for unrecognized tax benefits which affected the effective income tax rate. It also recognized interest and/or penalties associated with the uncertain tax positions. The ASC740-10 liabilities recorded in 2008 were mainly associated with the withholding tax liability from the capital gains arising from the sale of Joint Venture as disclosed in note 1.

The following is the tabular reconciliation of liabilities for unrecognized tax benefits:

	Years ended December 31,		
	2008	2009	2010
Unrecognized tax benefit-Opening balance	\$ 205,302	\$ 1,645,182	\$ 1,645,182
Gross increase-Current-period tax provisions	1,439,880	—	—
Unrecognized tax benefit-Closing balance	<u>\$ 1,645,182</u>	<u>\$ 1,645,182</u>	<u>\$ 1,645,182</u>

The Company classifies interest and penalties related to income tax matters in income tax expense. As of December 31, 2008, 2009 and 2010, the amount of interests and penalties related to uncertain tax positions was immaterial. The Company does not anticipate any significant increases or decreases to its liabilities for unrecognized tax benefits within the next twelve months.

According to the PRC Tax Administration and Collection Law, the statute of limitations is three years if the underpayment of taxes is due to computational errors made by the taxpayer. The statute of limitations will be extended to five years under special circumstances, which are not clearly defined, but an underpayment of taxes exceeding RMB100,000 (approximately \$15,000) is specifically listed as a special circumstance. In the case of a transfer pricing related adjustment, the statute of limitations is ten years. There is no statute of limitations in the case of tax evasion. The Company's PRC subsidiaries are therefore subject to examination by the PRC tax authorities from 2004 through 2010 on non-transfer pricing matters, and from 1999 through 2009 on transfer pricing matters.

RENESOLA LTD
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The principal components of deferred income tax assets and liabilities are as follows:

	At December 31,	
	2009	2010
Deferred tax assets:		
Investment tax credits carry forwards	\$ 741,635	\$ 767,018
Property, plant and equipment	128,589	187,521
Inventories provision	3,637,016	522,879
Tax losses	55,221,403	9,384,168
Other-than-temporary impairment loss on available-for-sale investment	2,272,379	2,818,197
Contingent liability	780,984	2,156,647
Derivative liability	—	696,904
Bad debts provision	737,433	1,469,560
Deferred gain	1,349,906	4,907,999
Others	425,021	377,775
Total deferred tax assets	<u>\$ 65,294,366</u>	<u>\$ 23,288,668</u>
Valuation allowance	(741,635)	—
Net deferred tax assets	<u>\$ 64,552,731</u>	<u>\$ 23,288,668</u>
Analysis as		
Current	\$ 24,325,502	\$ 14,762,758
Non-current	40,227,229	8,525,910
	<u>\$ 64,552,731</u>	<u>\$ 23,288,668</u>
Deferred tax liabilities:		
Property, plant and equipment	\$ 505,292	\$ 436,943
Prepaid land use right	308,540	312,370
Other intangible assets	337,319	—
Derivative assets	—	604,836
Unrealized profit	—	1,116,700
Others	70,488	56,818
Total deferred tax liabilities	<u>\$ 1,221,639</u>	<u>\$ 2,527,667</u>
Analysis as:		
Current	\$ 70,488	\$ 1,778,355
Non-current	1,151,151	749,312
	<u>\$ 1,221,639</u>	<u>\$ 2,527,667</u>

Zhejiang Yuhui purchased equipment manufactured in the PRC in 2006 and 2007. In accordance with PRC tax regulations, Zhejiang Yuhui is entitled to receive investment tax credits equivalent to 40% of the purchased amount upon written approval by the competent tax authority. No tax credit for the purchase of domestic equipment will be granted after January 1, 2008. As of December 31, 2010, Zhejiang Yuhui had tax credit carried forward of \$767,018, which will expire in 2011. Valuation allowances were provided in 2009, because it was more likely than not that some or all of the deferred tax assets could not be realized. However, as the credit could be utilized in 2011 based on the forecast as of December 31, 2010. As of December 31, 2010, the Company's subsidiaries Zhejiang Yuhui and Sichuan ReneSola had net operating losses carry forward of \$59,933,486, which will expire in 2014.

RENESOLA LTD

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The Company considers positive and negative evidence to determine whether some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible for tax purposes. The Company believes it is more-likely-than-not that the Company will realize the benefits of these deductible differences. The amount of the deferred tax assets considered to be realizable, however, could be reduced in the near term if estimates of future taxable income during the tax loss carry forward periods are reduced.

Reconciliation between the applicable statutory income tax rate and the Company's effective tax rate for the years ended December 31, 2008, 2009 and 2010 is as follows:

	Years ended December 31,		
	2008	2009	2010
PRC applicable income tax rate	25.0%	25.0%	25.0%
Effect of Tax Holiday	(18.4)%	16.7%	1.04%
Effect of change of tax rate applicable to 2011	—	—	2.41%
Investment tax credit	1.6%	—	—
Unrecognized tax benefits	(2.6)%	—	—
Valuation allowance	—	(0.7)%	(0.32)%
Effect of different tax rate of subsidiaries	0.5%	(6.2)%	0.12%
Others	(1.8)%	1.6%	(2.05)%
Effective income tax rate	<u>4.3%</u>	<u>36.4%</u>	<u>26.20%</u>

The aggregate amount and per share effect of the Tax Holiday are as follows:

	Years ended December 31,		
	2008	2009	2010
Aggregate	\$ 11,409,087	\$ 18,825,543	\$ 5,137,990
Per share effect—basic	\$ 0.09	\$ 0.13	\$ 0.03
Per share effect—diluted	\$ 0.09	\$ 0.13	\$ 0.03

In accordance with the EIT Law, dividends, which arise from profits of foreign invested enterprises ("FIEs") earned after January 1, 2008, are subject to a 10% withholding income tax. Under applicable accounting principles, a deferred tax liability should be recorded for taxable temporary difference attributable to excess of financial reporting basis over tax basis in the investment in a foreign subsidiary. However, a deferred tax liability is not recognized if the basis difference is not expected to reverse in the foreseeable future and is expected to be permanent in duration. The Company believes that the PRC entities' undistributed earnings generated after January 1, 2008 as of December 31, 2010 will be permanently reinvested to the PRC entities. As such, no deferred taxes have been recorded on the excess financial reporting basis of the Company's PRC subsidiaries as these differences are not expected to reverse in the foreseeable future and are expected to be permanent in duration.

RENESOLA LTD
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

9. BORROWINGS

The Company's bank borrowings consist of the following:

	<u>At December 31,</u>	
	<u>2009</u>	<u>2010</u>
Short-term	\$ 314,390,983	\$ 307,131,331
Long-term, current portion	44,243,302	93,666,573
Subtotal	358,634,285	400,797,904
Long-term	189,279,292	121,515,030
	<u>\$ 547,913,577</u>	<u>\$ 522,312,934</u>

As of December 31, 2009 and 2010, the maximum bank credit facilities granted to the Company were \$649,332,863 and \$826,591,115, respectively, of which, \$527,177,002 and \$580,896,655 were drawn down and \$122,155,861 and \$245,694,460 were available as of December 31, 2009 and 2010, respectively. The bank facilities are renewable annually.

As of December 31, 2009, short-term borrowings of \$160,135,311 and long-term borrowings of \$159,979,092 were secured by property, plant and equipment with carrying amounts of 141,362,663, inventories of \$59,332,905, prepaid land use right of \$8,392,871 and account receivable of \$14,650,100. As of December 31, 2010, short-term borrowings of \$192,908,898 and long-term borrowings of \$96,666,570 were secured by property, plant and equipment with carrying amounts of \$130,680,160, inventories of \$61,363,575, prepaid land use right of \$11,394,144 and account receivable of \$15,151,500.

In addition, \$27,272,700 of short-term borrowings and \$78,787,800 of long-term borrowings were guaranteed by personal assets of Mr. Xianshou Li, the Company's chief executive officer, and his family as of December 31, 2010.

a) Short-term

Interest rates for all short-term borrowings are variable for certain portions of the short-term borrowings, and are updated every one month. The weighted average interest rate of short term loans was 6.49%, 4.89% and 4.72 % in the years ended December 31, 2008, 2009 and 2010, respectively. These borrowings do not contain any financial covenants or restrictions. The borrowings are repayable within one year.

b) Long-term

Interest rates are variable for certain portions of the long-term borrowings, and are updated every three months, once a year or according to a predetermined schedule. The weighted average interest rate of long-term borrowings was 6.27% and 6.33 % in the year ended December 31, 2009 and 2010, respectively. There are financial covenants associated with Sichuan ReneSola long-term borrowings \$106,060,500 related to gross margin and sales on cash or advances. Sichuan ReneSola is not required to measure compliance with the covenants until December 31, 2010. In 2010, Sichuan Renesola has met all covenants, which will apply in 2011. Future principal repayment on the long-term bank loans are as follows:

2012	\$ 88,181,730
2013	\$ 33,333,300
	<u>\$ 121,515,030</u>

RENESOLA LTD

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

c) Interest expense

Interest expense incurred for the years ended December 31, 2008, 2009 and 2010 was \$11,836,039, \$24,350,028 and \$28,827,891, respectively, of which \$4,111,543, \$11,802,511 and \$5,823,410 has been capitalized in the carrying value of property, plant and equipment.

10. OTHER CURRENT LIABILITIES

The Company's other current liabilities are summarized below:

	At December 31,	
	2009	2010
Payable for purchase of property, plant and equipment	\$ 51,242,481	\$ 49,088,978
Other payables	16,561,354	30,544,155
	<u>\$ 67,803,835</u>	<u>\$ 79,633,133</u>

11. CONVERTIBLE BOND

On March 26, 2007, the Company issued RMB928,700,000 (\$119,994,820) of U.S. Dollar-Settled 1% Convertible Bonds ("Convertible Bonds") due March 26, 2012, which are convertible into ordinary shares (the "New Shares") of the Company. The U.S. dollar settlement is based on the prevailing spot rate at the date of settlement. The Convertible Bonds rank pari passu with all other present and future unsecured and unsubordinated obligations of the Company. The key terms of the Convertible Bonds are as follows:

Interest. The Convertible Bonds bear interest at the rate of 1% per annum, payable semi-annually in arrears on March 26 and September 26, commencing September 26, 2007.

Redemption at maturity. Each Convertible Bond will be redeemable upon maturity at an amount equal to the U.S. dollar equivalent of its RMB principal amount multiplied by 105.90% together with any accrued but unpaid interest (the "Redemption Amount").

Conversion. The Convertible Bonds may be converted into ordinary shares at the option of the holders at any time on or after April 10, 2007 until March 11, 2012. The number of ordinary shares to be issued on conversion will be determined by dividing the RMB principal amount of the Convertible Bonds to be converted (translated into Pound Sterling at the fixed exchange rate of RMB15.0633 to £1.00) by the conversion price in effect at the conversion date. The conversion price is initially £5.88 per share and is subject to adjustment upon the occurrence of specified events. Based on the conversion price of £5.88 the number of ordinary shares to be allotted and issued by the Company on full conversion of the Convertible Bonds will be approximately 10,485,231.

Call Options. The Company has the option to redeem all, but not part, of the Convertible Bonds at a price equal to the U.S. dollar equivalent amount of the early redemption amount with any accrued but unpaid interest:

(1) on, or at any time after, March 26, 2009 and prior to the maturity date if the closing price of the shares (converted to RMB at the prevailing RMB-to-Pound Sterling exchange rate) for a 30-trading day period prior to the date on which notice of such redemption is published is at least 130% of the applicable early call redemption amount divided by the conversion ratio; or

RENESOLA LTD

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(2) when the aggregate principal amount of the Convertible Bonds outstanding is less than 10% of the aggregate principal amount originally issued.

The early redemption amount of a bond will be determined such that it provides the holder a gross yield of 2.215%.

Put Options. The holders have the option to require the Company to redeem all or some of the Convertible Bonds at the U.S. dollar equivalent amount of the early call redemption amount plus any accrued but unpaid interest at the occurrence of a change of control or a delisting of the Company's shares on Alternative Investment Market of the London Stock Exchange ("AIM"). In addition, on the third anniversary (March 26, 2010), the holders will have a right to redeem all or some of the bonds at a redemption price equal to the U.S. dollar equivalent of its RMB principal amount multiplied by 103.47% together with any accrued but unpaid interest (the "Early Redemption Amount").

No beneficial conversion feature charge was recognized for the issuance of the Convertible Bonds as the estimated fair value of the ordinary shares was less than the conversion price on the date of issuance.

The embedded conversion option, call options, and put options are not bifurcated and recognized as derivatives.

For the year ended December 31, 2010, approximately RMB214,800,000 (\$31,464,690) par value convertible bond was repurchased using cash of \$32,715,276. The Company recorded a net gain on the repurchase of convertible bonds of \$5,891 for the year ended December 31, 2010.

As of December 31, 2009 and 2010, the carrying value of the Convertible Bonds was \$32,474,501 and \$nil, respectively. The Early Redemption Amount of \$4,158,936 (103.47%) is amortized from March 26, 2007, the date of issuance, to March 26, 2010, the earliest redemption date, using the straight-line method, which approximates the effective interest rate method. For the year ended December 31, 2009 and 2010, the Company recognized total finance cost on the Convertible Bonds of \$3,511,053 and \$241,117, respectively.

12. COMMON SHARES

On January 29, 2008, the Company issued 18,425,000 common shares, equivalent to 9,212,500 American Depositary Shares, in an initial public offering on the New York Stock Exchange for proceeds of \$119,762,500. The Company incurred share issuance costs of \$10,737,319 which were netted against the proceeds.

On June 17, 2008, the Company issued 19,099,880 common shares, equivalent to 9,549,940 American Depositary Shares, in an additional public offering on the New York Stock Exchange for proceeds of \$195,773,770. The Company incurred share issuance costs of \$10,786,877 which were netted against the proceeds.

On May 22, 2009, the Company issued 4,000,000 common shares, equivalents to 2,000,000 American Depositary Shares, for early redemption of Convertible Bonds.

On October 5, 2009, the Company issued 31,000,000 common shares, equivalent to 15,500,000 American Depositary Shares, in an additional public offering on the New York Stock Exchange for proceeds of \$73,625,000. The Company incurred share issuance costs of \$5,517,092 which were netted against the proceeds.

RENESOLA LTD

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

13. SHARE BASED COMPENSATION

Share Award to Employees

In August 2006, Mr. Xianshou Li, and certain other shareholders transferred 333,333 nonvested common shares to Mr. Charles Xiaoshu Bai (“Mr. Bai”), the Chief Financial Officer of the Company. In accordance with the terms of the agreement, 111,111 shares vested in August 2006, 111,111 shares vested in August 2007 and 111,111 shares vested in May 2008.

The fair value of the nonvested shares was \$1.50 per share based on the market price at grant date. These shares do not have an exercise price and will vest at no cost to Mr. Bai.

In November 2006, the Company entered into an agreement with Mr. Panjian Li (“Mr. Li”), Chief Executive Officer of ReneSola America, and with Binghua Huang (“Mr. Huang”), Chief Technology Officer of the Company, to grant 40,000 and 20,000 common shares, respectively, each year for a period of five and three years, respectively, commencing January 2008. The fair value of the shares was \$4.47 per share based on the market price as of the grant date. These shares do not have an exercise price and vest at no cost to Mr. Li or Mr. Huang.

A summary of the status of non-vested shares is presented below:

	<u>Number of shares</u>	<u>Weighted Average Grant-Date Fair value</u>	<u>Aggregate Intrinsic value</u>	<u>Weighted Average Remaining Contractual life</u>
Non-vested at January 1, 2010	120,000	4.47	—	1.91
Granted during 2010			—	
Vested	(40,000)	4.47	—	
Forfeited	(40,000)	4.47	—	
Non-vested at December 31, 2010	40,000	4.47	—	0.91
Vested at December 31, 2010	553,333	3.00	—	

Compensation cost of \$380,509, \$240,702 and \$177,926 has been charged against income during the years ended December 31, 2008, 2009 and 2010, respectively, which has been recognized as general and administrative expense. At December 31, 2010, there was total unrecognized compensation cost of \$162,241 which is expected to be recognized over a weighted average period of 0.91 years. The total fair value of shares vested during the year ended December 31, 2008, 2009 and 2010 was \$434,867, \$234,644 and \$78,215, respectively.

2007 Share Incentive Plan

On September 27, 2007, the Company adopted the ReneSola Ltd 2007 Share Incentive Plan (the “Plan”) that provides for grant of share options, restricted shares and restricted share units to participants, including employees and consultants of the Plan. A maximum of 7,500,000 authorized but unissued shares of the Company have been reserved and allocated to the Plan, whose shares were subsequently registered and are issuable upon exercise of outstanding options granted under the Plan. The Plan shall be administered by the Compensation Committee of the Board of Directors (the “Committee”).

RENESOLA LTD

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Except as otherwise noted in the award agreements with the employee or consultant, the options can be exercised within six years from the award date, except for participant's termination of employment or service. The vesting schedule and the exercise price per share will be determined by the Committee and set forth in the individual award agreement. In the event of any distribution, share split, or recapitalization of the Company, the Committee shall make such proportionate and equitable adjustments, if any, to reflect such change with respect to (a) the aggregate number and type of shares that may be issued under the Plan and (b) the terms and conditions of any outstanding awards. Except as may otherwise be provided in any award agreement, if a change of control occurs and a participant's awards are not converted, assumed, or replaced by a successor, such awards shall become fully exercisable and all forfeiture restrictions on such awards shall lapse.

Options to Employees

From May to December 2009, the Company granted 2,370,000 share options to certain employees with exercise price of \$1.85 to \$2.95. From January to December 2010, the Company granted 4,290,000 share options to certain employees with exercise price of \$2.51 to \$5.44. The Company has used the Black Scholes model to estimate the fair value of the options using the following assumptions:

	<u>Average risk-free rate of return</u>	<u>Weighted average expected option life</u>	<u>Volatility rate</u>	<u>Dividend yield</u>
Granted in 2009	2.57-2.78%	4.5 years	64.33-115.60%	0%
Granted in 2010	1.30-2.40%	4.5 years	69.36-92.03%	0%

Expected volatilities based on the average of the standard deviation of the daily stock prices of the Company and other selected comparable companies in the same industry. The expected term of options represents the period of time that options granted are expected to be outstanding. The risk-free rate of return is based on the US Treasury bond yield curve in effect at the time of grant for periods corresponding with the expected term of the option.

A summary of the option activity is as follows:

	<u>Number of Options</u>	<u>Weighted Average Exercise Prices</u>	<u>Weighted Average Remaining Contractual Life</u>	<u>Aggregate Intrinsic Value</u>
Options				
Outstanding on January 1, 2010	5,264,000	2.60	3.48	—
Granted	4,290,000	3.32	4.46	14.24
Exercised	(1,221,500)	2.57	1.78	(3.14)
Forfeited	(2,482,000)	2.58	N/A	(6.40)
Outstanding on December 31, 2010	<u>5,850,500</u>	2.55	3.62	14.92
Vested or expected to vest at December 31, 2010	<u>6,511,240</u>	3.03	3.54	19.73
Exercisable at December 31, 2010	<u>1,030,500</u>	2.57	3.56	—

On June 23, 2009, the exercise price was modified for all the outstanding share options granted before June 23, 2009, which incurred the incremental costs and amortized according to ASC 718 Compensation—Stock Compensation". The incremental costs were \$892,813 and \$485,502 for the year ended 2009 and 2010 respectively. And future unrecognized costs over the remaining vesting period will be \$712,201 during the next three years.

RENESOLA LTD

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The weighted average fair value of options granted during the years ended December 31, 2008, 2009 and 2010 was \$4.54, \$1.82 and \$2.93, respectively. The total intrinsic value of options exercised in 2008, 2009 and 2010 was \$167,240, nil, \$3,135,428, respectively.

The total fair value of options vested for the years ended December 31, 2008, 2009 and 2010 was \$3,696,364, \$3,242,976 and \$2,648,498, respectively.

Compensation cost of \$2,706,779, \$3,055,471 and \$3,756,640 has been charged against income during the year ended December 31, 2008, 2009 and 2010, respectively. As of December 31, 2010, there was \$12,199,620 in total unrecognized compensation expense related to unvested share-based compensation arrangements granted under the Plan, which is expected to be recognized over a weighted-average period of 3.85 years.

14. EMPLOYEE BENEFITS

In accordance with the relevant rules and regulations in the PRC, employees of the Company are covered by retirement benefit plans established by the local government. These plans are defined contribution plans and Zhejiang Yuhui, Sichuan ReneSola and JC Solar have contributed 18%, 20% and 17% separately of the basic salaries of its employees to such plans. In addition, Zhejiang Yuhui, Sichuan ReneSola and JC Solar are required by PRC law to contribute approximately 9.3%, 10.1% and 8.3% separately of the basic salaries of its employees for medical insurance benefits, housing funds, unemployment and other statutory benefits. Other than the contribution, there is no further obligation for payments to employees under these plans.

The total contribution was \$1,576,192, \$2,364,683 and \$3,672,565, for the years ended December 31, 2008, 2009 and 2010, respectively.

15. DISTRIBUTION OF PROFIT

As stipulated by the relevant laws and regulations applicable to China's foreign investment enterprises, the Company's PRC subsidiaries are required to make appropriations from net income as determined under accounting principles generally accepted in the PRC ("PRC GAAP") to non distributable reserves which include a general reserve, an enterprise expansion reserve and a staff welfare and bonus reserve. Wholly-owned PRC subsidiaries are not required to make appropriations to the enterprise expansion reserve but appropriations to the general reserve are required to be made at not less than 10% of the profit after tax as determined under PRC GAAP. The staff welfare and bonus reserve is determined by the board of directors.

The general reserve is used to offset future extraordinary losses. The subsidiary may, upon a resolution passed by the shareholder, convert the general reserve into capital. The staff welfare and bonus reserve is used for the collective welfare of the employees. The enterprise expansion reserve is for the expansion of Zhejiang Yuhui's operations and can be converted to capital subject to approval by the relevant authorities. These reserves represent appropriations of the retained earnings determined in accordance with the Chinese law.

In addition to the general reserve, the Company's PRC subsidiaries are required to obtain approval from the local PRC government prior to distributing any registered share capital. Accordingly, both the appropriations to general reserve and the registered share capital of the Company's PRC subsidiaries are considered as restricted net assets amounting to \$386,486,878 and \$430,057,497 as of December 31, 2009 and 2010, respectively.

RENESOLA LTD

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

16. EARNINGS PER SHARE

Basic and diluted earnings per share have been calculated as follows:

	Years ended December 31,		
	2008	2009	2010
Net income (loss) attributed to holder of common shares	\$ (54,906,126)	\$ (71,903,667)	\$ 164,677,146
Interest expense on convertible bonds	—	—	—
Net income (loss) adjusted for dilutive securities	\$ (54,906,126)	\$ (71,903,667)	\$ 164,677,146
Weighted-average number of common shares outstanding—basic	127,116,062	147,553,679	172,870,921
Dilutive effect of non-vested shares	—	—	2,240,810
Dilutive effect of convertible bond	—	—	—
Weighted-average number of common shares outstanding—diluted	127,116,062	147,553,679	175,111,731
Basic earnings (loss) per share	\$ (0.43)	\$ (0.49)	\$ 0.95
Diluted earnings (loss) per share	\$ (0.43)	\$ (0.49)	\$ 0.94

Diluted earnings per share excludes 10,830,075 and 8,256, 812 common shares issuable upon the assumed conversion of the convertible debt, share options and restricted shares for the year ended December 31, 2008 and December 31, 2009, respectively, as their effect would have been anti-dilutive.

In 2010, the Company issued 750,500 ordinary shares to its share depository bank which will be used to settle stock option awards upon their exercise. No consideration was received by the Company for this issuance of ordinary shares. These ordinary shares are legally issued but are treated as escrowed shares for accounting purposes and therefore, have been excluded from the computation of earnings per share. Any ordinary shares not used in the settlement of stock option awards will be returned to the Company.

RENESOLA LTD

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

17. RELATED PARTY BALANCES AND TRANSACTIONS

(a) *Related party balances*

Amounts due from related parties is comprised of the following advances for the purchase of raw materials and amounts receivable from the sales of goods:

	At December 31,	
	2009	2010
Zhejiang Yuhuan ⁽¹⁾	\$ 439,503	\$ 389,091

Amounts due to related parties are comprised of short-term advances from the following related parties:

	At December 31,	
	2009	2010
Jinko ⁽²⁾	\$23,874	\$24,691

(b) *Related party transactions*

During the years ended December 31, 2008, 2009 and 2010, related party transactions were as follows:

	Years ended December 31,		
	2008	2009	2010
	\$	\$	\$
Sale of goods to Desheng ⁽³⁾	391,069	—	—
Sale of goods to Jinko ⁽²⁾	4,268,752	—	—
Purchase of raw materials from Desheng	1,931,681	—	—
Purchase of raw materials from Jinko	79,911,152	15,652,186	—
Processing service provided to Desheng	23,749	—	—
Processing service provided to Jinko	342,810	42,409	—
Purchase of raw materials from Ruiyu	148,260	—	—
Purchase of raw material from Joint Venture	21,895,160	—	—
Rental payment to Zhejiang Yuhuan	62,203	63,244	63,815
Rental income from Zhejiang Yuhuan	2,880	2,928	2,954

In January 2009, Mr. Xianshou Li and his family individually or jointly provided guarantees of up to RMB900,000,000 (\$131,850,900), for short-term and long-term borrowings from various domestic banks.

- (1) Zhejiang Yuhuan Solar Energy Source Co. Ltd. (“Zhejiang Yuhuan”) was controlled by Xianshou Li.
- (2) The brothers of Mr. Xianshou Li have been the General Manager of Desheng Energy Co., Ltd.(“ Desheng”) and Jinko Solar Co., Ltd. (“Jinko”) from 2006 and 2007, respectively. Desheng was formerly named Shangrao Desheng Industrial Co., Ltd.
- (3) The brother of Mr. Xianshou Li has been the General Manager of Desheng Energy Co., Ltd. (“Desheng”). Desheng was formerly named Shangrao Desheng Industrial Co., Ltd.

RENESOLA LTD

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

18. COMMITMENTS AND CONTINGENCIES**a) Capital commitment**

As of December 31, 2010, the Company had commitments outstanding to purchase property, plant and equipment for \$51,155,525, of which \$46,951,690 and \$4,203,835 are due in 2011 and 2012 or later, respectively.

b) Materials purchase commitment

Purchase commitments under long-term procurement contracts at December 31, 2008 were extinguished due to contract modification or cancellations during 2009. As of December 31, 2010, the Company has purchase obligations of \$390,902,132 under long-term silicon procurement contracts.

c) Product warranties

The Company offer warranties on its products and record an estimate of the associated liabilities. Product warranty activity during the years ended December 31, 2009 and 2010 was as follows:

	At December 31,	
	2009	2010
	\$	\$
Beginning balance	72,025	3,195,924
Warranty provision	561,424	5,395,737
Addition from acquisition	2,561,399	—
Foreign exchange effect	1,076	109,381
Ending balance	<u>3,195,924</u>	<u>8,701,042</u>

19. SEGMENT REPORTING

ASC 280, "Segment Reporting", establishes standards for companies to report in their financial statements information about operating segments, products, services, geographic areas and major customers. The method of determining what information to report is based on the way that management organizes the operating segments within the company for making operating decisions and assessing financial performance.

The Company operates in two principal reportable business segments, Wafer and Cell and module. The Wafer segment involves the manufacture and sales of monocrystalline and multicrystalline solar wafers and processing services. The Cell and module segment involves manufacture and sale of PV cells and modules. Miscellaneous revenues and expenses and other unallocated costs and expenses are recorded in Other. The chief operating decision maker is the chief executive officer of the Company.

From January 1, 2010, the Company changed the measurement method. The Company now only reports the segment information of net sales and gross profit, to conform to the industry practice, and better assess the financial performance and allocate the resources. The Company formerly reported the segment information of net sales, gross profit, selling and marketing expenses, general and administrative expenses, research and development expenses, interest expense and income before income tax, noncontrolling interest and equity in earnings.

RENESOLA LTD

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table summarizes the Company's revenues generated from each segment:

	Year Ended December 31, 2008				Total
	Wafer	Cell and module	Other	Elimination	
Net sales	\$ 661,502,210	\$ 8,863,894	—	—	\$ 670,366,104
Gross (loss) profit	\$ (14,447,503)	\$ 137,674	—	—	\$ (14,309,829)

	Year Ended December 31, 2009				Total
	Wafer	Cell and module	Other	Elimination	
Net sales	\$ 470,344,344	\$ 57,483,346	\$ 660,000	\$ (18,082,911)	\$ 510,404,779
Gross (loss) profit	\$ (55,428,975)	\$ 11,260,095	\$ 673,655	\$ 293,415	\$ (43,201,810)

	Year Ended December 31, 2010				Total
	Wafer	Cell and module	Other	Elimination	
Net sales	\$ 911,913,455	\$ 540,469,534	—	\$ (246,804,128)	\$ 1,205,578,861
Gross (loss) profit	\$ 269,996,288	\$ 80,537,398	—	\$ (2,569,958)	\$ 347,963,728

The following table summarizes the Company's revenues generated from each product:

	Years ended December 31,		
	2008	2009	2010
Solar wafers	\$ 555,896,880	\$ 426,087,954	\$ 640,127,122
Service revenue from tolling arrangement	89,991,568	21,897,067	78,040,989
Solar modules	—	56,343,280	475,459,658
Ingots	561,305	45,046	—
Solar cells	8,863,894	4,285,842	3,959,149
Other materials	15,052,457	1,745,590	7,991,943
Total	\$ 670,366,104	\$ 510,404,779	\$ 1,205,578,861

RENESOLA LTD
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table summarizes the Company's revenues generated by geographic location:

	Years ended December 31,		
	2008	2009	2010
Mainland China	\$ 378,009,316	\$ 283,299,979	\$ 432,244,661
Singapore	168,158,640	62,473	37,231,290
Taiwan	48,383,710	66,961,187	105,628,418
Hong Kong	29,915,181	32,857,847	30,537,477
Korea	1,864,185	1,411,828	67,258,950
India	1,783,547	9,064,798	13,178,876
Australia	1,560,693	10,694,962	959,487
Other Asia Pacific countries	5,568	24,392	2,215,499
Asia Pacific Total	<u>\$ 629,680,840</u>	<u>\$ 404,377,466</u>	<u>\$ 689,254,658</u>
Germany	37,382,099	49,253,177	180,913,486
Italy	3,140,385	7,744,370	70,270,371
Spain	20,344	6,165,295	66,833,525
Belgium	—	19,954,494	8,391,253
France	—	5,599,868	19,558,271
America	50,695	8,763,799	60,415,307
Czech Republic	—	—	79,095,388
Others	91,741	8,546,310	30,846,602
Total	<u>\$ 670,366,104</u>	<u>\$ 510,404,779</u>	<u>\$ 1,205,578,861</u>

Substantially all of the Company's long-lived assets are located in Mainland China.

Major customers

Details of the customers accounting for 10% or more of total net revenues were as follows:

	Years ended December 31,		
	2008	2009	2010
Customer A	\$ 214,678,754	\$ 72,031,665	\$ 152,467,373
Customer B	\$ 70,785,293	\$ 17,647,502	\$ 24,227,888
Customer C	\$ 12,218	\$ 13,794,618	\$ 15,692,018
Customer D	\$ 14,663,241	—	—

SCHEDULE 1—RENESOLA LTD CONDENSED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2010
(Amounts expressed in U.S. dollars)
RENESOLA LTD
BALANCE SHEETS

	<u>As of December 31,</u>	
	<u>2009</u>	<u>2010</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,022,671	\$ 1,192,343
Amounts due from subsidiaries	27,634,294	—
Other receivables	—	114,240
Derivative assets	—	8,806,349
Deferred convertible bond issue costs	86,002	—
Total current assets	<u>28,742,967</u>	<u>10,112,932</u>
Investment in subsidiaries	404,053,969	619,225,232
Total assets	<u>\$ 432,796,936</u>	<u>\$ 629,338,165</u>
LIABILITIES AND EQUITY		
Current liabilities:		
Amount due to subsidiaries	\$ —	\$ 37,948,329
Other current liabilities	1,137,868	2,022,258
Convertible bonds—current	32,474,501	—
Total current liabilities	<u>33,612,369</u>	<u>39,970,587</u>
Income tax payable	1,810,638	1,930,947
Other liability	1,110,998	972,135
Total liabilities	<u>\$ 36,534,005</u>	<u>\$ 42,873,669</u>
Equity:		
Common shares (no par value; 250,000,000 and 500,000,000 shares authorized at December 31, 2009 and 2010, respectively; 172,624,912 issued and outstanding at December 31, 2009; 174,596,912 shares issued and 173,846,412 shares outstanding at December 31, 2010)	\$ 413,752,964	\$ 422,039,086
Additional paid-in capital	21,065,401	19,857,905
Retained earnings (accumulated deficit)	(60,609,305)	108,386,781
Accumulated other comprehensive income	22,053,871	36,180,724
Total equity	<u>396,262,931</u>	<u>586,464,496</u>
Total Liabilities and equity	<u>\$ 432,796,936</u>	<u>\$ 629,338,165</u>

SCHEDULE 1—RENESOLA LTD CONDENSED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 and 2010
(Amounts expressed in U.S. dollars except number of shares and per share data)

RENESOLA LTD
STATEMENTS OF INCOME

	Year ended December 31,		
	2008	2009	2010
Cost of revenues—Product sales	\$ 184,246	\$ —	\$ 323,546
Gross loss	(184,246)	—	(323,546)
Operating expenses:			
Sales and marketing	54,835	8,859	123,200
General and administrative	5,635,115	18,679,602	8,617,628
Research and development	44,184	—	54,409
Other operating income	(136,492)	(80,712)	383,608
Total operating expenses	5,597,642	18,607,749	9,178,845
Loss from operations	(5,781,888)	(18,607,749)	(9,502,391)
Non-operating income:			
Interest income	766,470	1,689,333	1,350,777
Interest expense	(4,480,836)	(3,984,421)	(814,254)
Foreign exchange loss	(2,834,876)	(78,297)	(13,037)
Investment income	—	—	5,441,668
Fair value change on derivatives	—	—	8,806,349
Gain on repurchase of convertible bonds	—	7,995,337	5,891
Total non-operating (loss) income	(6,549,242)	5,621,952	14,777,394
Income (loss) before income taxes and equity in earnings of subsidiaries	(12,331,130)	(12,985,797)	5,275,003
Income tax expense	(1,439,880)	(200,421)	(124,095)
Equity in earnings (losses) of subsidiaries	(41,135,116)	(58,717,449)	163,845,178
Net income (loss)	\$ (54,906,126)	\$ (71,903,667)	\$ 168,996,086

SCHEDULE 1—RENESOLA LTD CONDENSED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 and 2010
(Amounts expressed in U.S. dollars)
RENESOLA LTD
STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2008	2009	2010
Net income	\$ (54,906,126)	\$ (71,903,667)	\$ 168,996,086
Equity in earnings of subsidiaries	41,135,116	58,717,449	(163,845,182)
Adjustments to reconcile net income to net cash used in operating activities:			
Investment income	—	—	(5,441,668)
Amortization of deferred convertible bond issue costs and premium	3,121,333	3,510,773	332,668
Allowances for doubtful receivables	—	14,568,284	—
Gain from repurchase of convertible bond	—	(7,995,337)	(5,891)
Share-based compensation	3,087,288	3,296,174	3,934,566
Derivatives fair value movement	—	—	(8,806,349)
Changes in operating assets and liabilities:			
Advances to suppliers	20,858,767	(18,830,057)	—
Prepaid expenses and other current assets	—	—	(114,240)
Amount due to subsidiaries	1,888,412	—	—
Other current liabilities	593,394	(1,848,575)	1,004,699
Other long-term liability	1,228,432	(138,777)	(138,861)
Net cash from (used in) operating activities	<u>17,006,616</u>	<u>(20,623,733)</u>	<u>(4,084,172)</u>
Investing activities:			
Investment in subsidiaries	(267,995,000)	(44,000,000)	(37,200,000)
(Loans to) repayment from subsidiaries	(69,431,091)	(45,115,612)	8,842,522
Dividend received from subsidiaries	12,552,528	12,002,097	5,042,201
Net proceeds from redemption of financial assets	—	—	441,964
Proceeds from disposal of investment	6,335,472	—	—
Net cash used in investing activities	<u>(318,538,091)</u>	<u>(77,113,515)</u>	<u>(22,873,313)</u>
Financing activities:			
Proceeds from issuance of common shares	315,779,030	73,625,000	—
Share issuance costs	(21,524,196)	(5,265,134)	—
Proceeds from exercise of share option	—	—	3,144,830
Cash paid for repurchase of convertible bonds	—	(84,121,078)	(32,715,276)
Borrowing from subsidiaries	1,972,780	112,994,415	56,740,101
Net cash provided by financing activities	<u>296,227,614</u>	<u>97,233,203</u>	<u>27,169,655</u>
Effect of exchange rate changes	4,273,182	(1,027)	(42,497)
Net increase (decrease) in cash and cash equivalents	(1,030,679)	(505,072)	169,673
Cash and cash equivalents, beginning of year	2,558,422	1,527,743	1,022,671
Cash and cash equivalents, end of year	\$ 1,527,743	\$ 1,022,671	\$ 1,192,344
Supplemental schedule of non-cash investing and financing activities:			
Dividend receivable from subsidiary	\$ 12,016,526	\$ —	\$ —

SCHEDULE 1—RENESOLA LTD CONDENSED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 and 2010
(Amounts expressed in U.S. dollars, unless otherwise stated)

Note to Schedule 1

Schedule I has been provided pursuant to the requirements of Rule 12-04(a) and 5-04(c) of Regulation S-X, which require condensed financial information as to the financial position, changes in financial position and results of operations of a parent company as of the same dates and for the same periods for which audited consolidated financial statements have been presented when the restricted net assets of consolidated subsidiaries exceed 25 percent of consolidated net assets as of the end of the most recently completed fiscal year.

**British Virgin Islands
BVI Business Companies Act, 2004**

**Memorandum of Association
and
Articles of Association
of**

ReneSola Ltd

A COMPANY LIMITED BY SHARES

**Incorporated on 17th March 2006.
Amended and restated on 11th March 2009.
Amended and restated on 9th September 2010**

**HARNEYS CORPORATE SERVICES LIMITED
Craigmuir Chambers
Road Town
Tortola
British Virgin Islands**

AMENDED AND RESTATED

MEMORANDUM OF ASSOCIATION

OF

ReneSola Ltd

A COMPANY LIMITED BY SHARES

1. DEFINITIONS AND INTERPRETATION

1.1 In this Memorandum of Association and the attached Articles of Association, if not inconsistent with the subject or context:

“**Act**” means the BVI Business Companies Act, 2004 (No. 16 of 2004) and includes the regulations made under the Act;

“**Articles**” means the attached Articles of Association of the Company;

“**Board**” means the board of Directors of the Company or the Directors present at a duly convened meeting of the Directors at which a quorum is present;

“**business day**” means a weekday on which banks are generally open for business in the City of London;

“**BVI Companies Act**” means the BVI Business Companies Act 2004 (as amended);

“**clear days**” in relation to the period of a notice means that period excluding the day when the notice is given or deemed to be given and the day for which it is given or on which it is to take effect;

“**Directors**” mean those persons holding office as directors of the Company from time to time;

“**Distribution**” in relation to a distribution by the Company to a Shareholder means the direct or indirect transfer of an asset, other than Shares, to or for the benefit of the Shareholder, or the incurring of a debt to or for the benefit of a Shareholder, in relation to Shares held by a Shareholder, and whether by means of the purchase of an asset, the purchase, redemption or other acquisition of Shares, a transfer of indebtedness or otherwise, and includes a dividend;

“**electronic**” means actuated by electric, magnetic, electro-magnetic, electro-chemical or electro-mechanical energy and “by electronic means” means by any manner capable of being so actuated and shall include e-mail and/or other data transmission service;

“**executed**” includes any mode of execution;

“**executive director**” means an Executive Chairman, Chief Executive Director, Joint Chief Executive Director, Managing Director, Joint Managing Director, Assistant Managing Director or Chief Operations Officer of the Company or a Director who is the holder of any other employment or executive office with the Company;

“**held**” means, in relation to Shares, the Shares entered in the register of members as being held by a member and term “holds” and “**holder**” shall be construed accordingly;

“**month**” means a calendar month;

“**Non Executive Director**” means any Director other than an Executive Director;

“**paid up**” means paid up or credited as paid up and includes any sum paid by way of premium;

“**recognized**” clearing house shall have the meaning ascribed by Section 285 of the Financial Services and Markets Act 2000;

“**Person**” means individuals, corporations, trusts, the estates of deceased individuals, partnerships and unincorporated associations of persons;

“**present in person**” means, in the case of an individual, that individual or his lawfully appointed attorney being present in person and, in the case of a corporation, being present by duly authorized representative or lawfully appointed attorney and, in relation to meetings, “**in person**” shall be construed accordingly;

“**recognized clearing house**” shall have the meaning ascribed by section 285 of the Financial Services and Markets Act 2000;

“**recognized investment exchange**” shall have the meaning ascribed by section 285 of the Financial Services and Markets Act 2000;

“**recognized person**” means a recognized clearing house or a nominee of a recognized clearing house or of a recognized investment exchange;

“**Regulations**” means the Uncertificated Securities Regulations 2001 (SI 2001/3755);

“**relevant system**” means a relevant system as referred to in the Regulations to include Crest;

“**Memorandum**” means this Memorandum of Association of the Company;

“**Registrar**” means the Registrar of Corporate Affairs appointed under section 229 of the Act;

“**Resolution of Directors**” means either:

- (a) a resolution approved at a duly convened and constituted meeting of directors of the Company or of a committee of directors of the Company by the affirmative vote of a majority of the directors present at the meeting who voted except that where a director is given more than one vote, he shall be counted by the number of votes he casts for the purpose of establishing a majority; or
- (b) a resolution consented to in writing by all directors or by all members of a committee of directors of the Company, as the case may be;

“**Resolution of Shareholders**” means either:

- (a) a resolution approved at a duly convened and constituted meeting of the Shareholders of the Company by the affirmative vote of a majority of in excess of 50% of the votes of the Shares entitled to vote thereon which were present at the meeting and were voted; or
- (b) a resolution consented to in writing by a majority of in excess of 50% of the votes of Shares entitled to vote thereon;

“**Seal**” means any seal which has been duly adopted as the common seal of the Company;

“**Securities**” means Shares and debt obligations of every kind of the Company, and including without limitation options, warrants and rights to acquire Shares or debt obligations;

“**Share**” means a share issued or to be issued by the Company;

“**Shareholder**” means a Person whose name is entered in the register of members of the Company as the holder of one or more Shares or fractional Shares;

“**Stock Exchanges**” means London Stock Exchange Plc and the New York Stock Exchange or any successor bodies carrying on their functions;

“**Treasury Share**” means a Share that was previously issued but was repurchased, redeemed or otherwise acquired by the Company and not cancelled;

“**UK CA 2006**” means the United Kingdom Companies Act 2006 including any modification, extension, re-enactment or renewal thereof and any regulations made thereunder;

“**UK Companies Act**” means the United Kingdom Companies Act 1985 including any modification, extension, re-enactment or renewal thereof and any regulations made thereunder;

“**United Kingdom**” means Great Britain and Northern Ireland.

“**written**” or any term of like import includes information generated, sent, received or stored by electronic, electrical, digital, magnetic, optical, electromagnetic, biometric or photonic means, including electronic data interchange, electronic mail, telegram, telex or telecopy, and “**in writing**” shall be construed accordingly.

1.2 In the Memorandum and the Articles, unless the context otherwise requires a reference to:

- (a) a “**Regulation**” is a reference to a regulation of the Articles;
- (b) a “**Clause**” is a reference to a clause of the Memorandum;
- (c) voting by Shareholders is a reference to the casting of the votes attached to the Shares held by the Shareholder voting;
- (d) the Act, the Memorandum or the Articles is a reference to the Act or those documents as amended or, in the case of the Act any re-enactment thereof; and
- (e) the singular includes the plural and vice versa.

1.3 Any words or expressions defined in the Act unless the context otherwise requires bear the same meaning in the Memorandum and the Articles unless otherwise defined herein.

- 1.4 Headings are inserted for convenience only and shall be disregarded in interpreting the Memorandum and the Articles.
- 2. NAME**
The name of the Company is ReneSola Ltd.
- 3. STATUS**
The Company is a company limited by shares.
- 4. REGISTERED OFFICE AND REGISTERED AGENT**
- 4.1 The first registered office of the Company is at Craigmuir Chambers, Road Town, Tortola, British Virgin Islands, the office of the first registered agent.
- 4.2 The first registered agent of the Company is Harneys Corporate Services Limited of Craigmuir Chambers, P.O. Box 71, Road Town, Tortola, British Virgin Islands.
- 4.3 The Company may by Resolution of Shareholders or by Resolution of Directors change the location of its registered office or change its registered agent.
- 4.4 Any change of registered office or registered agent will take effect on the registration by the Registrar of a notice of the change filed by the existing registered agent or a legal practitioner in the British Virgin Islands acting on behalf of the Company.
- 5. CAPACITY AND POWERS**
- 5.1 Subject to the Act and any other British Virgin Islands legislation, the Company has, irrespective of corporate benefit:
- (a) full capacity to carry on or undertake any business or activity, do any act or enter into any transaction; and
- (b) for the purposes of paragraph (a), full rights, powers and privileges.
- 5.2 For the purposes of section 9(4) of the Act, there are no limitations on the business that the Company may carry on.
- 6. NUMBER AND CLASSES OF SHARES**
- 6.1 The Company is authorized to issue a maximum of 500,000,000 no par value Shares of a single class.
- 6.2 The Company may issue fractional Shares and a fractional Share shall have the corresponding fractional rights, obligations and liabilities of a whole Share of the same class or series of Shares.
- 6.3 Shares may be issued in one or more series of Shares as the directors may by Resolution of Directors determine from time to time.
- 7. RIGHTS OF SHARES**
- 7.1 Each Share in the Company confers upon the Shareholder:
- (a) the right to one vote at a meeting of the Shareholders or on any Resolution of Shareholders;
- (b) the right to an equal share in any dividend paid by the Company; and

(c) the right to an equal share in the distribution of the surplus assets of the Company on its liquidation.

7.2 The Company may by Resolution of Directors redeem, purchase or otherwise acquire all or any of the Shares in the Company subject to Regulation 3 of the Articles.

8. VARIATION OF RIGHTS

If at any time the Shares are divided into different classes, the rights attached to any class may only be varied, whether or not the Company is in liquidation, with the consent in writing of or by a resolution passed at a meeting by the holders of not less than 50% of the issued Shares in that class.

9. RIGHTS NOT VARIED BY THE ISSUE OF SHARES PARI PASSU

The rights conferred upon the holders of the Shares of any class shall not, unless otherwise expressly provided by the terms of issue of the Shares of that class, be deemed to be varied by the creation or issue of further Shares ranking *pari passu* therewith.

10. REGISTERED SHARES

10.1 The Company shall issue registered Shares only.

10.2 The Company is not authorized to issue bearer Shares, convert registered Shares to bearer Shares or exchange registered Shares for bearer Shares.

11. TRANSFER OF SHARES

11.1 Subject to the provisions of Sub-Regulations 6.2 and 6.3 of the Articles, the Company shall, on receipt of an instrument of transfer complying with Sub-Regulation 6.1 of the Articles, enter the name of the transferee of a Share in the register of members unless the directors resolve to refuse or delay the registration of the transfer for reasons that shall be specified in a Resolution of Directors.

11.2 The directors may not resolve to refuse or delay the transfer of a Share unless the Shareholder has failed to pay an amount due in respect of the Share.

12. AMENDMENT OF THE MEMORANDUM AND THE ARTICLES

12.1 Subject to Clause 8, the Company may amend the Memorandum or the Articles by Resolution of Shareholders.

12.2 Any amendment of the Memorandum or the Articles will take effect on the registration by the Registrar of a notice of amendment, or restated Memorandum and Articles, filed by the registered agent.

Signed for HARNEYS CORPORATE SERVICES LIMITED of Craigmuir Chambers, Road Town, Tortola, British Virgin Islands for the purpose of incorporating a BVI Business Company under the laws of the British Virgin Islands on March 17, 2006:

Incorporator

Sgd: Andrew Swapp

Andrew Swapp
Authorized Signatory
HARNEYS CORPORATE SERVICES LIMITED

[This page has been intentionally left blank]

**AMENDED AND RESTATED
ARTICLES OF ASSOCIATION
OF**

ReneSola Ltd

A COMPANY LIMITED BY SHARES

1. REGISTERED SHARES

- 1.1 Every Shareholder is entitled to a certificate signed by a director or officer of the Company, or any other person authorized by Resolution of Directors, or under the Seal specifying the number of Shares held by him and the signature of the director, officer or authorized person and the Seal may be facsimiles.
- 1.2 Any Shareholder receiving a certificate shall indemnify and hold the Company and its directors and officers harmless from any loss or liability which it or they may incur by reason of any wrongful or fraudulent use or representation made by any person by virtue of the possession thereof. If a certificate for Shares is worn out or lost it may be renewed on production of the worn out certificate or on satisfactory proof of its loss together with such indemnity as may be required by Resolution of Directors.
- 1.3 If several Persons are registered as joint holders of any Shares, any one of such Persons may give an effectual receipt for any Distribution.

2. SHARES

- 2.1 Shares and other Securities may be issued at such times, to such Persons, for such consideration and on such terms as the directors may by Resolution of Directors determine.
- 2.2 Section 46 of the Act (*Pre-emptive rights*) does not apply to the Company.
- 2.3 A Share may be issued for consideration in any form, including money, a promissory note, or other written obligation to contribute money or property, real property, personal property (including goodwill and know-how), services rendered or a contract for future services.
- 2.4 No Shares may be issued for a consideration other than money, unless a Resolution of Directors has been passed stating:
- (a) the amount to be credited for the issue of the Shares;
 - (b) the determination of the directors of the reasonable present cash value of the non-money consideration for the issue; and

- (c) that, in the opinion of the directors, the present cash value of the non-money consideration for the issue is not less than the amount to be credited for the issue of the Shares.
- 2.5 The Company shall keep a register (the “**register of members**”) containing:
- (a) the names and addresses of the Persons who hold Shares;
 - (b) the number of each class and series of Shares held by each Shareholder;
 - (c) the date on which the name of each Shareholder was entered in the register of members; and
 - (d) the date on which any Person ceased to be a Shareholder.
- 2.6 The register of members may be in any such form as the directors may approve, but if it is in magnetic, electronic or other data storage form, the Company must be able to produce legible evidence of its contents. Until the directors otherwise determine, the magnetic, electronic or other data storage form shall be the original register of members.
- 2.7 A Share is deemed to be issued when the name of the Shareholder is entered in the register of members.
- 2.8 Nothing in these Articles shall require title to any shares or other securities of the Company to be evidenced by a certificate if the BVI Companies Act and the rules of the Stock Exchanges permit otherwise.
- 2.9 Subject to the BVI Companies Act and the rules of the Stock Exchanges, the Board without further consultation with the holders of any Shares or securities of the Company may resolve that any class or series of Shares or other securities of the Company from time to time in issue or to be issued (including shares in issue at the date of the adoption of these Articles) may be issued, held, registered, converted to, transferred or otherwise dealt with in uncertificated form in accordance with the Regulations and practices instituted by the operator of the relevant system and no provision of these Articles will apply to any uncertificated share or other securities of the Company to the extent that they are inconsistent with the holding of such shares or other securities in uncertificated form or the transfer of title to any such shares or other securities by means of a relevant system or any provision of the Regulations.
- 2.10 Conversion of shares held in certificated form into shares held in uncertificated form, and vice versa, may be made in such manner as the Board may, in its absolute discretion, think fit (subject always to the Regulations and the requirements of the relevant system concerned). The Company shall enter on the register of members how many Shares are held by each Shareholder in uncertificated form and in certificated form and shall maintain the register of members in each case as is required by the Regulations and the relevant system concerned. Notwithstanding any provision of these Articles, a class or series of Shares shall not be treated as two classes by virtue only of that class or series comprising both certificated Shares and uncertificated Shares or as a result of any provision of these Articles or the Regulations which apply only in respect of certificated or uncertificated Shares.
- 2.11 If a share certificate for certificated Shares is defaced, worn out, lost or destroyed it may be replaced without fee but on such terms (if any) as to evidence and indemnity and to payment of any exceptional out-of-pocket expenses of the Company in investigating such evidence and preparing such indemnity as the Board may think fit and, in case of defacement or wearing out, on delivery up of the old certificate to the Company.
- 2.12 All forms of certificate for share or loan capital or other securities of the Company (other than letters of allotment, scrip certificates and other like documents) shall be issued under the Seal or in such other manner as the Board may authorize. The Board may by Resolution of Directors determine, either generally or in any particular case or cases, that any signatures on any such certificate need not be autographic but may be affixed to such certificate by some mechanical or electronic means or may be printed thereon or that such certificate need not be signed by any person.

- 2.13 Any Shareholder receiving a share certificate for certificated Shares shall indemnify and hold the Company and its Directors and officers harmless from any loss or liability which it or they may incur by reason of any wrongful or fraudulent use or representation made by any person by virtue of the possession thereof.
- 2.14 If several persons are registered as joint holders of any Shares, any one of such persons may give an effectual receipt for any dividend payable in respect of such Shares.

3. REDEMPTION OF SHARES AND TREASURY SHARES

- 3.1 The Company may purchase, redeem or otherwise acquire and hold its own Shares save that the Company may not, except pursuant to Sub-Regulation 3.7, purchase, redeem or otherwise acquire its own Shares without the consent of Shareholders whose Shares are to be purchased, redeemed or otherwise acquired unless the Company is permitted by the Act or any other provision in the Memorandum or Articles to purchase, redeem or otherwise acquire the Shares without their consent.
- 3.2 The Company may only offer to purchase, redeem or otherwise acquire Shares if the Resolution of Directors authorizing the purchase, redemption or other acquisition contains a statement that the directors are satisfied, on reasonable grounds, that immediately after the acquisition the value of the Company's assets will exceed its liabilities and the Company will be able to pay its debts as they fall due.
- 3.3 Sections 60 (*Process for acquisition of own shares*), 61 (*Offer to one or more shareholders*) and 62 (*Shares redeemed otherwise than at the option of company*) of the Act shall not apply to the Company.
- 3.4 Shares that the Company purchases, redeems or otherwise acquires pursuant to this Regulation may be cancelled or held as Treasury Shares except to the extent that such Shares are in excess of 50% of the issued Shares in which case they shall be cancelled but they shall be available for reissue.
- 3.5 All rights and obligations attaching to a Treasury Share are suspended and shall not be exercised by the Company while it holds the Share as a Treasury Share.
- 3.6 Treasury Shares may be transferred by the Company on such terms and conditions (not otherwise inconsistent with the Memorandum and the Articles) as the Company may by Resolution of Directors determine.
- 3.7 Where:
- (a) the Company undertakes any division of the issued Shares pursuant to section 40A of the Act, and
 - (b) pursuant such division a Shareholder holds a total number of Shares which includes a fractional Share,
- the Company may compulsorily redeem such fractional Share so that (subsequent to such redemption) the Shareholder holds a whole number of Shares. Where the Company compulsorily redeems a fractional Share under this Regulation, the price at which such fractional Share is redeemed shall be calculated on the basis of US\$1.50 per Share (rounded up to the nearest 1¢).

4. MORTGAGES AND CHARGES OF SHARES

- 4.1 Shareholders may mortgage or charge their Shares.

- 4.2 There shall be entered in the register of members at the written request of the Shareholder:
- (a) a statement that the Shares held by him are mortgaged or charged;
 - (b) the name of the mortgagee or chargee; and
 - (c) the date on which the particulars specified in subparagraphs (a) and (b) are entered in the register of members.
- 4.3 Where particulars of a mortgage or charge are entered in the register of members, such particulars may be cancelled:
- (a) with the written consent of the named mortgagee or chargee or anyone authorized to act on his behalf; or
 - (b) upon evidence satisfactory to the directors of the discharge of the liability secured by the mortgage or charge and the issue of such indemnities as the directors shall consider necessary or desirable.
- 4.4 Whilst particulars of a mortgage or charge over Shares are entered in the register of members pursuant to this Regulation:
- (a) no transfer of any Share the subject of those particulars shall be effected;
 - (b) the Company may not purchase, redeem or otherwise acquire any such Share; and
 - (c) no replacement certificate shall be issued in respect of such Shares,
- without the written consent of the named mortgagee or chargee.
5. **FORFEITURE**
- 5.1 Shares that are not fully paid on issue are subject to the forfeiture provisions set forth in this Regulation and for this purpose Shares issued for a promissory note, other written obligation to contribute money or property or a contract for future services are deemed to be not fully paid.
- 5.2 A written notice of call specifying the date for payment to be made shall be served on the Shareholder who defaults in making payment in respect of the Shares.
- 5.3 The written notice of call referred to in Sub-Regulation 5.2 shall name a further date not earlier than the expiration of 14 days from the date of service of the notice on or before which the payment required by the notice is to be made and shall contain a statement that in the event of non-payment at or before the time named in the notice the Shares, or any of them, in respect of which payment is not made will be liable to be forfeited.
- 5.4 Where a written notice of call has been issued pursuant to Sub-Regulation 5.3 and the requirements of the notice have not been complied with, the directors may, at any time before tender of payment, forfeit and cancel the Shares to which the notice relates.
- 5.5 The Company is under no obligation to refund any moneys to the Shareholder whose Shares have been cancelled pursuant to Sub-Regulation 5.4 and that Shareholder shall be discharged from any further obligation to the Company.

6. TRANSFER AND TRANSMISSION OF SHARES

- 6.1 Subject to any limitations in the Memorandum, certificated Shares in the Company may be transferred by a written instrument of transfer signed by the transferor and containing the name and address of the transferee, but in the absence of such written instrument of transfer the Directors may accept such evidence of a transfer of Shares as they consider appropriate.
- 6.2 In the case of uncertificated Shares, and subject to the BVI Companies Act, a Shareholder shall be entitled to transfer his Shares and other securities by means of a relevant system and the operator of the relevant system shall act as agent of the Shareholders for the purposes of the transfer of Shares or other securities.
- 6.3 Any provision in these Articles in relation to the Shares shall not apply to any uncertificated Shares to the extent that they are inconsistent with the holding of any Shares in uncertificated form, the transfer of title to any Shares by means of a relevant system and any provision of the Regulations.
- 6.4 The transferor of any Shares shall remain the holder of those Shares until the name of the transferee is entered in the register as the holder of those Shares.
- 6.5 The Register may be closed at such times and for such periods as the Board may from time to time determine, not exceeding in whole thirty days in each year, upon notice being given by advertisement in a leading daily newspaper and in such other newspaper (if any) as may be required by the BVI Companies Act and the practice of the Stock Exchanges.
- 6.6 The Board may decline to register a transfer of any Share to a person known to be a minor, bankrupt or person who is mentally disordered or a patient for the purpose of any statute relating to mental health.
- 6.7 The Board may also decline to register any transfer unless:-
- (a) any written instrument of transfer, duly stamped (if so required), is lodged with the Company at the registered office or such other place as the Board may appoint accompanied by the certificate for the Shares to which it relates (except in the case of a transfer by a recognized person or a holder of such Shares in respect of whom the Company is not required by law to deliver a certificate and to whom a certificate has not been issued in respect of such Shares);
 - (b) there is provided such evidence as the Board may reasonably require to show the right of the transferor to make the transfer and, if the instrument of transfer is executed by some other person on his behalf, the authority of that person to do so;
 - (c) any instrument of transfer is in respect of only one class or series of Share; and
 - (d) in the case of a transfer to joint holders, the number of joint holders to whom the Share is to be transferred does not exceed four.
- The Company may retain an instrument of transfer which is registered but a transfer which the Directors refuse to register shall (except in the case of known or suspected fraud) be returned to the person lodging it when notice of the refusal is given.
- 6.8 If the Board declines to register a transfer it shall, within ten business days or such other period (if any) as may be prescribed by the BVI Companies Act, send to the transferee notice of the refusal.
- 6.9 No fee shall be charged by the Company for registering any transfer, probate, letters of administration, certificate of death or marriage, power of attorney, distringas or stop notice, order of court or other instrument relating to or affecting the title of any Share, or otherwise making any entry in the Register relating to any Share.

- 6.10 The executor or administrator of a deceased Shareholder, the guardian of an incompetent member or the trustee of a bankrupt Shareholder shall be the only person recognized by the Company as having any title to his Share but they shall not be entitled to exercise any rights as a Shareholder of the Company until they have proceeded as set forth in the next following three regulations.
- 6.11 The production to the Company of any document which is evidence of probate of the will, or letters of administration of the estate, or confirmation as executor, of a deceased Shareholder or of the appointment of a guardian of an incompetent Shareholder or the trustee of a bankrupt Shareholder shall be accepted by the Company even if the deceased, incompetent or bankrupt Shareholder is domiciled outside the British Virgin Islands if the document evidencing the grant of probate or letters of administration, confirmation as executor, appointment as guardian or trustee in bankruptcy is issued by a foreign court which had competent jurisdiction in the matter. For the purpose of establishing whether or not a foreign court had competent jurisdiction in such a matter the Directors may obtain appropriate legal advice. The Directors may also require an indemnity to be given by the executor, administrator, guardian or trustee in bankruptcy.
- 6.12 Any person becoming entitled by operation of law or otherwise to a Share or Shares in consequence of the death, incompetence or bankruptcy of any Shareholder may be registered as a Shareholder upon such evidence being produced as may reasonably be required by the Directors and in the case of uncertificated Shares subject also to the facilities and requirements of the relevant system concerned. An application by any such person to be registered as a Shareholder shall for all purposes be deemed to be a transfer of Shares of the deceased, incompetent or bankrupt Shareholder and the Directors shall treat it as such.
- 6.13 Any person who has become entitled to a Share or Shares in consequence of the death, incompetence or bankruptcy of any Shareholder may, instead of being registered himself, request in writing that some person to be named by him be registered as the transferee of such Share or Shares and such request shall likewise be treated as if it were a transfer.
- 6.14 What amounts to incompetence on the part of a person is a matter to be determined by the court having regard to all the relevant evidence and the circumstances of the case.

7. MEETINGS AND CONSENTS OF SHAREHOLDERS

- 7.1 Any director of the Company may convene meetings of the Shareholders at such times and in such manner and places within or outside the British Virgin Islands as the director considers necessary or desirable provided that once in every year the directors shall convene an annual meeting of shareholders.
- 7.2 Upon the written request of Shareholders entitled to exercise 10% or more of the voting rights in respect of the matter for which the meeting is requested the directors shall convene a meeting of Shareholders.
- 7.3 The director convening a meeting shall give not less than 14 days' notice of a meeting of Shareholders to:
- (a) those Shareholders whose names on the date the notice is given appear as Shareholders in the register of members of the Company and are entitled to vote at the meeting on a date to be determined by the directors; and
 - (b) the other directors.
- 7.4 The director convening a meeting of Shareholders may fix as the record date for determining those Shareholders that are entitled to vote at the meeting the date notice is given of the meeting, or such other date as may be specified in the notice, being a date not earlier than the date of the notice.

- 7.5 A meeting of Shareholders held in contravention of the requirement to give notice is valid if Shareholders holding at least 90% of the total voting rights on all the matters to be considered at the meeting have waived notice of the meeting and, for this purpose, the presence of a Shareholder at the meeting shall constitute waiver in relation to all the Shares which that Shareholder holds.
- 7.6 The inadvertent failure of a director who convenes a meeting to give notice of a meeting to a Shareholder or another director, or the fact that a Shareholder or another director has not received notice, does not invalidate the meeting.
- 7.7 A Shareholder may be represented at a meeting of Shareholders by a proxy who may speak and vote on behalf of the Shareholder.
- 7.8 The instrument appointing a proxy shall be produced at the place designated for the meeting before the time for holding the meeting at which the person named in such instrument proposes to vote. The notice of the meeting may specify an alternative or additional place or time at which the proxy shall be presented.
- 7.9 The instrument appointing a proxy shall be in substantially the following form or such other form as the chairman of the meeting shall accept as properly evidencing the wishes of the Shareholder appointing the proxy.

ReneSola Ltd.
<p>I/We being a Shareholder of the above Company HEREBY APPOINT _____ of _____ or failing him _____ of _____ to be my/our proxy to vote for me/us at the meeting of Shareholders to be held on the __ day of _____, 20__ and at any adjournment thereof.</p> <p>(Any restrictions on voting to be inserted here.)</p> <p>Signed this __ day of _____, 20__</p> <p>_____</p> <p>Shareholder</p>

- 7.10 The following applies where Shares are jointly owned:
- (a) if two or more persons hold Shares jointly each of them may be present in person or by proxy at a meeting of Shareholders and may speak as a Shareholder;
 - (b) if only one of the joint owners is present in person or by proxy he may vote on behalf of all joint owners; and
 - (c) if two or more of the joint owners are present in person or by proxy they must vote as one.
- 7.11 A Shareholder shall be deemed to be present at a meeting of Shareholders if he participates by telephone or other electronic means and all Shareholders participating in the meeting are able to hear each other.
- 7.12 A meeting of Shareholders is duly constituted if, at the commencement of the meeting, there are present in person or by proxy not less than 50% of the votes of the Shares entitled to vote on Resolutions of Shareholders to be considered at the meeting. A quorum may comprise a single Shareholder or proxy and then such person may pass a Resolution of Shareholders and a certificate signed by such person accompanied where such person be a proxy by a copy of the proxy instrument shall constitute a valid Resolution of Shareholders.

- 7.13 If within two hours from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of Shareholders, shall be dissolved; in any other case it shall stand adjourned to the next business day in the jurisdiction in which the meeting was to have been held at the same time and place or to such other time and place as the directors may determine, and if at the adjourned meeting there are present within one hour from the time appointed for the meeting in person or by proxy not less than one third of the votes of the Shares or each class or series of Shares entitled to vote on the matters to be considered by the meeting, those present shall constitute a quorum but otherwise the meeting shall be dissolved.
- 7.14 At every meeting of Shareholders, the Chairman of the Board shall preside as chairman of the meeting. If there is no Chairman of the Board or if the Chairman of the Board is not present at the meeting, the Shareholders present shall choose one of their number to be the chairman. If the Shareholders are unable to choose a chairman for any reason, then the person representing the greatest number of voting Shares present in person or by proxy at the meeting shall preside as chairman failing which the oldest individual Shareholder or representative of a Shareholder present shall take the chair.
- 7.15 The chairman may, with the consent of the meeting, adjourn any meeting from time to time, and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.
- 7.16 At any meeting of the Shareholders the chairman is responsible for deciding in such manner as he considers appropriate whether any resolution proposed has been carried or not and the result of his decision shall be announced to the meeting and recorded in the minutes of the meeting. If the chairman has any doubt as to the outcome of the vote on a proposed resolution, he shall cause a poll to be taken of all votes cast upon such resolution. If the chairman fails to take a poll then any Shareholder present in person or by proxy who disputes the announcement by the chairman of the result of any vote may immediately following such announcement demand that a poll be taken and the chairman shall cause a poll to be taken. If a poll is taken at any meeting, the result shall be announced to the meeting and recorded in the minutes of the meeting.
- 7.17 Subject to the specific provisions contained in this Regulation for the appointment of representatives of Persons other than individuals the right of any individual to speak for or represent a Shareholder shall be determined by the law of the jurisdiction where, and by the documents by which, the Person is constituted or derives its existence. In case of doubt, the directors may in good faith seek legal advice from any qualified person and unless and until a court of competent jurisdiction shall otherwise rule, the directors may rely and act upon such advice without incurring any liability to any Shareholder or the Company.
- 7.18 Any Person other than an individual which is a Shareholder may by resolution of its directors or other governing body authorize such individual as it thinks fit to act as its representative at any meeting of Shareholders or of any class of Shareholders, and the individual so authorized shall be entitled to exercise the same rights on behalf of the Shareholder which he represents as that Shareholder could exercise if it were an individual.
- 7.19 The chairman of any meeting at which a vote is cast by proxy or on behalf of any Person other than an individual may call for a notarially certified copy of such proxy or authority which shall be produced within 7 days of being so requested or the votes cast by such proxy or on behalf of such Person shall be disregarded.
- 7.20 Directors of the Company may attend and speak at any meeting of Shareholders and at any separate meeting of the holders of any class or series of Shares.

7.21 An action that may be taken by the Shareholders at a meeting may also be taken by a resolution consented to in writing, without the need for any notice, but if any Resolution of Shareholders is adopted otherwise than by the unanimous written consent of all Shareholders, a copy of such resolution shall forthwith be sent to all Shareholders not consenting to such resolution. The consent may be in the form of counterparts, each counterpart being signed by one or more Shareholders. If the consent is in one or more counterparts, and the counterparts bear different dates, then the resolution shall take effect on the earliest date upon which Shareholders holding a sufficient number of votes of Shares to constitute a Resolution of Shareholders have consented to the resolution by signed counterparts.

8. DIRECTORS

- 8.1 The first directors of the Company shall be appointed by the first registered agent within 6 months of the date of incorporation of the Company; and thereafter, the directors shall be elected by Resolution of Shareholders.
- 8.2 No person shall be appointed as a director, or nominated as a reserve director, of the Company unless he has consented in writing to be a director or to be nominated as a reserve director.
- 8.3 Subject to Sub-Regulation 8.1, the minimum number of directors shall be one and the maximum number shall be ten.
- 8.4 Each director holds office for the term, if any, fixed by the Resolution of Shareholders appointing him, or until his earlier death, resignation, removal or retirement at the age of 70 years. If no term is fixed on the appointment of a director, the director serves indefinitely until his earlier death, resignation, retirement or removal.
- 8.5 The directors may at any time appoint any person to be a director either to fill a vacancy or as an addition to the existing directors. Where the directors appoint a person as a director to fill a vacancy or as an additional director the term shall not exceed the term that remained when the person who has ceased to be a director ceased to hold office or until the next annual general meeting (where such appointment shall be approved by the Shareholders) whenever is earlier.
- 8.6 A vacancy in relation to directors occurs if a director dies or otherwise ceases to hold office prior to the expiration of his term of office.
- 8.7 Where the Company only has one Shareholder who is an individual and that Shareholder is also the sole director of the Company, the sole Shareholder/director may, by instrument in writing, nominate a person who is not disqualified from being a director of the Company as a reserve director of the Company to act in the place of the sole director in the event of his death.
- 8.8 The nomination of a person as a reserve director of the Company ceases to have effect if:
- (a) before the death of the sole Shareholder/director who nominated him,
 - (i) he resigns as reserve director, or
 - (ii) the sole Shareholder/director revokes the nomination in writing; or
 - (b) the sole Shareholder/director who nominated him ceases to be able to be the sole Shareholder/director of the Company for any reason other than his death.
- 8.9 The Company shall keep a register of directors containing:
- (a) the names and addresses of the persons who are directors of the Company or who have been nominated as reserve directors of the Company;

- (b) the date on which each person whose name is entered in the register was appointed as a director, or nominated as a reserve director, of the Company;
 - (c) the date on which each person named as a director ceased to be a director of the Company;
 - (d) the date on which the nomination of any person nominated as a reserve director ceased to have effect; and
 - (e) such other information as may be prescribed by the Act.
- 8.10 The register of directors may be kept in any such form as the directors may approve, but if it is in magnetic, electronic or other data storage form, the Company must be able to produce legible evidence of its contents. Until a Resolution of Directors determining otherwise is passed, the magnetic, electronic or other data storage shall be the original register of directors.
- 8.11 A director is not required to hold a Share as a qualification to office.
- 8.12 Without prejudice to the provisions of retirement by rotation hereinafter contained, the office of a Director shall be vacated in any of the events following, namely:
- (a) if (not being an Executive Director whose contract precludes resignation) he resigns his office by notice in writing delivered to the registered office or tendered at a meeting of the Board; or
 - (b) if the Board resolves that he is through physical or mental incapacity or mental disorder no longer able to perform the functions of a Director; or
 - (c) if he fails, without leave, to attend (whether or not an alternate Director appointed by him attends) three successive Board meetings or four Board meetings in any consecutive period of 12 months despite a notice being given to him prior to such third or fourth meeting (as the case may be) that the provisions of this paragraph might apply and not less than two-thirds of all the other Directors (excluding the Director concerned and, in his capacity as such, any alternate director appointed by the Director concerned) resolving that his office should be vacated; or
 - (d) if he becomes bankrupt or insolvent or makes an arrangement or composition with his creditors or applies to the Court for an interim order under section 253 of the United Kingdom Insolvency Act 1986 in connection with a voluntary arrangement; or
 - (e) any event analogous to those listed in Regulation 8.15 under the laws of any other jurisdiction occurs in relation to a Director; or
 - (f) if he is prohibited by law from being a Director; or
 - (g) if he ceases to be a Director by virtue of the BVI Companies Act or is removed from office pursuant to these Articles.
- In the case of Regulation 8.15 (b) to (e) inclusive above, the Director shall be removed from office.
- 8.13 A resolution of Directors declaring that a Director has vacated office under regulation 8.12 shall be conclusive as to that fact and as to the ground of vacation as stated in the resolution.
- 8.14 Without prejudice to any of the provisions for disqualification of Directors or for the retirement by rotation hereinafter contained, the office of a Director shall be vacated if by notice in writing delivered to the registered office or tendered at a meeting of the Board his resignation is requested by all of the other Directors (being not less than three in number) excluding the Director concerned and, in his capacity as such, any alternate Director appointed by the Director concerned.

- 8.15 At every annual meeting of Shareholders one-third of the Directors for the time being or, if their number is not a multiple of three, then the number nearest to and not exceeding one-third shall retire from office.
- 8.16 The Directors to retire on each occasion shall be those subject to retirement by rotation who have been longest in office since their last election, but as between persons who became or were re-elected Directors on the same day those to retire shall (unless they otherwise agree amongst themselves) be determined by lot. The Directors to retire on each occasion both as to number and identity shall be determined by the composition of the Board at the date of the notice convening the annual meeting of Shareholders, and no Director shall be required to retire or be relieved from retiring by reason of any change in the number or identity of the Directors after the date of such notice but before the close of the meeting.
- 8.17 A Director who retires at the annual meeting of Shareholders shall be eligible for re-election. If he is not re-elected he shall retain office until the meeting elects someone in his place, or if it does not do so, until the end of the meeting.
- 8.18 Subject to the provisions of these Articles, the Company may by a Resolution of Shareholders at the meeting at which a Director retires in the manner aforesaid fill the vacated office by electing a person and in default the retiring Director shall, if willing to continue to act, be deemed to have been re-elected, unless at such meeting it is expressly resolved not to fill such vacated office or unless a resolution for the re-election of such Director shall have been put to the meeting and lost.
- 8.19 A Director may hold the office of an Executive Director or a Non Executive Director.
- 8.20 An Executive Director shall receive such remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine, and either in addition to or in lieu of his remuneration as a Director.
- 8.21 Each Director shall have the power to appoint any person to be his alternate Director and may at his discretion remove such alternate Director. If such alternate Director is not another Director, such appointment, unless previously approved by the Board, shall have effect only upon and subject to it being so approved. Any appointment or removal of an alternate Director shall be effected by notice in writing signed by the appointor and delivered to the registered office or tendered at a meeting of the Board. An alternate Director shall, if his appointor so requests, be entitled to receive notices of meetings of the Board or of committees of the Board to the same extent as, but in lieu of, the Director appointing him and shall be entitled to such extent to attend at and vote as a Director at any such meeting at which the Director appointing him is not personally present and to exercise and discharge all the functions, powers and duties of his appointor as a Director and for the purposes of the proceedings at such meeting the provisions of these Articles shall apply as if he were a Director.
- 8.22 Every person acting as an alternate Director shall (except as regards power to appoint an alternate Director and remuneration) be subject in all respects to the provisions of these Articles relating to Directors and shall alone be responsible to the Company for his acts and defaults and shall not be deemed to be the agent of or for the Director appointing him. An alternate Director may be paid expenses and shall be entitled to be indemnified by the Company to the same extent *mutatis mutandis* as if he were a Director but shall not be entitled to receive from the Company any fee in his capacity as an alternate Director except only such part (if any) of the remuneration otherwise payable to the Director appointing him as such Director may by notice in writing to the Company from time to time direct.

- 8.23 Every person acting as an alternate Director shall have one vote for each Director for whom he acts as alternate (in addition to his own vote if he is also a Director). The signature of an alternate Director to any resolution in writing of the Board or a committee of the Board shall, unless the notice of his appointment provides to the contrary, be as effective as the signature of his appointor.
- 8.24 An alternate Director shall ipso facto cease to be an alternate Director if his appointor ceases for any reason to be a Director provided that, if at any meeting any Director retires by rotation or otherwise but is re-elected at the same meeting, any appointment made by him pursuant to this regulation which was in force immediately before his retirement shall remain in force as though he had not retired.
- 8.25 Each of the Directors shall be paid a fee at such rate as may from time to time be determined by the Board provided that the aggregate of all such fees so paid to Directors (excluding amounts payable under any other regulation and any amount payable under any service contract) shall not exceed \$1,000,000 per annum, or such higher amount as may from time to time be determined by Resolution of Shareholders.
- 8.26 Each Director may be paid his reasonable travelling, hotel and incidental expenses of attending and returning from meetings of the Board or committees of the Board or meetings of Shareholders or separate meetings of the holders of any class or series of Shares or of debentures of the Company and shall be paid all expenses properly and reasonably incurred by him in the conduct of the Company's business or in the discharge of his duties as a Director. Any Director who, by request, goes or resides abroad for any purposes of the Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to any remuneration provided for by or pursuant to any other regulation.

9. POWERS OF DIRECTORS

- 9.1 The business and affairs of the Company shall be managed by, or under the direction or supervision of, the directors of the Company. The directors of the Company have all the powers necessary for managing, and for directing and supervising, the business and affairs of the Company. The directors may pay all expenses incurred preliminary to and in connection with the incorporation of the Company and may exercise all such powers of the Company as are not by the Act or by the Memorandum or the Articles required to be exercised by the Shareholders.
- 9.2 Each director shall exercise his powers for a proper purpose and shall not act or agree to the Company acting in a manner that contravenes the Memorandum, the Articles or the Act. Each director, in exercising his powers or performing his duties, shall act honestly and in good faith in what the director believes to be the best interests of the Company.
- 9.3 If the Company is the wholly owned subsidiary of a holding company, a director of the Company may, when exercising powers or performing duties as a director, act in a manner which he believes is in the best interests of the holding company even though it may not be in the best interests of the Company.
- 9.4 Any director which is a body corporate may appoint any individual as its duly authorized representative for the purpose of representing it at meetings of the directors, with respect to the signing of consents or otherwise.
- 9.5 The continuing directors may act notwithstanding any vacancy in their body.

- 9.6 The directors may by Resolution of Directors exercise all the powers of the Company to incur indebtedness, liabilities or obligations and to secure indebtedness, liabilities or obligations whether of the Company or of any third party.
- 9.7 All cheques, promissory notes, drafts, bills of exchange and other negotiable instruments and all receipts for moneys paid to the Company shall be signed, drawn, accepted, endorsed or otherwise executed, as the case may be, in such manner as shall from time to time be determined by Resolution of Directors.
- 9.8 For the purposes of Section 175 (*Disposition of assets*) of the Act, the directors may by Resolution of Directors determine that any sale, transfer, lease, exchange or other disposition is in the usual or regular course of the business carried on by the Company and such determination is, in the absence of fraud, conclusive.

10. PROCEEDINGS OF DIRECTORS

- 10.1 Any one director of the Company may call a meeting of the directors by sending a written notice to each other director.
- 10.2 The directors of the Company or any committee thereof may meet at such times and in such manner and places within or outside the British Virgin Islands as the directors may determine to be necessary or desirable.
- 10.3 A director is deemed to be present at a meeting of directors if he participates by telephone or other electronic means and all directors participating in the meeting are able to hear each other.
- 10.4 A director shall be given not less than 3 days' notice of meetings of directors, but a meeting of directors held without 3 days' notice having been given to all directors shall be valid if all the directors entitled to vote at the meeting who do not attend waive notice of the meeting, and for this purpose the presence of a director at a meeting shall constitute waiver by that director. The inadvertent failure to give notice of a meeting to a director, or the fact that a director has not received the notice, does not invalidate the meeting.
- 10.5 A director may by a written instrument appoint an alternate who need not be a director and the alternate shall be entitled to attend meetings in the absence of the director who appointed him and to vote in place of the director until the appointment lapses or is terminated.
- 10.6 A meeting of directors is duly constituted for all purposes if at the commencement of the meeting there are present in person or by alternate not less than one-half of the total number of directors, unless there are only 2 directors in which case the quorum is 2.
- 10.7 If the Company has only one director the provisions herein contained for meetings of directors do not apply and such sole director has full power to represent and act for the Company in all matters as are not by the Act, the Memorandum or the Articles required to be exercised by the Shareholders. In lieu of minutes of a meeting the sole director shall record in writing and sign a note or memorandum of all matters requiring a Resolution of Directors. Such a note or memorandum constitutes sufficient evidence of such resolution for all purposes.
- 10.8 At meetings of directors at which the Chairman of the Board is present, he shall preside as chairman of the meeting. If there is no Chairman of the Board or if the Chairman of the Board is not present, the directors present shall choose one of their number to be chairman of the meeting.
- 10.9 An action that may be taken by the directors or a committee of directors at a meeting may also be taken by a Resolution of Directors or a resolution of a committee of directors consented to in writing by all directors or by all members of the committee, as the case may be, without the need for any notice. The consent may be in the form of counterparts each counterpart being signed by one or more directors. If the consent is in one or more counterparts, and the counterparts bear different dates, then the resolution shall take effect on the date upon which the last director has consented to the resolution by signed counterparts.

11. COMMITTEES

- 11.1 The directors may, by Resolution of Directors, designate one or more committees, each consisting of one or more directors, and delegate one or more of their powers, including the power to affix the Seal, to the committee.
- 11.2 The directors have no power to delegate to a committee of directors any of the following powers:
- (a) to amend the Memorandum or the Articles;
 - (b) to designate committees of directors;
 - (c) to delegate powers to a committee of directors;
 - (d) to appoint or remove directors (which does not include the power to nominate a director to the board or recommend the removal of a director from the board);
 - (e) to appoint or remove an agent;
 - (f) to approve a plan of merger, consolidation or arrangement;
 - (g) to make a declaration of solvency or to approve a liquidation plan; or
 - (h) to make a determination that immediately after a proposed Distribution the value of the Company's assets will exceed its liabilities and the Company will be able to pay its debts as they fall due.
- 11.3 Sub-Regulation 11.2(b) and (c) do not prevent a committee of directors, where authorized by the Resolution of Directors appointing such committee or by a subsequent Resolution of Directors, from appointing a sub-committee and delegating powers exercisable by the committee to the sub-committee.
- 11.4 The meetings and proceedings of each committee of directors consisting of 2 or more directors shall be governed *mutatis mutandis* by the provisions of the Articles regulating the proceedings of directors so far as the same are not superseded by any provisions in the Resolution of Directors establishing the committee.
- 11.5 Where the directors delegate their powers to a committee of directors they remain responsible for the exercise of that power by the committee, unless they believed on reasonable grounds at all times before the exercise of the power that the committee would exercise the power in conformity with the duties imposed on directors of the Company under the Act.

12. OFFICERS AND AGENTS

- 12.1 The Company may by Resolution of Directors appoint officers of the Company at such times as may be considered necessary or expedient. Any number of offices may be held by the same person.
- 12.2 The officers shall perform such duties as are prescribed at the time of their appointment subject to any modification in such duties as may be prescribed thereafter by Resolution of Directors. In the absence of any specific prescription of duties it shall be the responsibility of the Chairman of the Board to preside at meetings of directors and Shareholders, the president to manage the day to day affairs of the Company, the vice-presidents to act in order of seniority in the absence of the president but otherwise to perform such duties as may be delegated to them by the president, the secretaries to maintain the register of members, minute books and records (other than financial records) of the Company and to ensure compliance with all procedural requirements imposed on the Company by applicable law, and the treasurer to be responsible for the financial affairs of the Company.

- 12.3 The emoluments of all officers shall be fixed by Resolution of Directors.
- 12.4 The officers of the Company shall hold office until their successors are duly appointed, but any officer elected or appointed by the directors may be removed at any time, with or without cause, by Resolution of Directors. Any vacancy occurring in any office of the Company may be filled by Resolution of Directors.
- 12.5 The directors may, by Resolution of Directors, appoint any person, including a person who is a director, to be an agent of the Company.
- 12.6 An agent of the Company shall have such powers and authority of the directors, including the power and authority to affix the Seal, as are set forth in the Articles or in the Resolution of Directors appointing the agent, except that no agent has any power or authority with respect to the following:
- (a) to amend the Memorandum or the Articles;
 - (b) to change the registered office or agent;
 - (c) to designate committees of directors;
 - (d) to delegate powers to a committee of directors;
 - (e) to appoint or remove directors;
 - (f) to appoint or remove an agent;
 - (g) to fix emoluments of directors;
 - (h) to approve a plan of merger, consolidation or arrangement;
 - (i) to make a declaration of solvency or to approve a liquidation plan;
 - (j) to make a determination that immediately after a proposed Distribution the value of the Company's assets will exceed its liabilities and the Company will be able to pay its debts as they fall due; or
 - (k) to authorize the Company to continue as a company incorporated under the laws of a jurisdiction outside the British Virgin Islands.
- 12.7 The Resolution of Directors appointing an agent may authorize the agent to appoint one or more substitutes or delegates to exercise some or all of the powers conferred on the agent by the Company.
- 12.8 The directors may remove an agent appointed by the Company and may revoke or vary a power conferred on him.
-

13. TAKEOVER PROVISIONS

13.1 Except with the consent of the Board, when:-

- (a) any person acquires, whether by a series of transactions over a period of time or not, Shares which (taken together with Shares held or acquired by persons acting in concert with him) carry 30% or more of the voting rights of the Company; or
- (b) any person who, together with persons acting in concert with him, holds not less than 30% but not more than 50% of the voting rights and such person, or any person acting in concert with him, acquires additional Shares which increase his percentage of the voting rights;

such person (“**the offeror**”) shall extend an offer, on the basis set out in this Regulation 13, to the holders of all the issued shares in the Company.

13.2 Any offer made under this Regulation must be conditional only upon the offeror having received acceptances in respect of Shares which, together with Shares acquired or agreed to be acquired before or during the offer, will result in the offeror and any person acting in concert with it holding Shares carrying more than 50% of the voting rights.

13.3 No acquisition of Shares which would give rise to a requirement for any offer under this Regulation may be made or registered if the making or implementation of such offer would or might be dependent on the passing of a resolution at any meeting of Shareholders of the Company or upon any other conditions, consents or arrangements.

13.4 Offers made under this Regulation must, in respect of each class of Share capital involved, be in cash or be accompanied by a cash alternative at not less than the highest price paid by the offeror or any person acting in concert with it for Shares of that class during the offer period and within 12 months prior to its commencement. The cash offer or the cash alternative must remain open after the offer has become or is declared unconditional as to acceptances for not less than 14 days after the date on which it would otherwise have expired.

13.5 No nominee of an offeror or persons acting in concert with it may be appointed as a Director, nor may an offeror and persons acting in concert with it exercise the votes attaching to any Shares held in the Company until the offer document has been posted.

13.6 Any offer required to be made pursuant to this Regulation 13 shall be made on terms that would be required by the then current United Kingdom City Code on Takeovers and Mergers (“**the City Code**”), save to the extent that the board otherwise determines. In relation to any offer required to be made pursuant to this Regulation 13, any matter which under the City Code would fall to be determined by the Panel shall be determined by the board in its absolute discretion or by such person appointed by the board to make such determination.

13.7 Except with the consent of the board, Shareholders shall comply with the requirements of the City Code, as may from time to time be published by the United Kingdom Panel on Takeovers and Mergers (“**the Panel**”), in relation to any dealings in any Shares of the Company and in relation to their dealings with the Company in relation to all matters. Any matter which under the City Code would fall to be determined by the Panel shall be determined by the Board in its absolute discretion or by such person appointed by the Board to make such determination. Any notice which under the City Code is required to be given to the Panel or any person (other than the Company) shall be given to the Company at its registered office.

- 13.8 If at any time the Board is satisfied that any Shareholder having incurred an obligation under this Regulation 13 to extend an offer to the holders of all the issued Shares shall have failed so to do, or that any Shareholders is in default of any other obligation imposed upon Shareholders pursuant to this Regulation 13, then the Board may, in its absolute discretion at any time thereafter by notice (a “**direction notice**”) to such Shareholders and any other Shareholders acting in concert with such Shareholders (together “**the defaulters**”) direct that:
- (a) in respect of the Shares held by the defaulters (the “**default shares**”) the defaulters shall not be entitled to vote at a general meeting either personally or by proxy or to exercise any other right conferred by membership in relation to meetings of the Company;
 - (b) except in a liquidation of the Company, no payment shall be made of any sums due from the Company on the default shares, whether in respect of capital or dividend or otherwise, and the Company shall not meet any liability to pay interest on any such payment when it is finally paid to the Shareholders;
 - (c) no other distribution shall be made on the default shares.

The Board may at any time give notice cancelling a direction notice.

- 13.9 In construing this Regulation 13, words and expressions used in or defined in the City Code shall bear the same meanings given by the City Code.

14. CONFLICT OF INTERESTS

- 14.1 A director of the Company shall, forthwith after becoming aware of the fact that he is interested in a transaction entered into or to be entered into by the Company, disclose the interest to all other directors of the Company.

- 14.2 For the purposes of Sub-Regulation 14.1, a disclosure to all other directors to the effect that a director is a member, director or officer of another named entity or has a fiduciary relationship with respect to the entity or a named individual and is to be regarded as interested in any transaction which may, after the date of the entry into the transaction or disclosure of the interest, be entered into with that entity or individual, is a sufficient disclosure of interest in relation to that transaction.

- 14.3 A director of the Company who is interested in a transaction entered into or to be entered into by the Company may:

- 14.4 vote on a matter relating to the transaction;

- 14.5 attend a meeting of directors at which a matter relating to the transaction arises and be included among the directors present at the meeting for the purposes of a quorum; and

- 14.6 sign a document on behalf of the Company, or do any other thing in his capacity as a director, that relates to the transaction,

and, subject to compliance with the Act shall not, by reason of his office be accountable to the Company for any benefit which he derives from such transaction and no such transaction shall be liable to be avoided on the grounds of any such interest or benefit.

15. INDEMNIFICATION

- 15.1 Subject to the limitations hereinafter provided the Company shall indemnify against all expenses, including legal fees, and against all judgments, fines and amounts paid in settlement and reasonably incurred in connection with legal, administrative or investigative proceedings any person who:
- (a) is or was a party or is threatened to be made a party to any threatened, pending or completed proceedings, whether civil, criminal, administrative or investigative, by reason of the fact that the person is or was a director of the Company; or
 - (b) is or was, at the request of the Company, serving as a director of, or in any other capacity is or was acting for, another body corporate or a partnership, joint venture, trust or other enterprise.
 - (c) The indemnity in Sub-Regulation 15.1 only applies if the person acted honestly and in good faith with a view to the best interests of the Company and, in the case of criminal proceedings, the person had no reasonable cause to believe that their conduct was unlawful.
- 15.2 For the purposes of Sub-Regulation 15.1(c), a director acts in the best interests of the Company if he acts in the best interests of
- (a) the Company's holding company; or
 - (b) a Shareholder or Shareholders of the Company;
- in either case, in the circumstances specified in Sub-Regulation 15.1 or the Act, as the case may be.
- 15.3 The decision of the directors as to whether the person acted honestly and in good faith and with a view to the best interests of the Company and as to whether the person had no reasonable cause to believe that his conduct was unlawful is, in the absence of fraud, sufficient for the purposes of the Articles, unless a question of law is involved.
- 15.4 The termination of any proceedings by any judgment, order, settlement, conviction or the entering of a *nolle prosequi* does not, by itself, create a presumption that the person did not act honestly and in good faith and with a view to the best interests of the Company or that the person had reasonable cause to believe that his conduct was unlawful.
- 15.5 Expenses, including legal fees, incurred by a director in defending any legal, administrative or investigative proceedings may be paid by the Company in advance of the final disposition of such proceedings upon receipt of an undertaking by or on behalf of the director to repay the amount if it shall ultimately be determined that the director is not entitled to be indemnified by the Company in accordance with Sub-Regulation 15.1.
- 15.6 Expenses, including legal fees, incurred by a former director in defending any legal, administrative or investigative proceedings may be paid by the Company in advance of the final disposition of such proceedings upon receipt of an undertaking by or on behalf of the former director to repay the amount if it shall ultimately be determined that the former director is not entitled to be indemnified by the Company in accordance with Sub-Regulation 15.1 and upon such terms and conditions, if any, as the Company deems appropriate.
- 15.7 The indemnification and advancement of expenses provided by, or granted pursuant to, this section is not exclusive of any other rights to which the person seeking indemnification or advancement of expenses may be entitled under any agreement, Resolution of Shareholders, resolution of disinterested directors or otherwise, both as acting in the person's official capacity and as to acting in another capacity while serving as a director of the Company.

- 15.8 If a person referred to in Sub-Regulation 15.1 has been successful in defence of any proceedings referred to in Sub-Regulation 15.1, the person is entitled to be indemnified against all expenses, including legal fees, and against all judgments, fines and amounts paid in settlement and reasonably incurred by the person in connection with the proceedings.
- 15.9 The Company may purchase and maintain insurance in relation to any person who is or was a director, officer or liquidator of the Company, or who at the request of the Company is or was serving as a director, officer or liquidator of, or in any other capacity is or was acting for, another body corporate or a partnership, joint venture, trust or other enterprise, against any liability asserted against the person and incurred by the person in that capacity, whether or not the Company has or would have had the power to indemnify the person against the liability as provided in the Articles.

16. RECORDS

- 16.1 The Company shall keep the following documents at the office of its registered agent:
- (a) the Memorandum and the Articles;
 - (b) the register of members, or a copy of the register of members;
 - (c) the register of directors, or a copy of the register of directors; and
 - (d) copies of all notices and other documents filed by the Company with the Registrar of Corporate Affairs in the previous 10 years.
- 16.2 Until the directors determine otherwise by Resolution of Directors the Company shall keep the original register of members and original register of directors at the office of its registered agent.
- 16.3 If the Company maintains only a copy of the register of members or a copy of the register of directors at the office of its registered agent, it shall:
- (a) within 15 days of any change in either register, notify the registered agent in writing of the change; and
 - (b) provide the registered agent with a written record of the physical address of the place or places at which the original register of members or the original register of directors is kept.
- 16.4 The Company shall keep the following records at the office of its registered agent or at such other place or places, within or outside the British Virgin Islands, as the directors may determine:
- (a) minutes of meetings and Resolutions of Shareholders and classes of Shareholders; and
 - (b) minutes of meetings and Resolutions of Directors and committees of directors.

16.5 Where any original records referred to in this Regulation are maintained other than at the office of the registered agent of the Company, and the place at which the original records is changed, the Company shall provide the registered agent with the physical address of the new location of the records of the Company within 14 days of the change of location.

16.6 The records kept by the Company under this Regulation shall be in written form or either wholly or partly as electronic records complying with the requirements of the Electronic Transactions Act, 2001 (No. 5 of 2001) as from time to time amended or re-enacted.

17. REGISTER OF CHARGES

The Company shall maintain at the office of its registered agent a register of charges in which there shall be entered the following particulars regarding each mortgage, charge and other encumbrance created by the Company:

17.1 the date of creation of the charge;

17.2 a short description of the liability secured by the charge;

17.3 a short description of the property charged;

17.4 the name and address of the trustee for the security or, if there is no such trustee, the name and address of the chargee;

17.5 unless the charge is a security to bearer, the name and address of the holder of the charge; and

17.6 details of any prohibition or restriction contained in the instrument creating the charge on the power of the Company to create any future charge ranking in priority to or equally with the charge.

18. SEAL

The Company shall have a Seal an impression of which shall be kept at the office of the registered agent of the Company. The Company may have more than one Seal and references herein to the Seal shall be references to every Seal which shall have been duly adopted by Resolution of Directors. The directors shall provide for the safe custody of the Seal and for an imprint thereof to be kept at the registered office. Except as otherwise expressly provided herein the Seal when affixed to any written instrument shall be witnessed and attested to by the signature of any one director or other person so authorized from time to time by Resolution of Directors. Such authorization may be before or after the Seal is affixed, may be general or specific and may refer to any number of sealings. The directors may provide for a facsimile of the Seal and of the signature of any director or authorized person which may be reproduced by printing or other means on any instrument and it shall have the same force and validity as if the Seal had been affixed to such instrument and the same had been attested to as hereinbefore described.

19. DISTRIBUTIONS BY WAY OF DIVIDEND

19.1 The directors of the Company may, by Resolution of Directors, authorize a Distribution by way of dividend at a time and of an amount they think fit if they are satisfied, on reasonable grounds, that, immediately after the Distribution, the value of the Company's assets will exceed its liabilities and the Company will be able to pay its debts as they fall due.

19.2 Dividends may be paid in money, shares, or other property.

19.3 Notice of any dividend that may have been declared shall be given to each Shareholder as specified in Sub-Regulation 22 and all dividends unclaimed for 3 years after having been declared may be forfeited by Resolution of Directors for the benefit of the Company.

19.4 No dividend shall bear interest as against the Company and no dividend shall be paid on Treasury Shares.

20. ACCOUNTS AND AUDIT

20.1 The Company shall keep records that are sufficient to show and explain the Company's transactions and that will, at any time, enable the financial position of the Company to be determined with reasonable accuracy.

20.2 The Company may by Resolution of Shareholders call for the directors to prepare periodically and make available a profit and loss account and a balance sheet. The profit and loss account and balance sheet shall be drawn up so as to give respectively a true and fair view of the profit and loss of the Company for a financial period and a true and fair view of the assets and liabilities of the Company as at the end of a financial period.

20.3 The first auditors shall be appointed by Resolution of Directors; subsequent auditors shall be appointed by Resolution of Shareholders or by Resolution of Directors.

20.4 The auditors may be Shareholders, but no director or other officer shall be eligible to be an auditor of the Company during their continuance in office.

20.5 The remuneration of the auditors of the Company may be fixed by Resolution of Directors.

20.6 The auditors shall examine each profit and loss account and balance sheet required to be laid before a meeting of the Shareholders or otherwise given to Shareholders and shall state in a written report whether or not:

(a) in their opinion the profit and loss account and balance sheet give a true and fair view respectively of the profit and loss for the period covered by the accounts, and of the assets and liabilities of the Company at the end of that period; and

(b) all the information and explanations required by the auditors have been obtained.

20.7 The report of the auditors shall be annexed to the accounts and shall be read at the meeting of Shareholders at which the accounts are laid before the Company or shall be otherwise given to the Shareholders.

20.8 Every auditor of the Company shall have a right of access at all times to the books of account and vouchers of the Company, and shall be entitled to require from the directors and officers of the Company such information and explanations as he thinks necessary for the performance of the duties of the auditors.

20.9 The auditors of the Company shall be entitled to receive notice of, and to attend any meetings of Shareholders at which the Company's profit and loss account and balance sheet are to be presented.

21. NOTICES

21.1 Any notice, information or written statement to be given by the Company to Shareholders may be given by personal service or by mail addressed to each Shareholder at the address shown in the register of members.

- 21.2 Any summons, notice, order, document, process, information or written statement to be served on the Company may be served by leaving it, or by sending it by registered mail addressed to the Company, at its registered office, or by leaving it with, or by sending it by registered mail to, the registered agent of the Company.
- 21.3 Service of any summons, notice, order, document, process, information or written statement to be served on the Company may be proved by showing that the summons, notice, order, document, process, information or written statement was delivered to the registered office or the registered agent of the Company or that it was mailed in such time as to admit to its being delivered to the registered office or the registered agent of the Company in the normal course of delivery within the period prescribed for service and was correctly addressed and the postage was prepaid.
- 22. VOLUNTARY LIQUIDATION**
- The Company may by Resolution of Shareholders or by Resolution of Directors appoint a voluntary liquidator.
- 23. CONTINUATION**
- The Company may by Resolution of Shareholders or by a resolution passed unanimously by all directors of the Company continue as a company incorporated under the laws of a jurisdiction outside the British Virgin Islands in the manner provided under those laws.
- 24. DISCLOSURE OF INTEREST IN SHARES AND FAILURE TO DISCLOSE**
- 24.1 Subject to any requirement under the Act, the provisions of Chapter 5 of the Disclosure and Transparency Rules which relate to the requirement of persons to disclose their interests in shares, shall apply to the Company as if its Home State (as defined in such rules) was the United Kingdom and such rules shall be deemed to be incorporated into these Regulations and shall bind the Company and the Shareholders (other than the Depository).
- 24.2 Subject to any requirement under the Act, the provisions of section 793 of the UK CA 2006 shall be deemed to be incorporated into these Regulations and shall bind the Company and the Shareholders and references in such section to “a public company” shall be deemed to be references to the Company.
- 24.3 Where notice is served by the Company under section 793 of the UK CA 2006 (a “**section 793 notice**”) on a Shareholder, or another person whom the Company knows or has reasonable cause to believe to be interested in shares held by that Shareholder, and the Shareholder or other person has failed in relation to any shares (the “**default shares**”, which expression includes any shares issued to such Shareholder after the date of the section 793 notice in respect of those shares) to give the Company the information required within 14 days following the date of service of the section 793 notice, the Board may serve on the holder of such default shares a notice (a “**disenfranchisement notice**”) whereupon the following sanctions apply, unless the Board otherwise decides:
- 24.3.1 the Shareholder shall not be entitled in respect of the default shares to be present or to vote (either in person or by proxy) at a General Meeting or at a separate meeting of the holders of a class of shares or on a poll or to exercise other rights conferred by membership in relation to the meeting or poll; and
- 24.3.2 where the default shares represent at least 0.25 per cent in nominal value of the issued shares of their class (calculated exclusive of any shares held as Treasury Shares):
- (a) a dividend (or any part of a dividend) or other amount payable in respect of the default shares shall be withheld by the Company, which has no obligation to pay interest on it; and

- (b) no transfer of any of the default shares shall be registered unless:
- (i) the transfer is an excepted transfer; or
 - (ii) the Shareholder is not himself in default in supplying the information required and the Shareholder proves to the satisfaction of the Board that no person in default in supplying the information required is interested in any of the shares the subject of the transfer; or
 - (iii) registration of the transfer is required by any Relevant System,

(and, for the purpose of ensuring this Regulation 24.3.2(b) can apply to all shares held by the holder, the Company may, in accordance with the regulations of any Relevant System, issue written notification to the operator of the Relevant System requiring the conversion into certificated form of any shares held by the holder in uncertificated form).

25. REMOVAL OF SANCTIONS

The sanctions under Regulation 24 shall cease to apply seven days after the receipt by the Company of:

- 25.1 notice of registration of an excepted transfer, in relation to the default shares the subject of the excepted transfer; and
- 25.2 all information required by the section 793 notice, in a form satisfactory to the Board, in relation to any default shares.

26. NOTICE TO PERSON OTHER THAN A SHAREHOLDER

Where, on the basis of information obtained from a Shareholder in respect of a share held by him, the Company issues a section 793 notice to another person, it shall at the same time send a copy of the section 793 notice to the Shareholder, but the accidental omission to do so, or the non-receipt by the Shareholder of the copy, does not invalidate or otherwise affect the application of Regulation 25.

27. INTEREST IN SHARES, FAILURE TO GIVE INFORMATION AND EXCEPTED TRANSFERS

27.1 For the purpose of Regulations 24 to 26:

- 27.1.1 “**interested**” has the same meaning as in Part 22 of the UK CA 2006;
- 27.1.2 reference to a person having failed to give the Company the information required by a section 793 notice, or being in default in supplying such information, includes:
 - (a) reference to his having failed or refused to give all or any part of it; and
 - (b) reference to his having given information which he knows to be false in a material particular or having recklessly given information which is false in a material particular; and
- 27.1.3 “**excepted transfer**” means, in relation to shares held by a Shareholder:
 - (a) a transfer pursuant to acceptance of a takeover offer for the Company (within the meaning of section 428(1) of the UK Companies Act or section 974 of the UK CA 2006, whichever is in force at the relevant date); or

- (b) a transfer where the Directors are satisfied that the transfer is made pursuant to a bona fide sale of the whole of the beneficial ownership of the shares to a party unconnected with the member or with any person appearing to be interested in such shares including any such sale made through a recognized investment exchange (as defined in the Financial Services and Markets Act 2000) (being a statute in force in the UK as may be amended or re-enacted from time to time) or another stock exchange outside the United Kingdom on which shares in the capital of the Company are normally traded. For the purposes of this sub-paragraph any associate (as that term is defined in Section 435 of the UK Insolvency Act 1986) shall be included amongst the persons who are connected with the member or any person appearing to be interested in such shares.

27.2 Regulations 24 to 27 are in addition to and without prejudice to the BVI Companies Act.

Signed for HARNEYS CORPORATE SERVICES LIMITED of Craigmuir Chambers, Road Town, Tortola, British Virgin Islands for the purpose of incorporating a BVI Business Company under the laws of the British Virgin Islands on March 17, 2006:

Incorporator

Sgd: Andrew Swapp

Andrew Swapp

Authorized Signatory

HARNEYS CORPORATE SERVICES LIMITED

RENESOLA LTD**2007 SHARE INCENTIVE PLAN
AS AMENDED AND RESTATED
AS OF JANUARY 21, 2009
AND AUGUST 20, 2010****ARTICLE 1****PURPOSE**

The purpose of this 2007 Share Incentive Plan, as amended and restated as of January 21, 2009 and August 20, 2010 (the "Plan"), is to promote the success and enhance the value of ReneSola Ltd, a company incorporated under the laws of the British Virgin Islands (the "Company") by linking the personal interests of the members of the Board, Employees, and Consultants to those of the Company's shareholders and by providing such individuals with an incentive for outstanding performance to generate superior returns to the Company's shareholders. The Plan is further intended to provide flexibility to the Company in its ability to motivate, attract, and retain the services of members of the Board, Employees, and Consultants upon whose judgment, interest, and special effort the successful conduct of the Company's operation is largely dependent.

ARTICLE 2**DEFINITIONS AND CONSTRUCTION**

Wherever the following terms are used in the Plan, they shall have the meanings specified below, unless the context clearly indicates otherwise. The singular pronoun shall include the plural where the context so indicates.

2.1 "Applicable Laws" means (i) the laws of the British Virgin Islands as they relate to the Company and its Shares; (ii) the legal requirements relating to the Plan and the Awards under applicable provisions of the corporate, securities, tax and other laws, rules, regulations and government orders; and (iii) the rules of any applicable stock exchange or national market system, of any jurisdiction applicable to Awards granted to residents therein.

2.2 "Article" means an article of this Plan.

2.3 "Award" means an Option, Restricted Share or Restricted Share Units award granted to a participant pursuant to the Plan.

2.4 “Award Agreement” means any written agreement, contract, or other instrument or document evidencing an Award, including through electronic medium.

2.5 “Board” means the Board of Directors of the Company from time to time.

2.6 “Change in Control” means a change in ownership or control of the Company after the date of the effectiveness of the Company’s first registration statement on the form F-1 filed with the U.S. Securities and Exchange Commission, effected through either of the following transactions:

(a) the direct or indirect acquisition by any person or related group of persons (other than an acquisition from or by the Company or by a Company-sponsored employee benefit plan or by a person that directly or indirectly controls, is controlled by, or is under common control with, the Company) of beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of securities possessing more than fifty percent (50%) of the total combined voting power of the Company’s outstanding securities pursuant to a tender or exchange offer made directly to the Company’s shareholders which a majority of the Incumbent Board (as defined below) who are not affiliates or associates of the offeror under Rule 12b-2 promulgated under the Exchange Act do not recommend such shareholders accept, or

(b) the individuals who, as of the Effective Date, are members of the Board (the “Incumbent Board”), cease for any reason to constitute at least fifty percent (50%) of the Board; provided that if the election, or nomination for election by the Company’s shareholders, of any new member of the Board is approved by a vote of at least fifty percent (50%) of the Incumbent Board, such new member of the Board shall be considered as a member of the Incumbent Board.

2.7 “Code” means the Internal Revenue Code of 1986 of the United States, as amended.

2.8 “Committee” means the committee of the Board described in Article 9.

2.9 “Consultant” means any consultant or adviser if: (a) the consultant or adviser renders bona fide services to a Service Recipient; (b) the services rendered by the consultant or adviser are not in connection with the offer or sale of securities in a capital-raising transaction and do not directly or indirectly promote or maintain a market for the Company’s securities; and (c) the consultant or adviser is a natural person who has contracted directly with the Service Recipient to render such services.

2.10 “Corporate Transaction” means any of the following transactions, provided, however, that the Committee shall determine under (d) and (e) whether multiple transactions are related, and its determination shall be final, binding and conclusive:

(a) an amalgamation, arrangement or consolidation or scheme of arrangement in which the Company is not the surviving entity, except for a transaction the principal purpose of which is to change the jurisdiction in which the Company is incorporated;

(b) the sale, transfer or other disposition of all or substantially all of the assets of the Company;

(c) the completion of a voluntary or insolvent liquidation or dissolution of the Company;

(d) any reverse takeover or series of related transactions culminating in a reverse takeover (including, but not limited to, a tender offer followed by a reverse takeover) in which the Company is the surviving entity but (A) the Shares of the Company outstanding immediately prior to such takeover are converted or exchanged by virtue of the takeover into other property, whether in the form of securities, cash or otherwise, or (B) in which securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities are transferred to a person or persons different from those who held such securities immediately prior to such takeover or the initial transaction culminating in such takeover, but excluding any such transaction or series of related transactions that the Committee determines shall not be a Corporate Transaction; or

(e) acquisition in a single or series of related transactions by any person or related group of persons (other than the Company or by a Company-sponsored employee benefit plan) of beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities but excluding any such transaction or series of related transactions that the Committee determines shall not be a Corporate Transaction.

2.11 "Disability" means that the Participant qualifies to receive long-term disability payments under the Service Recipient's long-term disability insurance program, as it may be amended from time to time, to which the Participant provides services regardless of whether the Participant is covered by such policy. If the Service Recipient to which the Participant provides service does not have a long-term disability plan in place, "Disability" means that a Participant is unable to carry out the responsibilities and functions of the position held by the Participant by reason of any medically determinable physical or mental impairment for a period of not less than ninety (90) consecutive days. A Participant will not be considered to have incurred a Disability unless he or she furnishes proof of such impairment sufficient to satisfy the Committee in its discretion.

2.12 "Effective Date" shall have the meaning set forth in Section 10.1.

2.13 "Employee" means any person, including an officer or member of the Board of the Company, any Parent or Subsidiary of the Company, who is in the employ of a Service Recipient, subject to the control and direction of the Service Recipient as to both the work to be performed and the manner and method of performance. The payment of a director's fee by a Service Recipient shall not be sufficient to constitute "employment" by the Service Recipient.

2.14 "Exchange Act" means the Securities Exchange Act of 1934 of the United States, as amended.

2.15 “Fair Market Value” means, as of any date, the value of Shares determined as follows:

(a) If the Shares are listed on one or more established stock exchanges or national market systems, including without limitation, The New York Stock Exchange and the AIM Market of the London Stock Exchange, its Fair Market Value shall be the closing sales price for such shares (or the closing bid, if no sales were reported) as quoted on the principal exchange or system on which the Shares are listed (as determined by the Committee) on the date of determination (or, if no closing sales price or closing bid was reported on that date, as applicable, on the last trading date such closing sales price or closing bid was reported), as reported in The Wall Street Journal or such other source as the Committee deems reliable;

(b) If the Shares are regularly quoted on an automated quotation system (including the OTC Bulletin Board) or by a recognized securities dealer, its Fair Market Value shall be the closing sales price for such shares as quoted on such system or by such securities dealer on the date of determination, but if selling prices are not reported, the Fair Market Value of a Share shall be the mean between the high bid and low asked prices for the Shares on the date of determination (or, if no such prices were reported on that date, on the last date such prices were reported), as reported in The Wall Street Journal or such other source as the Committee deems reliable; or

(c) In the absence of an established market for the Shares of the type described in (a) and (b), above, the Fair Market Value thereof shall be determined by the Committee in good faith and in its discretion by reference to (i) the placing price of the latest private placement of the Shares and the development of the Company’s business operations and the general economic and market conditions since such latest private placement, (ii) other third party transactions involving the Shares and the development of the Company’s business operation and the general economic and market conditions since such sale, (iii) an independent valuation of the Shares, or (iv) such other methodologies or information as the Committee determines to be indicative of Fair Market Value, relevant.

2.16 “Incentive Share Option” means an Option that is intended to meet the requirements of Section 422 of the Code or any successor provision thereto.

2.17 “Independent Director” means a member of the Board who is not an Employee of the Company.

2.18 “Non-Employee Director” means a member of the Board who qualifies as a “Non-Employee Director” as defined in Rule 16b-3(b)(3) under the Exchange Act, or any successor definition adopted by the Board.

2.19 “Non-Qualified Share Option” means an Option that is not intended to be an Incentive Share Option.

2.20 “Option” means a right granted to a Participant pursuant to Article 5 of the Plan to purchase a specified number of Shares at a specified price during specified time periods. An Option may be either an Incentive Share Option or a Non-Qualified Share Option.

2.21 “Participant” means a person who, as a member of the Board, Consultant or Employee, has been granted an Award pursuant to the Plan.

2.22 “Parent” means a parent corporation under Section 424(e) of the Code.

2.23 “Plan” means this 2007 Share Incentive Award Plan, as it may be amended from time to time.

2.24 “Related Entity” means any business, corporation, partnership, limited liability company or other entity in which the Company, a Parent or Subsidiary of the Company holds a substantial ownership interest, directly or indirectly but which is not a Subsidiary and which the Board designates as a Related Entity for purposes of the Plan.

2.25 “Restricted Share” means a Share awarded to a Participant pursuant to Article 6 that is subject to certain restrictions and may be subject to risk of forfeiture.

2.26 “Restricted Share Unit” means the right granted to a Participant pursuant to Article 6 to receive a Share at a future date.

2.27 “Securities Act” means the Securities Act of 1933 of the United States, as amended.

2.28 “Service Recipient” means the Company, any Parent or Subsidiary of the Company and any Related Entity to which a Participant provides services as an Employee, Consultant or as a Director.

2.29 “Share” means a share of the Company, and such other securities of the Company that may be substituted for Shares pursuant to Article 8.

2.30 “Subsidiary” means any corporation or other entity of which a majority of the outstanding voting shares or voting power is beneficially owned directly or indirectly by the Company.

2.31 “Trading Date” means the closing of the first sale to the general public of the Shares pursuant to an effective registration statement under Applicable Law, which results in the Shares being publicly traded on one or more established stock exchanges or national market systems.

ARTICLE 3

SHARES SUBJECT TO THE PLAN

3.1 Number of Shares.

(a) Subject to the provisions of Article 8 and Section 3.1(b), the maximum aggregate number of Shares which may be issued pursuant to all Awards (including Incentive Share Options) is 12,500,000 shares.

(b) To the extent that an Award terminates, expires, or lapses for any reason, any Shares subject to the Award shall again be available for the grant of an Award pursuant to the Plan. To the extent permitted by Applicable Laws, Shares issued in assumption of, or in substitution for, any outstanding awards of any entity acquired in any form or combination by the Company or any Parent or Subsidiary of the Company shall not be counted against Shares available for grant pursuant to the Plan. Shares delivered by the Participant or withheld by the Company upon the exercise of any Award under the Plan, in payment of the exercise price thereof or tax withholding thereon, may again be optioned, granted or awarded hereunder, subject to the limitations of Section 3.1(a). If any Restricted Shares are forfeited by the Participant or repurchased by the Company, such Shares may again be optioned, granted or awarded hereunder, subject to the limitations of Section 3.1(a). Notwithstanding the provisions of this Section 3.1(b), no Shares may again be optioned, granted or awarded if such action would cause an Incentive Share Option to fail to qualify as an incentive share option under Section 422 of the Code.

3.2 Shares Distributed. Any Shares issued pursuant to an Award may consist, in whole or in part, of authorized and unissued Shares, treasury Shares (subject to Applicable Laws) or Shares purchased on the open market. Additionally, in the discretion of the Committee, American Depository Shares in an amount equal to the number of Shares which otherwise would be distributed pursuant to an Award may be distributed in lieu of Shares in settlement of any Award. If the number of Shares represented by an American Depository Share is other than on a one-to-one basis, the limitations of Section 3.1 shall be adjusted to reflect the distribution of American Depository Shares in lieu of Shares.

ARTICLE 4

ELIGIBILITY AND PARTICIPATION

4.1 Eligibility. Persons eligible to participate in this Plan include Employees, Consultants, and all members of the Board, as determined by the Committee.

4.2 Participation. Subject to the provisions of the Plan, the Committee may, from time to time, select from among all eligible individuals, those to whom Awards shall be granted and shall determine the nature and amount of each Award. No individual shall have any right to be granted an Award pursuant to this Plan.

4.3 Jurisdictions. In order to assure the viability of Awards granted to Participants employed in various jurisdictions, the Committee may provide for such special terms as it may consider necessary or appropriate to accommodate differences in local law, tax policy, or custom applicable in the jurisdiction in which the Participant resides or is employed. Moreover, the Committee may approve such supplements to, or amendments, restatements, or alternative versions of, the Plan as it may consider necessary or appropriate for such purposes without thereby affecting the terms of the Plan as in effect for any other purpose; *provided*, however, that no such supplements, amendments, restatements, or alternative versions shall increase the share limitations contained in Section 3.1 of the Plan. Notwithstanding the foregoing, the Committee may not take any actions hereunder, and no Awards shall be granted, that would violate any Applicable Laws.

ARTICLE 5

OPTIONS

5.1 General. The Committee is authorized to grant Options to Participants on the following terms and conditions:

(a) Exercise Price. The exercise price per Share subject to an Option shall be determined by the Committee and set forth in the Award Agreement which may be a fixed or variable price related to the Fair Market Value of the Shares; *provided, however*, that no Option may be granted to an individual subject to taxation in the United States at less than the Fair Market Value on the date of grant. The exercise price per Share subject to an Option may be adjusted in the absolute discretion of the Committee, the determination of which shall be final, binding and conclusive. For the avoidance of doubt, to the extent not prohibited by Applicable Law or any exchange rule, a repricing of Options mentioned in the preceding sentence shall be effective without the approval of the Company's shareholders or the approval of the Participants. Notwithstanding the foregoing, the exercise price per Share subject to an Option shall not be increased without the approval of the Participants.

(b) Time and Conditions of Exercise. The Committee shall determine the time or times at which an Option may be exercised in whole or in part, including exercise prior to vesting; *provided* that the term of any Option granted under the Plan shall not exceed ten years, except as provided in Section 11.1. The Committee shall also determine any conditions, if any, that must be satisfied before all or part of an Option may be exercised.

(c) Payment. The Committee shall determine the methods by which the exercise price of an Option may be paid, the form of payment, including, without limitation (i) cash or check denominated in U.S. Dollars, (ii) to the extent permissible under the Applicable Laws, cash or check in Chinese Renminbi, (iii) cash or check denominated in any other local currency as approved by the Committee, (iv) Shares held for such period of time as may be required by the Committee in order to avoid adverse financial accounting consequences and having a Fair Market Value on the date of delivery equal to the aggregate exercise price of the Option or exercised portion thereof, (v) after the Trading Date the delivery of a notice that the Participant has placed a market sell order with a broker with respect to Shares then issuable upon exercise of the Option, and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Company in satisfaction of the Option exercise price; *provided* that payment of such proceeds is then made to the Company upon settlement of such sale, (vi) other property acceptable to the Committee with a Fair Market Value equal to the exercise price, or (vii) any combination of the foregoing. Notwithstanding any other provision of the Plan to the contrary, no Participant who is a member of the Board or an "executive officer" of the Company within the meaning of Section 13(k) of the Exchange Act shall be permitted to pay the exercise price of an Option in any method which would violate Section 13(k) of the Exchange Act.

(d) Evidence of Grant. All Options shall be evidenced by an Award Agreement between the Company and the Participant. The Award Agreement shall include such additional provisions as may be specified by the Committee.

5.2 Incentive Share Options. Incentive Share Options may be granted to Employees of the Company, a Parent or Subsidiary of the Company. Incentive Share Options may not be granted to Employees of a Related Entity or to Independent Directors or Consultants. The terms of any Incentive Share Options granted pursuant to the Plan, in addition to the requirements of Section 5.1, must comply with the following additional provisions of this Section 5.2:

(a) Expiration of Option. An Incentive Share Option may not be exercised to any extent by anyone after the first to occur of the following events:

(i) Ten years from the date it is granted, unless an earlier time is set in the Award Agreement;

(ii) Three months after the Participant's termination of employment as an Employee (save in the case of termination on account of Disability or death); and

(iii) One year after the date of the Participant's termination of employment or service on account of Disability or death. Upon the Participant's Disability or death, any Incentive Share Options exercisable at the Participant's Disability or death may be exercised by the Participant's legal representative or representatives, by the person or persons entitled to do so pursuant to the Participant's last will and testament, or, if the Participant fails to make testamentary disposition of such Incentive Share Option or dies intestate, by the person or persons entitled to receive the Incentive Share Option pursuant to the applicable laws of descent and distribution.

(b) Individual Dollar Limitation. The aggregate Fair Market Value (determined as of the time the Option is granted) of all Shares with respect to which Incentive Share Options are first exercisable by a Participant in any calendar year may not exceed U.S.\$100,000 or such other limitation as imposed by Section 422(d) of the Code, or any successor provision. To the extent that Incentive Share Options are first exercisable by a Participant in excess of such limitation, the excess shall be considered Non-Qualified Share Options.

(c) Ten Percent Owners. An Incentive Share Option shall be granted to any individual who, at the date of grant, owns Shares possessing more than ten percent of the total combined voting power of all classes of shares of the Company only if such Option is granted at a price that is not less than 110% of Fair Market Value on the date of grant and the Option is exercisable for no more than five years from the date of grant.

(d) Transfer Restriction. The Participant shall give the Company prompt notice of any disposition of Shares acquired by exercise of an Incentive Share Option within (i) two years from the date of grant of such Incentive Share Option or (ii) one year after the transfer of such Shares to the Participant.

(e) Expiration of Incentive Share Options. No Award of an Incentive Share Option may be made pursuant to this Plan after the tenth anniversary of the Effective Date.

(f) Right to Exercise. During a Participant's lifetime, an Incentive Share Option may be exercised only by the Participant.

ARTICLE 6

RESTRICTED SHARES AND RESTRICTED SHARE UNITS

6.1 Grant of Restricted Shares. The Committee is authorized to make Awards of Restricted Shares and/or Restricted Share Units to any Participant selected by the Committee in such amounts and subject to such terms and conditions as determined by the Committee. All Awards of Restricted Shares shall be evidenced by an Award Agreement.

6.2 Issuance and Restrictions. Restricted Shares shall be subject to such restrictions on transferability and other restrictions as the Committee may impose (including, without limitation, limitations on the right to vote Restricted Shares or the right to receive dividends on the Restricted Share). These restrictions may lapse separately or in combination at such times, pursuant to such circumstances, in such installments, or otherwise, as the Committee determines at the time of the grant of the Award or thereafter.

6.3 Forfeiture/Repurchase. Except as otherwise determined by the Committee at the time of the grant of the Award or thereafter, upon termination of employment or service during the applicable restriction period, Restricted Shares that are at that time subject to restrictions shall be forfeited or repurchased in accordance with the Award Agreement; *provided, however*, that the Committee may (a) provide in any Restricted Share Award Agreement that restrictions or forfeiture and repurchase conditions relating to Restricted Shares will be waived in whole or in part in the event of terminations resulting from specified causes, and (b) in other cases waive in whole or in part restrictions or forfeiture and repurchase conditions relating to Restricted Shares.

6.4 Certificates for Restricted Shares. Restricted Shares granted pursuant to the Plan may be evidenced in such manner as the Committee shall determine. If certificates representing Restricted Shares are registered in the name of the Participant, certificates must bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Shares, and the Company may, at its discretion, retain physical possession of the certificate until such time as all applicable restrictions lapse.

6.5 Restricted Share Units. At the time of grant, the Committee shall specify the date or dates on which the Restricted Share Units shall become fully vested and nonforfeitable, and may specify such conditions to vesting as it deems appropriate. At the time of grant, the Committee shall specify the maturity date applicable to each grant of Restricted Share Units which shall be no earlier than the vesting date or dates of the Award and may be determined at the election of the grantee. On the maturity date, the Company shall, subject to Sections 7.4 and 7.5, transfer to the Participant one unrestricted, fully transferable Share for each Restricted Share Unit scheduled to be paid out on such date and not previously forfeited.

ARTICLE 7

PROVISIONS APPLICABLE TO AWARDS

7.1 Award Agreement. Awards under the Plan shall be evidenced by Award Agreements that set forth the terms, conditions and limitations for each Award which may include the term of an Award, the provisions applicable in the event the Participant's employment or service terminates, and the Company's authority to unilaterally or bilaterally amend, modify, suspend, cancel or rescind an Award.

7.2 Limits on Transfer. No right or interest of a Participant in any Award may be pledged, encumbered, or hypothecated to or in favor of any party other than the Company or a Subsidiary, or shall be subject to any lien, obligation, or liability of such Participant to any other party other than the Company or a Subsidiary. Except as otherwise provided by the Committee, no Award shall be assigned, transferred, or otherwise disposed of by a Participant other than by will or the laws of descent and distribution. The Committee by express provision in the Award or an amendment thereto may permit an Award (other than an Incentive Share Option) to be transferred to, exercised by and paid to certain persons or entities related to the Participant, including but not limited to members of the Participant's family, charitable institutions, or trusts or other entities whose beneficiaries or beneficial owners are members of the Participant's family and/or charitable institutions, or to such other persons or entities as may be expressly approved by the Committee, pursuant to such conditions and procedures as the Committee may establish. Any permitted transfer shall be subject to the condition that the Committee receive evidence satisfactory to it that the transfer is being made for estate and/or tax planning purposes (or to a "blind trust" in connection with the Participant's termination of employment or service with the Company or a Subsidiary to assume a position with a governmental, charitable, educational or similar non-profit institution) and on a basis consistent with the Company's lawful issue of securities.

7.3 Beneficiaries. Notwithstanding Section 7.2, a Participant may, in the manner determined by the Committee, designate a beneficiary to exercise the rights of the Participant and to receive any distribution with respect to any Award upon the Participant's death. A beneficiary, legal guardian, legal representative, or other person claiming any rights pursuant to the Plan is subject to all terms and conditions of the Plan and any Award Agreement applicable to the Participant, except to the extent the Plan and Award Agreement otherwise provide, and to any additional restrictions deemed necessary or appropriate by the Committee. If the Participant is married and resides in a community property state, a designation of a person other than the Participant's spouse as his or her beneficiary with respect to more than 50% of the Participant's interest in the Award shall not be effective without the prior written consent of the Participant's spouse. If no beneficiary has been designated or survives the Participant, payment shall be made to the person entitled thereto pursuant to the Participant's will or the laws of descent and distribution. Subject to the foregoing, a beneficiary designation may be changed or revoked by a Participant at any time provided the change or revocation is filed with the Committee.

7.4 Share Certificates. Notwithstanding anything herein to the contrary, the Company shall not be required to issue or deliver any certificates evidencing Shares pursuant to the exercise of any Award, unless and until the Board has determined, with advice of counsel, that the issuance and delivery of such certificates is in compliance with all Applicable Laws, regulations of governmental authorities and, if applicable, the requirements of any exchange on which the Shares are listed or traded. All Share certificates delivered pursuant to the Plan are subject to any stop-transfer orders and other restrictions as the Committee deems necessary or advisable to comply with all Applicable Laws, and the rules of any national securities exchange or automated quotation system on which the Shares are listed, quoted, or traded. The Committee may place legends on any Share certificate to reference restrictions applicable to the Share. In addition to the terms and conditions provided herein, the Board may require that a Participant make such reasonable covenants, agreements, and representations as the Board, in its discretion, deems advisable in order to comply with any such laws, regulations, or requirements. The Committee shall have the right to require any Participant to comply with any timing or other restrictions with respect to the settlement or exercise of any Award, including a window-period limitation, as may be imposed in the discretion of the Committee.

7.5 Paperless Administration. Subject to Applicable Laws, the Committee may make Awards, provide applicable disclosure and procedures for exercise of Awards by an internet website or interactive voice response system for the paperless administration of Awards.

7.6 Foreign Currency. A Participant may be required to provide evidence that any currency used to pay the exercise price of any Award were acquired and taken out of the jurisdiction in which the Participant resides in accordance with Applicable Laws, including foreign exchange control laws and regulations. In the event the exercise price for an Award is paid in Chinese Renminbi or other foreign currency, as permitted by the Committee, the amount payable will be determined by conversion from U.S. dollars at the official rate promulgated by the People's Bank of China for Chinese Renminbi, or for jurisdictions other than the People's Republic of China, the exchange rate as selected by the Committee on the date of exercise.

ARTICLE 8

CHANGES IN CAPITAL STRUCTURE

8.1 Adjustments. In the event of any distribution, share split, combination or exchange of Shares, amalgamation, arrangement or consolidation, reorganization of the Company, including the Company becoming a subsidiary in a transaction not involving a Corporate Transaction, spin-off, recapitalization or other distribution (other than normal cash dividends) of Company assets to its shareholders, or any other change affecting the Shares or the share price of a Share, the Committee shall make such proportionate and equitable adjustments, if any, to reflect such change with respect to (a) the aggregate number and type of shares that may be issued under the Plan (including, but not limited to, adjustments of the limitations in Section 3.1 and substitutions of shares in a parent or surviving company); (b) the terms and conditions of any outstanding Awards (including, without limitation, any applicable performance targets or criteria with respect thereto); and (c) the grant or exercise price per share for any outstanding Awards under the Plan. The form and manner of any such adjustments shall be determined by the Committee in its sole discretion.

8.2 Acceleration upon a Change of Control. Except as may otherwise be provided in any Award Agreement or any other written agreement entered into by and between the Company and a Participant, if a Change of Control occurs and a Participant's Awards are not converted, assumed, or replaced by a successor, such Awards shall become fully exercisable and all forfeiture restrictions on such Awards shall lapse. Upon, or in anticipation of, a Change of Control, the Committee may in its sole discretion provide for (i) any and all Awards outstanding hereunder to terminate at a specific time in the future and shall give each Participant the right to exercise such Awards during a period of time as the Committee shall determine, (ii) either the purchase of any Award for an amount of cash equal to the amount that could have been attained upon the exercise of such Award or realization of the Participant's rights had such Award been currently exercisable or payable or fully vested (and, for the avoidance of doubt, if as of such date the Committee determines in good faith that no amount would have been attained upon the exercise of such Award or realization of the Participant's rights, then such Award may be terminated by the Company without payment), (iii) the replacement of such Award with other rights or property selected by the Committee in its sole discretion or the assumption of or substitution of such Award by the successor or surviving corporation, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kind of Shares and prices, or (iv) provide for payment of Awards in cash based on the value of Shares on the date of the Change of Control plus reasonable interest on the Award through the date such Award would otherwise be vested or have been paid in accordance with its original terms, if necessary to comply with Section 409A of the Code.

8.3 Outstanding Awards – Corporate Transactions. In the event of a Corporate Transaction, each Award will terminate upon the consummation of the Corporate Transaction, unless the Award is assumed by the successor entity or Parent thereof in connection with the Corporate Transaction. Except as provided otherwise in an individual Award Agreement, in the event of a Corporate Transaction and:

(a) the Award either is (x) assumed by the successor entity or Parent thereof or replaced with a comparable Award (as determined by the Committee) with respect to shares of the capital stock (or equivalent) of the successor entity or Parent thereof or (y) replaced with a cash incentive program of the successor entity which preserves the compensation element of such Award existing at the time of the Corporate Transaction and provides for subsequent payout in accordance with the same vesting schedule applicable to such Award, then such Award (if assumed), the replacement Award (if replaced), or the cash incentive program automatically shall become fully vested, exercisable and payable and be released from any restrictions on transfer (other than transfer restrictions applicable to Options) and repurchase or forfeiture rights, immediately upon termination of the Participant's employment or service with all Service Recipient within twelve (12) months of the Corporate Transaction without cause; and

(b) For each Award that is neither assumed nor replaced, such portion of the Award shall automatically become fully vested and exercisable and be released from any repurchase or forfeiture rights (other than repurchase rights exercisable at Fair Market Value) for all of the Shares at the time represented by such portion of the Award, immediately prior to the specified effective date of such Corporate Transaction, provided that the Participant remains an Employee, Consultant or Director on the effective date of the Corporate Transaction.

8.4 Outstanding Awards – Other Changes. In the event of any other change in the capitalization of the Company or corporate change other than those specifically referred to in this Article 8, the Committee may, in its absolute discretion, make such adjustments in the number and class of shares subject to Awards outstanding on the date on which such change occurs and in the per share grant or exercise price of each Award as the Committee may consider appropriate to prevent dilution or enlargement of rights.

8.5 No Other Rights. Except as expressly provided in the Plan, no Participant shall have any rights by reason of any subdivision or consolidation of shares of any class, the payment of any dividend, any increase or decrease in the number of shares of any class or any dissolution, liquidation, merger, or consolidation of the Company or any other corporation. Except as expressly provided in the Plan or pursuant to action of the Committee under the Plan, no issuance by the Company of shares of any class, or securities convertible into shares of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number of shares subject to an Award or the grant or exercise price of any Award.

ARTICLE 9

ADMINISTRATION

9.1 Committee. The Plan shall be administered by the Compensation Committee of the Board; *provided, however* that the Compensation Committee may delegate to a committee of one or more members of the Board the authority to grant or amend Awards to Participants other than Independent Directors and executive officers of the Company. The Committee shall consist of at least two individuals, each of whom qualifies as a Non-Employee Director. Reference to the Committee shall refer to the Board if the Compensation Committee has not been established or ceases to exist and the Board does not appoint a successor Committee. Notwithstanding the foregoing, the full Board, acting by majority of its members in office shall conduct the general administration of the Plan if required by Applicable Law, and with respect to Awards granted to Independent Directors and for purposes of such Awards the term "Committee" as used in the Plan shall be deemed to refer to the Board.

9.2 Action by the Committee. A majority of the Committee shall constitute a quorum. The acts of a majority of the members present at any meeting at which a quorum is present, and acts approved in writing by a majority of the Committee in lieu of a meeting, shall be deemed the acts of the Committee. Each member of the Committee is entitled to, in good faith, rely or act upon any report or other information furnished to that member by any officer or other employee of the Company or any Subsidiary, the Company's independent certified public accountants, or any executive compensation consultant or other professional retained by the Company to assist in the administration of the Plan.

9.3 Authority of Committee. Subject to any specific designation in the Plan, the Committee has the exclusive power, authority and discretion to:

- (a) Designate Participants to receive Awards;
- (b) Determine the type or types of Awards to be granted to each Participant;
- (c) Determine the number of Awards to be granted and the number of Shares to which an Award will relate;

(d) Determine the terms and conditions of any Award granted pursuant to the Plan, including, but not limited to, the exercise price, grant price, or purchase price, any restrictions or limitations on the Award, any schedule for lapse of forfeiture restrictions or restrictions on the exercisability of an Award, and accelerations or waivers thereof, any provisions related to non-competition and recapture of gain on an Award, based in each case on such considerations as the Committee in its sole discretion determines;

- (e) Determine whether, to what extent, and pursuant to what circumstances an Award may be settled in, or the exercise price of an Award may be paid in, cash, Shares, other Awards, or other property, or an Award may be canceled, forfeited, or surrendered;
- (f) Prescribe the form of each Award Agreement, which need not be identical for each Participant;
- (g) Decide all other matters that must be determined in connection with an Award;
- (h) Establish, adopt, or revise any rules and regulations as it may deem necessary or advisable to administer the Plan;
- (i) Interpret the terms of, and any matter arising pursuant to, the Plan or any Award Agreement;
- (j) Reduce the exercise price per Share subject to an Option; and
- (k) Make all other decisions and determinations that may be required pursuant to the Plan or as the Committee deems necessary or advisable to administer the Plan.

9.4 Decisions Binding. The Committee's interpretation of the Plan, any Awards granted pursuant to the Plan, any Award Agreement and all decisions and determinations by the Committee with respect to the Plan are final, binding, and conclusive on all parties.

ARTICLE 10

EFFECTIVE AND EXPIRATION DATE

10.1 Effective Date. The Plan is effective as of the date the Plan is approved by the Company's Board (the "Effective Date").

10.2 Expiration Date. The Plan will expire on, and no Award may be granted pursuant to the Plan after, the tenth anniversary of the Effective Date. Any Awards that are outstanding on the tenth anniversary of the Effective Date shall remain in force according to the terms of the Plan and the applicable Award Agreement.

ARTICLE 11

AMENDMENT, MODIFICATION, AND TERMINATION

11.1 Amendment, Modification, And Termination. With the approval of the Board, at any time and from time to time, the Committee may terminate, amend or modify the Plan; *provided, however*, that (a) to the extent necessary and desirable to comply with Applicable Laws, or stock exchange rules, the Company shall obtain shareholder approval of any Plan amendment in such a manner and to such a degree as required, and (b) shareholder approval is required for any amendment to the Plan that (i) increases the number of Shares available under the Plan (other than any adjustment as provided by Article 8), (ii) permits the Committee to grant Options with an exercise price that is below Fair Market Value on the date of grant, (iii) permits the Committee to extend the term of the Plan or the exercise period for an Option beyond ten years from the date of grant, or (iv) results in a material increase in benefits or a change in eligibility requirements.

11.2 Awards Previously Granted. Except with respect to amendments made pursuant to Section 11.1, no termination, amendment, or modification of the Plan shall adversely affect in any material way any Award previously granted pursuant to the Plan without the prior written consent of the Participant.

ARTICLE 12

GENERAL PROVISIONS

12.1 No Rights to Awards. No Participant, employee, or other person shall have any claim to be granted any Award pursuant to the Plan, and neither the Company nor the Committee is obligated to treat Participants, employees, and other persons uniformly.

12.2 No Shareholders Rights. No Award gives the Participant any of the rights of a Shareholder of the Company unless and until Shares are in fact issued to such person in connection with such Award.

12.3 Taxes. No Shares shall be delivered under the Plan to any Participant until such Participant has made arrangements acceptable to the Committee for the satisfaction of any income and employment tax withholding obligations under Applicable Laws. The Company or any Subsidiary shall have the authority and the right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy all applicable taxes (including the Participant's payroll tax obligations) required or permitted by law to be withheld with respect to any taxable event concerning a Participant arising as a result of this Plan. The Committee may in its discretion and in satisfaction of the foregoing requirement allow a Participant to elect to have the Company withhold Shares otherwise issuable under an Award (or allow the return of Shares) having a Fair Market Value equal to the sums required to be withheld. Notwithstanding any other provision of the Plan, the number of Shares which may be withheld with respect to the issuance, vesting, exercise or payment of any Award (or which may be repurchased from the Participant of such Award after such Shares were acquired by the Participant from the Company) in order to satisfy the Participant's federal, state, local and foreign income and payroll tax liabilities with respect to the issuance, vesting, exercise or payment of the Award shall, unless specifically approved by the Committee, be limited to the number of Shares which have a Fair Market Value on the date of withholding or repurchase equal to the aggregate amount of such liabilities based on the minimum statutory withholding rates for federal, state, local and foreign income tax and payroll tax purposes that are applicable to such supplemental taxable income.

12.4 No Right to Employment or Services. Nothing in the Plan or any Award Agreement shall interfere with or limit in any way the right of the Service Recipient to terminate any Participant's employment or services at any time, nor confer upon any Participant any right to continue in the employ or service of any Service Recipient.

12.5 Unfunded Status of Awards. The Plan is intended to be an "unfunded" plan for incentive compensation. With respect to any payments not yet made to a Participant pursuant to an Award, nothing contained in the Plan or any Award Agreement shall give the Participant any rights that are greater than those of a general creditor of the Company or any Subsidiary.

12.6 Indemnification. To the extent allowable pursuant to applicable law, each member of the Committee or of the Board shall be indemnified and held harmless by the Company from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by such member in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action or failure to act pursuant to the Plan and against and from any and all amounts paid by him or her in satisfaction of judgment in such action, suit, or proceeding against him or her; *provided* he or she gives the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled pursuant to the Company's Memorandum of Association and Articles of Association, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

12.7 Relationship to other Benefits. No payment pursuant to the Plan shall be taken into account in determining any benefits pursuant to any pension, retirement, savings, profit sharing, group insurance, welfare or other benefit plan of the Company or any Subsidiary except to the extent otherwise expressly provided in writing in such other plan or an agreement thereunder.

12.8 Expenses. The expenses of administering the Plan shall be borne by the Company and its Subsidiaries.

12.9 Titles and Headings. The titles and headings of the Sections in the Plan are for convenience of reference only and, in the event of any conflict, the text of the Plan, rather than such titles or headings, shall control.

12.10 Fractional Shares. No fractional Share shall be issued and the Committee shall determine, in its discretion, whether cash shall be given in lieu of fractional shares or whether such fractional shares shall be eliminated by rounding up or down as appropriate.

12.11 Government and Other Regulations. The obligation of the Company to make payment of awards in Shares or otherwise shall be subject to all Applicable Laws and to such approvals by government agencies as may be required. The Company shall be under no obligation to register any of the Shares paid pursuant to the Plan under the Securities Act or any other similar law in any applicable jurisdiction. If the Shares paid pursuant to the Plan may in certain circumstances be exempt from registration pursuant to the Securities Act or other Applicable Laws, the Company may restrict the transfer of such Shares in such manner as it deems advisable to ensure the availability of any such exemption.

12.12 Governing Law. The Plan and all Award Agreements shall be construed in accordance with and governed by the laws of the British Virgin Islands.

12.13 Section 409A. To the extent that the Committee determines that any Award granted under the Plan is or may become subject to Section 409A of the Code, the Award Agreement evidencing such Award shall incorporate the terms and conditions required by Section 409A of the Code. To the extent applicable, the Plan and the Award Agreements shall be interpreted in accordance with Section 409A of the Code and the U.S. Department of Treasury regulations and other interpretative guidance issued thereunder, including without limitation any such regulation or other guidance that may be issued after the Effective Date. Notwithstanding any provision of the Plan to the contrary, in the event that following the Effective Date the Committee determines that any Award may be subject to Section 409A of the Code and related U.S. Department of Treasury guidance (including such U.S. Department of Treasury guidance as may be issued after the Effective Date), the Committee may adopt such amendments to the Plan and the applicable Award agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Committee determines is necessary or appropriate to (a) exempt the Award from Section 409A of the Code and /or preserve the intended tax treatment of the benefits provided with respect to the Award, or (b) comply with the requirements of Section 409A of the Code and related U.S. Department of Treasury guidance.

12.14 Appendices. The Committee may approve such supplements, amendments or appendices to the Plan as it may consider necessary or appropriate for purposes of compliance with applicable laws or otherwise and such supplements, amendments or appendices shall be considered a part of the Plan; *provided, however*, that no such supplements shall increase the share limitations contained in Section 3.1 of the Plan.

Zhejiang Yuhui Solar Energy Source Co., Ltd.

Employment Contract

Jiashan, China

2009

In accordance with the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China* and the relevant laws and regulations, and based on the principles of freedom and equality, this Contract is made and entered into by and between the following parties after friendly consultation on August 27, 2009 in Jiashan County, Jiaxing City, Zhejiang Province, China:

Party A:	Zhejiang Yuhui Solar Energy Source Co., Ltd. (the "Company")
Address:	No. 8 Baoqun Road, Yaozhuang Town Industrial Park, Jiashan County, Jiaxing City, Zhejiang Province
Legal Representative:	Li Xianshou
Party B:	Huazhang Ding
ID Card No.:	340403197105010418
Nationality:	Han
Educational Level:	Bachelor degree (studying a Master degree)
Legal Address:	Unit 21A, No. 29, Hexiang West No. 2 Road, Xiamen City, Fujian Province

1. Term of the Contract

The term of this Contract is from August 27, 2009 to August 26, 2012, including the probation period from August 27, 2009 to November 26, 2009.

2. Conditions for Employment

During the probation period, Party A shall assess Party B's work performance in accordance with the following criteria. If, upon completion of the probation period, Party B meets the relevant criteria below, he will formally become a contract staff of Party A:

1. Party B shall observe disciplines and laws, comply with the Staff Code and all rules and regulations of Party A, take the interests of the whole into account and maintain the interest of Party A as a whole. Party B shall accept the job assignment and designation by Party A, keep Party A's trade secrets in confidence and maintain Party A's office equipment and information in good condition.

2. Party B shall fully devote himself to work and have the professional knowledge and skills, business management standard, organization and implementation ability, and enterprising and pragmatic spirit which make him competent at this job. Party B shall also try his very best to complete all tasks requested by this job.

3. Party B shall honestly disclose any personal information reasonably required by Party A, including without limitation, health condition, disease history, identity, educational background and working experience. Party B shall meet all necessary conditions in relation to his work, such as physical health condition.

3. Job Position, Location and Responsibilities

3.1 Party B will be employed in the position of Director of Internal Control and is expected to work at Jiashan.

Party B agrees that Party A may adjust the job position of Party B, his scope of work and the salary and other matters in relation to his job position according to the needs of Party A and the ability and work performance of Party B. When the adjustment is made, the parties shall give their confirmation in writing separately in respect thereof.

3.2 The scope of work and responsibility of Party B, including without limitation, the authorization, scope of work, procedures and methods of work, shall be based on the job description issued by Party A. Party B shall perform his duties in accordance with the rules and regulations of Party A and the requirements of its relevant persons in charge prior to the receipt of his job description.

3.3 Party B shall complete any work assigned by Party A according to the timeframe, quality and quantity required.

4. Labor Protection, Working Conditions and Protection Against Occupational Disease

4.1 Party A shall provide appropriate working environment to Party B so as to protect his personal safety and health. Party B shall strictly comply with the relevant safety operation procedures.

4.2 All occupational disease hazards and their consequences, protective measures against occupational disease and related welfares involved in the manufacturing activities of Party A have been stipulated in the measures for the administration of labor protection or other internal documents of Party A. Party B shall read all the above-mentioned documents carefully and may inspect them at any time. Upon execution of this Contract, Party A shall be deemed to have fulfilled the obligations it has been notified regardless of whether Party B inspects the relevant documents.

4.3 If Party A's protective measures against occupational disease cannot meet the requirements of the relevant laws and regulations, Party B shall report timely to the relevant departments or labor union of Party A. Party B shall wear or use the labor protection items or facilities provided by Party A as required.

5. Working Time and Vacation

5.1 Party A shall comply with the working time system as required by the State and Zhejiang Province. The specific arrangement of working time shall be based on the relevant requirements made by Party A with reference to its actual situation of production and business operation. Especially for middle and senior management, as well as special job positions such as drivers and cleaners, Party A may apply to them with flexible working time in accordance with the relevant national requirements.

5.2 Party B shall be entitled to public holidays and other statutory leaves with pay stipulated by the relevant national laws and regulations, such as marriage leave, maternity leave, funeral leave, sick leave, home leave and family-planning leave.

5.3 Paid leave shall be granted in accordance with the relevant national laws, regulations and rules. The minimum period for the paid leave will be one (1) day. If Party B plans to take a paid leave for at least ~~three~~ (3) consecutive days, he shall make an application one (1) month in advance and Party A will arrange the paid leave according to its actual situation. The paid leave cannot be transferred to the next year. Other requirements with regard to paid leave shall be subject to the rules and regulations of Party A.

6. Overtime Work and Business Trip

6.1 Except as required in Article 5.1 above, Party A shall encourage its staff members to work efficiently and complete their work within office hours, and shall not recommend nor encourage its staff members to work overtime. In the event of working overtime due to work demand, Party B shall work overtime only after he submits an overtime application form and obtains a joint approval from his supervisor and the personnel department in respect thereof. No work shall be deemed as overtime work unless with the joint approval, and the act of working overtime shall be taken as an act of Party B to engage in personal matters after office hours.

6.2 Party A may also arrange Party B to work overtime based on the reasonable requirements of work, and Party B shall make his best effort to comply with such arrangement except for the case of emergency or physical discomfort.

6.3 Party A shall make an overtime payment to or arrange additional rest days for Party B in accordance with the relevant regulations of the PRC or Zhejiang Province, except for those employees with flexible working time.

6.4 Party A may arrange Party B to go for business trips to other places in the country and/or abroad from time to time, and Party B shall make his best effort to comply with such arrangement except for the case of emergency or physical discomfort.

7. Salary and Social Insurance

7.1 In relation to Party B's salary, Party A shall adopt the following:

- Monthly Salary System: The pre-tax basic salary shall be RMB _____ (refer to "Salary Payment Notice") per month.
- Time-rate and Piece-rate System
- Commission System
- Project-based Wage System

The pre-tax basic salary for the probation period shall be RMB _____ (refer to "Salary Payment Notice") per month.

Party A will release a performance bonus to Party B at the end of the year according to its annual operating result, the result of performance appraisal of all departments and the work performance of Party B, etc.

7.2 Any currencies received by Party B other than from subsidies, allowances (if any), welfare benefits or other wages or any amount of other incomes (if any), as well as the standards and time of payment shall be determined in accordance with the relevant rules and regulations of Party A or confirmed by a supplemental agreement separately signed by Party A and Party B.

7.3 Party A shall pay the salary of previous month on the twenty-fifth day (25th) of each month. If the salary payment may be delayed due to any emergency, such delay shall not be more than fifteen (15) days.

7.4 Party A shall pay social insurance and undertake the obligations to withhold and pay an individual income tax for Party B in accordance with the relevant national laws and regulations.

7.5 Party A shall adopt a confidential salary system. All information relating to Party B's salary, including without limitation, its amount and calculation method, shall constitute the confidential information of Party A. Party B shall not disclose in any way such information to any third party without the prior written consent of Party A.

7.6 The salary shall in principle be paid by Party A in the following manner: Party A credits the amount by bank transfer to the bank account opened in the name of Party B at the same bank as Party A.

8. Labor Disciplines

8.1 Party B shall comply with all national laws and regulations, and shall abide by the Employee Manual and all other rules and regulations.

8.2 Party B shall not use any facilities of Party A to check or disseminate any information that is in violation of national laws and regulations, corrupts public morals or has any adverse effect on Party A. Party B shall not check, transmit, release or disseminate any information nor engage in other activities unrelated to his work during office hours through internet, telephone and other facilities.

8.3 Without the prior written consent of Party A, Party B shall not do any other part-time jobs during his employment with Party A.

8.4 Party A shall have the right to inspect, guide and examine the performance of labor disciplines by Party B. Party A shall have the right to impose punishment on Party B for any of his material violation of labor disciplines until the termination of his employment relationship with Party A.

8.5 In Party A's previous cases, any employee who accepts a bribe worth RMB1,000 from customers or suppliers (the "Customers") will result in Party A suffering an actual loss of at least RMB10,000. Therefore, none of Party B and his close relatives shall, in all events, accept any offer made by the Customers to pay for their entertainment activities, birthday parties, wedding banquets and feasts, nor shall they accept any gifts from the Customers (including without limitation, cash, cards, stocks, precious items or other valuable things), nor accept any actual assistance or other preferential treatments from the Customers in connection with his personal affairs, unless permitted by Party A in advance or reported to Party A according to the requirements. In the event of any violation of the above requirements by Party B and his relatives, Party B (once confirmed after investigation) shall be deemed as a material violation of the rules and regulations of the Company, and Party A shall have the right to terminate its employment relationship with Party B without paying any compensation and indemnity.

8.6 Prior to the execution of the formal Confidentiality and Non-Competition Agreement, Party B specifically undertakes that, during his employment with Party A, within two years upon resignation or quitting the employment or after termination of this Contract, he will not directly or indirectly engage in any competing business activities which are similar to the business being or to be conducted by Party A, including but not limited to being employed in a company that is in competition with Party A, engaging in competing consulting or other business activities, or providing Party A's technical information, parameters and trade secrets to any company that is in competition with Party A. During the employment with Party A, within two years upon resignation or quitting the employment or after termination of this Contract, without the prior written consent of Party A, Party B shall not disclose in any way or use without authorization any non-public information of Party A, including without limited to any company information, business plans, situation of personnel, financial information, proprietary technologies, processes, and workflows relating to Party A and its business, operation, personnel and technology that are known by Party B from Party A or due to his employment with Party A. Non-public confidential information shall include any information which Party A expressly states that it is confidential, or which is regarded as confidential information of Party A based on the reasonable judgment of Party B (Party B shall not disclose or use such information regardless of whether he obtains similar information from a third party).

9. Party A may discharge this Contract if Party B has one of the following circumstances:

1. Party B is proved not to satisfy the conditions for employment during the probation period.
2. Party B seriously violates Party A's labor disciplines or rules and regulations.
3. Party B commits a serious dereliction of duties, engages in malpractices for selfish ends or violates this Contract, thus causing great damages to Party A.
4. Party B is subject to criminal liability in accordance with law or re-educated through labor.
5. Party B concurrently has an employment relationship with other companies and economic organizations.
6. The resume provided by Party B is materially untrue or has omission of facts, Party B provides fake certificates or proof for employment relationship.

10. Party A may discharge this Contract by giving a 30-day prior written notice or paying an additional one-month salary to Party B if Party B has one of the following circumstances:

1. After expiration of the medical treatment period, Party B, as a result of illness or non-work related injury, is unable to perform the duties of his original job or any new job arranged by Party A.
2. Party B is incompetent and remains incompetent after training or adjustment of his position.
3. A significant change arises in the objective circumstances based on which this Contract was concluded, thereby causing this Contract impossible to perform, and no agreement is reached by the parties in respect of the amendment to this Contract after consultation.

11. This Contract shall be terminated if one of the following circumstances occurs:

1. This Contract is expired and the parties fail to renew it.
2. Party B starts to enjoy basic pension fund insurance according to law.
3. Party B is dead or declared dead or disappeared by a people's court.
4. Party A is declared bankrupt according to law.
5. Party A is revoked of the business license, ordered close, revocation or decides an early dissolution.
6. Other circumstances stipulated by laws and administrative rules.

12. Matters relating to the discharge and termination of this Contract

12.1 Party A and Party B may discharge this Contract prior to its expiry after an unanimous agreement is made through consultation.

12.2 Party B may discharge the Employment Contract by giving a 30-day prior written notice to Party A. Party B may discharge the Employment Contract during the probation period by giving a 3-day prior notice to Party A.

12.3 When the employment relationship is terminated, Party B shall be under an obligation to cooperate with Party A to complete the handover of jobs and return of items (including without limitation, business trading records, technical information, financial accounts and the originals, duplicates and copies of any other documents) in a timely manner, and shall subsequently complete departure formalities. Party A shall pay to Party B any salary, subsidies and economic compensations in connection with the departure after the above handover is completed. Upon completion of the departure formalities, Party A shall proceed the formalities in relation to the termination of employment for Party B. If Party B does not complete the departure formalities or fails to collect the notice of termination of employment within certain period of time, it shall bear all legal liabilities arising therefrom.

12.4 If Party A or a third party authorized by it has provided to Party B any training relating to its business or other training and paid the relevant fees and expenses (including without limitation, tuition fees, material expenses, travelling expenses and living subsidies, hereinafter referred to as the “**Training Costs**”), and Party B is dismissed by Party A due to the circumstances stipulated in Article 9 hereof during the service period as agreed by the parties, or Party B tenders his resignation unilaterally or quits on his own, Party B shall pay to Party A penalty for breach of contract. Should the parties sign a training agreement, such agreement shall prevail.

13. Works from Employment

The titles to all the research, development, invention and design completed and conceived by Party B during his employment with Party A shall be owned by Party A. Party B shall provide all necessary information and take necessary actions as required by Party A to assist Party A in acquiring and exercising the relevant intellectual properties.

14. Labor Dispute Resolution

Any disputes arising between Party A and Party B in connection with the performance of this Contract or the dismissal, removal and discharge of Party B by Party A may be resolved pursuant to the labor dispute resolution procedures, the details of which are as follows:

1. Party A and Party B resolve their dispute by agreement.
2. An application for arbitration shall be made to the labor dispute arbitration commission of the place where Party A is domiciled.

15. Miscellaneous

15.1 Party B hereby represents and undertakes that:

1. Party B may lawfully execute this Contract and is willing to be bound by and subject to this Contract;
2. Party B has carefully reviewed this Contract and agreed to it.
3. Party B shall fully perform all obligations hereunder and shall not breach any undertakings made by him on an voluntary basis.

15.2 This Contract is executed in two originals and the parties shall each keep one original. Each original shall have equal effect. Any amendment or supplement hereto shall become effective after it is sealed by Party A and signed by Party B.

15.3 The offer letter, salary payment notice, employee manual, notices from personnel department and this Contract shall have the same legal effect.

[No text below]

(This page is the signature page of the Employment Contract, the remainder of which is intentionally left blank.)

Party A: **Zhejiang Yuhui Solar Energy Source Co., Ltd. (Common Seal)**
[Chop affixed]
Authorized Representative: Li Xianshou
Position: Legal Representative

Party B: /s/Huazhang Ding (Signature)
August 27, 2009

List of Subsidiaries
(As of March 8, 2011)

<u>Subsidiaries</u>	<u>Place of Incorporation</u>
1. ReneSola America Inc.	State of Delaware, United State
2. ReneSola Singapore Pte Ltd.	Republic of Singapore
3. Zhejiang Yuhui Solar Energy Source Co., Ltd.	People's Republic of China
4. Sichuan ReneSola Silicon Material Co., Ltd.	People's Republic of China
5. Wuxi Jiacheng Solar Energy Technology Co., Ltd.	People's Republic of China
6. Yuneng Enterprise Consulting (Shanghai) Co., Ltd.	People's Republic of China
7. Zhejiang ReneSola Photovoltaic Materials Co., Ltd.	People's Republic of China
8. Sichuan Ruiyu Photovoltaic Materials Co., Ltd.	People's Republic of China
9. Sichuan Ruixin Photovoltaic Materials Co., Ltd.	People's Republic of China
10. Sichuan Ruisheng Photovoltaic Materials Co., Ltd.	People's Republic of China

**Certification by the Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Xianshou Li, certify that:

1. I have reviewed this annual report on Form 20-F of ReneSola Ltd (the "Company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: March 8, 2011

By: /s/ Xianshou Li

Name: Xianshou Li

Title: Chief Executive Officer

**Certification by the Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Julia Xu, certify that:

1. I have reviewed this annual report on Form 20-F of ReneSola Ltd (the "Company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: March 8, 2011

By: /s/ Julia Xu

Name: Julia Xu

Title: Chief Financial Officer

**Certification by the Chief Executive Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of ReneSola Ltd (the "Company") on Form 20-F for the year ended December 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Xianshou Li, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 8, 2011

By: /s/ Xianshou Li
Name: Xianshou Li
Title: Chief Executive Officer

**Certification by the Chief Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of ReneSola Ltd (the "Company") on Form 20-F for the year ended December 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Julia Xu, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 8, 2011

By: /s/ Julia Xu
Name: Julia Xu
Title: Chief Financial Officer

HARNEYS

Harney Westwood & Riegels LLP
5th Floor
5 New Street Square
London EC4A 3BF
Tel: +44 (0) 20 7842 6080
Fax: +44 (0) 20 7353 0487
www.harneys.com

8 March 2011

Your Ref

Our Ref 039181.0016.RAG

Doc ID 170190_1

ReneSola Ltd.
Craigmuir Chambers
PO Box 71
Road Town
Tortola
British Virgin Islands

Dear Sirs

Annual Report on Form 20-F

We hereby consent to the filing of this letter as an exhibit to the Company's annual report on Form 20-F for the year ended December 31, 2010 with the U.S. Securities and Exchange Commission, and to the reference therein to our firm under the headings "Item 10.E — Additional Information — Taxation" and "16G. — Corporate Governance" in the annual report.

Yours faithfully

/s/ Harney Westwood & Riegels LLP

HARNEY WESTWOOD & RIEGELS LLP

Harney Westwood & Riegels LLP is a limited liability partnership registered in England & Wales
Reg. No. OC302285 VAT No. 795563084

A list of partners is available for inspection at our offices.
British Virgin Islands | Cayman Islands | Cyprus | London | Hong Kong

[Letterhead of Haiwen & Partners]

March 8, 2011

ReneSola Ltd

No. 8 Baoqun Road, Yaozhuang
Jiashan, Zhejiang 314117
People's Republic of China

Dear Sirs,

We hereby consent to the filing of this letter as an exhibit to the ReneSola Ltd's annual report on Form 20-F for the year ended December 31, 2010 with the U.S. Securities and Exchange Commission, and to the reference therein to our firm under the headings "Item 3.—D. Risk Factors" in the annual report.

Yours faithfully,

/s/ Haiwen & Partners

Haiwen & Partners

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-153647 on Form S-8 of our reports dated March 7, 2011, related to the consolidated financial statements and financial statement schedule in Schedule I of ReneSola Ltd and subsidiaries (the "Company") and the effectiveness of the Company's internal control over financial reporting appearing in this Annual Report on Form 20-F of the Company for the year ended December 31, 2010.

/s/ Deloitte Touche Tohmatsu CPA Ltd.

Deloitte Touche Tohmatsu CPA Ltd.

Shanghai, China

March 8, 2011