

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

**AMENDMENT NO. 1 TO  
FORM F-1  
REGISTRATION STATEMENT**

*UNDER  
THE SECURITIES ACT OF 1933*

**RENESOLA LTD**

(Exact name of registrant as specified in its charter)

**Not Applicable**

(Translation of Registrant's name into English)

**3674**

(Primary Standard Industrial  
Classification Code Number)

**Not Applicable**

(I.R.S. Employer  
Identification Number)

**British Virgin Islands**  
(State or other jurisdiction of  
incorporation or organization)

**No. 8 Baoqun Road, YaoZhuang**

**Jiashan, Zhejiang 314117**

**People's Republic of China**

**(86-573) 8477-3058**

(Address and telephone number of Registrant's principal executive offices)

**CT Corporation System**

**111 Eighth Avenue**

**New York, New York 10011**

**(212) 664-1666**

(Name, address and telephone number of agent for service)

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**Approximate date of commencement of proposed sale to the public:** From time to time after this Registration Statement becomes effective.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

**CALCULATION OF REGISTRATION FEE**

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Aggregate Price Per Unit <sup>(1)</sup>	Proposed Maximum Aggregate Offering Price <sup>(1)</sup>	Amount of Registration Fee <sup>(2)</sup>
Shares of no par value <sup>(3)(4)</sup>	20,700,000	\$ 12.0725	\$ 249,900,750	\$ 9,822

(1) Estimated solely for the purpose of determining the amount of registration fee in accordance with Rule 457(c) under the Securities Act of 1933, based on \$24.145, which is based on the average of the high and low sales prices of the Registrant's American depository shares, as reported by the New York Stock Exchange on June 5, 2008.

(2) Previously paid \$9,538.

(3) Includes shares initially offered and sold outside the United States that may be resold from time to time in the United States either as part of their distribution or within 40 days after the later of the effective date of this registration statement and the date the shares are first bona fide offered to the public, and also includes shares that may be purchased by the underwriters pursuant to an over-allotment option. These shares are not being registered for the purpose of sales outside the United States.

(4) American depository shares issuable upon deposit of the shares registered hereby have been registered under a separate registration statement on Form F-6 (Registration No.333-148559). Each American depository share represents two shares.

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that the Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

The information in this preliminary prospectus is not complete and may be changed. Neither we nor the selling shareholders may sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and we are not soliciting offers to buy these securities in any jurisdiction where the offer or sale is not permitted

SUBJECT TO COMPLETION, DATED JUNE 6, 2008

PROSPECTUS

9,000,000 American Depositary Shares



**ReneSola Ltd**  
**Representing 18,000,000 Shares**

We are selling 8,149,437 American depositary shares, or ADSs, and the selling shareholders named in this prospectus are selling 850,563 ADSs. Each ADS represents two shares of no par value. We will not receive any proceeds from the sale of ADSs by the selling shareholders. We and the selling shareholders have granted the underwriters an option to purchase up to 1,350,000 ADSs to cover over-allotments.

Our ADSs are listed on the New York Stock Exchange under the symbol "SOL." The last sale price for our ADSs as reported on the New York Stock Exchange on June 5, 2008 was \$24.35 per ADS. The closing price of our shares on AIM on June 5, 2008 was £6.19, which was equivalent to approximately \$24.22 per ADS based on the federal reserve noon buying rate of £1.00 to \$1.9563 in effect on that date.

Investing in the ADSs involves risks. See "[Risk Factors](#)" beginning on page 12.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	<u>Per ADS</u>	<u>Total</u>
Public offering price	\$	\$
Underwriting discount	\$	\$
Proceeds to ReneSola Ltd (before expenses)	\$	\$
Proceeds to the selling shareholders (before expenses)	\$	\$

The underwriters expect to deliver the ADSs to purchasers on or about \_\_\_\_\_, 2008.

**Credit Suisse**

**Piper Jaffray**

**Deutsche Bank Securities**

**Oppenheimer & Co.**

**Lazard Capital Markets**

The date of this prospectus is \_\_\_\_\_, 2008

# ReneSola

Inspired by the Sun



A leading Chinese manufacturer of solar wafers

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You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with information different from that contained in this prospectus. We are offering to sell, and seeking offers to buy, the ADSs only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is current only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of the ADSs.

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### Conventions Used in this Prospectus

Unless otherwise indicated and except where the context otherwise requires, in this prospectus:

- “we,” “us,” “our company,” “our” or “ReneSola” refers to ReneSola Ltd, a British Virgin Islands company, its predecessor entities and its subsidiaries, and in the context of describing our financial results, also includes Linzhou Zhongsheng Semiconductor Silicon Material Co., Ltd., a variable interest entity of our company;
- “China” or “PRC” refers to the People’s Republic of China, excluding Taiwan, 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.

This prospectus contains translations of certain Renminbi amounts into U.S. dollars at the rate of RMB7.2946 to \$1.00, the noon buying rate in effect on December 31, 2007 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 prospectus could have been or could be converted into dollars or Renminbi, as the case may be, at any particular rate or at all. On June 5, 2008, the noon buying rate was RMB6.9460 to US\$1.00.

Consistent with industry practice, we measure our wafer manufacturing capacity and production output in MW, representing 1,000,000 watts, or 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 are of different sizes and thicknesses. Furthermore, we manufacture both monocrystalline wafers and multicrystalline wafers, and solar cells using these two types of wafers have different conversion efficiencies. For purposes of this prospectus, we assumed an average conversion efficiency rate of 16.0% for solar cells using our monocrystalline wafers. This conversion efficiency is consistent with the publicly available information regarding the monocrystalline cells produced by some of our major customers and is highly dependent on the solar cell and module production processes of these customers. Based on this conversion efficiency, we assumed that each 125 millimeters, or mm, by 125 mm, monocrystalline wafer we produce can generate approximately 2.4 W of power and each 156 mm by 156 mm monocrystalline wafer we produce can generate approximately 3.9 W of power. We also assumed an average conversion efficiency rate of 15.0% for solar cells using our multicrystalline wafers. This conversion efficiency is estimated based on the feedback from customers who tested our multicrystalline wafers from our production. Based on this conversion efficiency, we assumed that each 156 mm by 156 mm multicrystalline wafer we produce can generate approximately 3.7 W of power. 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.

## PROSPECTUS SUMMARY

*The following summary contains basic information about this offering. It may not contain all of the information that is important to you. For a more complete understanding of this offering, we encourage you to read this entire prospectus and the documents to which we refer you. The following summary should be read in conjunction with the more detailed information and financial statements, including the related notes, appearing elsewhere in this prospectus. For a discussion of certain factors you should consider before deciding to invest in our common stock, see "Risk Factors."*

### Overview

We are a leading global manufacturer of solar wafers, which are the principal component of solar cells. According to Solarbuzz LLC, or Solarbuzz, an independent solar energy research firm, we are one of the largest wafer manufacturers globally based on wafer manufacturing capacity in 2007. We have historically focused on manufacturing monocrystalline wafers. As part of our expansion plan, we commenced the production of multicrystalline wafers in the third quarter of 2007. As of December 31, 2007, we had annual ingot manufacturing capacity of approximately 378 MW, consisting of monocrystalline ingot manufacturing capacity of approximately 218 MW and multicrystalline ingot manufacturing capacity of approximately 160 MW, and solar wafer manufacturing capacity of approximately 305 MW. To further capitalize on rising global demand for solar wafers, we intend to increase our annual ingot manufacturing capacity to approximately 645 MW, consisting of monocrystalline ingot manufacturing capacity of approximately 325 MW and multicrystalline ingot manufacturing capacity of approximately 320 MW, and our wafer manufacturing capacity to approximately 585 MW by the end of 2008. By the end of 2009, we plan to expand our annual ingot manufacturing capacity to approximately 1,000 MW, consisting of monocrystalline ingot manufacturing capacity of approximately 325 MW and multicrystalline ingot manufacturing capacity of approximately 675 MW, and our wafer manufacturing capacity to approximately 1,000 MW.

We have grown rapidly since we began manufacturing solar wafers and related products in 2005. Our net revenue increased significantly from \$5.1 million in 2005 to \$84.4 million in 2006 and to \$249.0 million in 2007, representing a compound annual growth rate, or CAGR, of 598.7%. Our income from operations increased from \$0.6 million in 2005 to \$22.2 million in 2006 and to \$43.4 million in 2007, representing a CAGR of 750.5%. Our net income increased from \$1.2 million in 2005 to \$25.3 million in 2006 and to \$42.9 million in 2007, representing a CAGR of 497.9%.

Our growth is driven by the expected increasing demand for solar power products, our ability to increase our manufacturing capacity and production output, and our ability to improve operational efficiency. The solar power industry is currently facing an industry-wide shortage of virgin polysilicon, the principal raw material for making solar wafers. To address this shortage, we produce solar wafers from a wide range of silicon raw materials, including reclaimable raw materials such as broken wafers and broken cells that are difficult to process but are less expensive than other reclaimable silicon raw materials. We also began producing our own polysilicon through a joint venture in Linzhou Zhongsheng Semiconductor Silicon Material Co., Ltd., or Linzhou Zhongsheng Semiconductor, in Linzhou, Henan Province, China and started building a polysilicon manufacturing facility in Meishan, Sichuan Province, China, through our wholly-owned subsidiary Sichuan ReneSola Silicon Material Co., Ltd., or Sichuan ReneSola. We have developed proprietary technologies, processes and know-how, which enable us to produce cost-effectively solar wafers comparable in quality and performance to those made from solar-grade virgin polysilicon. We believe that the supply contracts we entered into prior to the date of this prospectus, the inventory carried forward from 2007, the output from our joint venture in Linzhou, the raw materials secured under our processing service arrangements and, to a lesser extent, purchases from the spot market will provide us with sufficient silicon raw material requirements estimated for 2008.

## **Our Industry**

Solar power is one of the rapidly growing renewable energy sources today, and the solar power market has grown significantly over the past decade. According to Solarbuzz, the global solar power market, as measured by annual solar power system installed capacities, grew at a CAGR, of 47.4% from 598 MW in 2003 to 2,826 MW in 2007. In one of Solarbuzz's forecasts, annual solar power system installed capacities may further increase to 9,917 MW in 2012, and solar power industry revenue may increase from \$17.2 billion in 2007 to \$39.5 billion in 2012. However, 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.

The solar wafer industry is characterized by evolving technologies and intense competition. Access to sufficient silicon raw materials, key manufacturing equipment and skilled personnel are the major barriers for new entrants in this market. Despite the higher prices of virgin polysilicon caused by its shortage, the substitution of reclaimable silicon raw materials to manufacture ingots and wafers has helped to lower the overall cost of raw materials. However, advanced technology is required to produce solar wafers of comparable quality and performance from reclaimable silicon. The conversion efficiencies of solar cells depend to a large extent on the purity of the silicon raw materials and manufacturing process technologies of ingots, wafers and cells.

## **Our Strengths**

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

- leading position as a solar wafer manufacturer;
- strong technology development capabilities;
- large-scale, cost-effective manufacturing;
- global network of suppliers and customers; and
- experienced management team.

## **Our Strategies**

Our objective is to become a leader in the global solar power industry by strengthening our leading position in solar wafer manufacturing and strategically expanding further upstream. We intend to achieve this objective by pursuing the following strategies:

- expand manufacturing capacity;
- complement existing business through upstream integration;
- continue to pursue technological innovation;
- further develop silicon procurement capabilities; and
- continue to focus on key markets.

## **Our Challenges**

The successful execution of our strategy is subject to certain risks and uncertainties, including:

- our limited operating history may not serve as an adequate indicator of our future prospects and results of operations;
- the current industry-wide shortage of silicon raw materials could constrain our revenue growth and decrease our gross margins and profitability;



- our dependence on a limited number of suppliers for key raw materials and manufacturing equipment could prevent us from timely fulfillment of customer orders and successful execution of our expansion plan;
- competition we face from both renewable and conventional energy sources and products;
- the reduction or elimination of government subsidies and economic incentives for on-grid solar energy applications could cause demand for our products and our revenue to decline;
- solar power technology may not be suitable for widespread adoption and sufficient demand for solar power products may not develop or may take longer to develop than we anticipate;
- we may experience difficulty in achieving acceptable yields and product performance, or may experience unexpected production curtailments or shutdowns; and
- changes in Chinese law may restrict the import of reclaimable silicon raw materials.

In addition, we also face other risks and uncertainties that may materially affect our business, financial condition, results of operations and prospects. You should also consider the risks discussed in “Risk Factors” and elsewhere in this prospectus before investing in the ADSs.

### **Corporate History and Structure**

Our predecessor, Zhejiang Fengding Construction Material Machinery Manufacturing Co., Ltd., or Fengding Construction, was established as a limited liability company in the PRC in 2003. Following a series of share transfers, Fengding Construction was renamed Zhejiang Yuhui Solar Energy Source Co., Ltd., or 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, our company, ReneSola Ltd, or ReneSola, 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.

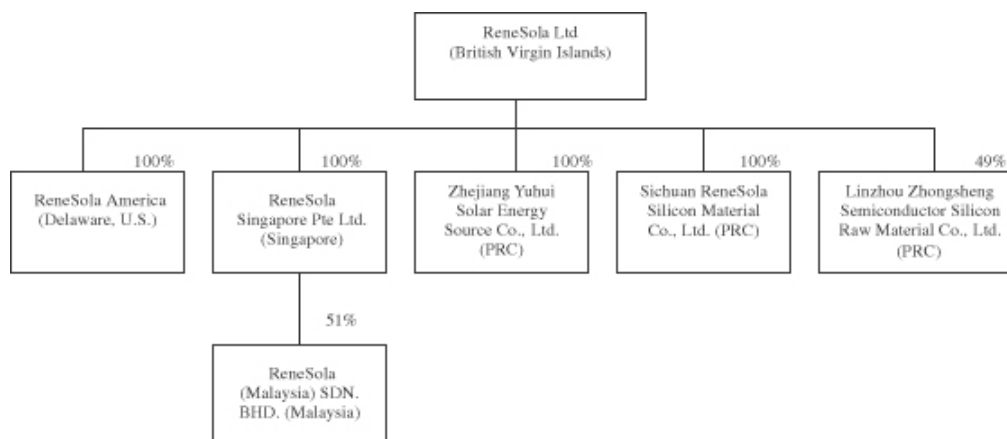
ReneSola acquired all of the equity interests in Zhejiang Yuhui in April 2006 through a series of transactions that have been accounted for as a reorganization. In August 2006, we placed 33,333,333 shares on the Alternative Investment Market of the London Stock Exchange, or AIM, and raised gross proceeds of approximately \$50.0 million. We currently conduct our business through the following subsidiaries:

- Zhejiang Yuhui, our principal operating company in China;
- ReneSola America Inc., or 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;
- ReneSola Singapore Pte Ltd., which was incorporated in Singapore in March 2007 to facilitate our procurement of silicon raw materials in Southeast Asia and hold our investment in the Malaysian subsidiary;
- ReneSola (Malaysia) SDN. BHD., in which we hold a 51% equity interest since July 2007, was incorporated in Malaysia in February 2007 to process reclaimable silicon for Zhejiang Yuhui; and
- Sichuan ReneSola, which was established in Sichuan Province, China in August 2007 to engage in the production of raw materials.



In addition, in August 2007, we invested in a 49% interest in Linzhou Zhongsheng Semiconductor, a polysilicon manufacturing company located in Henan Province, China. Linzhou Zhongsheng Semiconductor is a variable interest entity consolidated by our company.

The following diagram illustrates our current corporate structure:



We and certain selling shareholders of our company completed an initial public offering of 10,000,000 ADSs in January 2008. On January 29, 2008, we listed our ADSs on the New York Stock Exchange under the symbol “SOL.”

### Corporate Information

Our principal executive offices are located at No. 8 Baoqun Road, Yaozhuang County, Jiashan Town, Zhejiang Province 314117, People’s Republic of China. Our telephone number at this address is (86-573) 8477 3058. Our registered office in the British Virgin Islands is located at the offices of Harney 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.

Investors should contact us for any inquiries through the address and telephone number of our principal executive offices. Our website is [www.renesola.com](http://www.renesola.com). The information contained on our website is not a part of this prospectus.

## RECENT DEVELOPMENTS

The following is a summary of our selected unaudited consolidated financial results for the first quarter of 2008. Because our business is relatively new, our operating results for any particular quarter are not necessarily indicative of our future results. Furthermore, our quarterly operating results may fluctuate from period to period based on changes in customer demand and the seasonality of consumer spending and industry demand for solar power products. See “Risk Factors—Risks Related to Our Business—Our quarterly operating results may fluctuate from period to period in the future.”

	For the Three Months Ended		
	March 31, 2007	December 31, 2007	March 31, 2008
	(in thousands, except operating data)		
Net revenue	35,916	96,046	122,982
Cost of revenues	(27,764)	(76,427)	(95,748)
Gross profit	8,152	19,619	27,234
Operating expenses:			
Sales and marketing	(149)	(169)	(267)
General and administrative	(1,058)	(3,635)	(3,389)
Research and development	(63)	(898)	(442)
Other general income	57	83	51
Total operating expenses	(1,213)	(4,619)	(4,047)
Income from operations	6,939	15,000	23,187
Interest income	60	229	306
Interest expenses	(176)	(1,690)	(2,144)
Foreign exchange loss	(63)	(1,174)	(56)
Total non-operating expenses	(179)	(2,635)	(1,894)
Income before income tax and minority interest	6,760	12,365	21,293
Income tax benefit (expenses)	23	5,171	(3,560)
Minority interest	—	65	58
Net income attributable to equity holders	6,783	17,471	17,675
Solar products shipped (in MW) <sup>(1)</sup>	15.4	50.6	63.7
Total solar wafers shipped (in MW) <sup>(2)</sup>	13.7	36.7	41.8
Average selling price (\$/W) <sup>(3)</sup>	2.21	2.37	2.56

(1) Includes solar wafers shipped, solar wafers shipped from processing services and ingots shipped.

(2) Excludes solar wafers shipped from processing services.

(3) Calculated based on net revenue attributable to solar wafers shipped divided by solar wafers shipped during such period.

**Net revenue.** Net revenue for the first quarter of 2008 was \$123.0 million, an increase of 28.0% sequentially and 242.4% year-over-year. The increase in first quarter revenue was primarily attributable to an increase in output from our expanded production capacity and an increase in the wafer average selling price.

**Gross profit.** Gross profit in the first quarter of 2008 was \$27.2 million, an increase of 38.8% sequentially and 234.1% year-over-year. The gross margin for the first quarter 2008 was 22.1%, compared to 20.4% in the fourth quarter of 2007 and 22.7% in the first quarter of 2007. The increase in gross margin sequentially was achieved despite an increase in average feedstock costs of 21.0% sequentially and was primarily due to (i) a reduction in silicon consumption rate to 6.3 grams per watt from 6.5 grams per watt in the fourth quarter of 2007,

(ii) a continuing reduction in processing costs, and (iii) an increase in wafer average selling price due to the high demand for our wafer products. The decrease in gross margin year-over-year was primarily due to a significant increase in the prices of silicon raw materials offset by a slower increase in the average selling price of wafers and a reduction in processing costs.

**Income from operations.** Income from operations in the first quarter of 2008 was \$23.2 million, an increase of 54.6% sequentially and 234.2% year-over-year. Operating margin was 18.9% in the first quarter compared to 15.6% in the fourth quarter of 2007 and 19.3% in the first quarter of 2007. Total operating expenses in the first quarter of 2008 were \$4.0 million, down from \$4.6 million in the fourth quarter of 2007 primarily due to a decrease in general and administrative expenses, attributable mainly to a bad debt provision in the fourth quarter of 2007 that was not taken in the first quarter of 2008 and a decrease in research and development expenses, attributable mainly to technical consulting service fees in the fourth quarter of 2007 that were not incurred in the first quarter of 2008. The decrease in income from operations year-over-year follows the trend for gross margin.

**Income before income tax and minority interest.** Income before income tax and minority interest in the first quarter of 2008 was \$21.3 million, an increase of 72.2% sequentially and 215.0% year-over-year. Finance costs increased by 26.9% sequentially, reflecting increased bank borrowings and interest rates. Finance costs as a percentage of net revenue decreased from 1.8% in the fourth quarter of 2007 to 1.7% in the first quarter of 2008. Foreign exchange loss in the first quarter of 2008 was \$0.06 million compared to foreign exchange loss of \$1.2 million in the fourth quarter of 2007 primarily due to a decrease in U.S. dollar denominated assets in the first quarter of 2008.

**Income tax benefit (expenses).** We recognized a tax expense of \$3.6 million in the first quarter of 2008, compared to a tax benefit of \$5.2 million in the fourth quarter of 2007. After the first two years of exemptions, Zhejiang Yuhui is currently subject to a tax rate of 12.5% under the new PRC Enterprise Income Tax Law. The current applicable tax rate is half the statutory rate of 25%, which is expected to apply to Zhejiang Yuhui, effective from the beginning of 2010. Furthermore, in 2007, Zhejiang Yuhui received an income tax credit equivalent to 40% of the cost of capital equipment manufactured in the PRC. This tax credit is no longer available for any purchase of PRC equipment due to the enactment of the new Enterprise Income Tax Law.

**Net income.** Due to the reasons above, our net income in the first quarter of 2008 increased 1.2% sequentially and 160.6% year-over-year to \$17.7 million.

In the first quarter of 2008, we had basic and diluted earnings per share of \$0.17 and \$0.15, respectively, and basic and diluted earnings per ADS of \$0.34 and \$0.30, respectively.

As of March 31, 2008, we had \$67.4 million in cash and cash equivalents, \$123.1 million of total bank borrowings, including \$34.1 million of long-term borrowings, and \$134.0 million of convertible bonds outstanding. As of the same date, we had total assets of \$645.1 million, total liabilities of \$365.1 million and total shareholders' equity of \$262.4 million. As of March 31, 2008, our inventories were \$156.3 million, our advances to suppliers were \$88.8 million, and our accounts receivables were \$16.2 million.

## THE OFFERING

ADSs offered by us	8,149,437 ADSs.
ADSs offered by the selling shareholders	850,563 ADSs.
ADSs outstanding immediately after this offering	31,322,744 ADSs (32,672,744 ADSs if the underwriters exercise their over-allotment option in full). <sup>(1)</sup>
Shares outstanding immediately after this offering	134,783,906 shares (135,974,781 shares if the underwriters exercise their over-allotment option in full).
The ADSs	<p>Each ADS represents two of our shares of no par value. The depositary will hold the shares underlying your ADSs. You will have rights as provided in the deposit agreement.</p> <p>You may turn in your ADSs to the depositary in exchange for shares. The depositary will charge you fees for any exchange. We may amend or terminate the deposit agreement without your consent. If you continue to hold your ADSs, you agree to be bound by the deposit agreement as amended.</p> <p>To better understand the terms of the ADSs, you should carefully read the “Description of American Depositary Shares” section of this prospectus. You should also read the deposit agreement, which is filed as an exhibit to the registration statement that includes this prospectus.</p>
Use of proceeds	<p>Our net proceeds from this offering are expected to be approximately \$188.4 million based on the assumed public offering price per ADS of \$24.35. We plan to use the net proceeds we receive from this offering for the following purposes:</p> <ul style="list-style-type: none"><li>• approximately \$70 million to expand our solar wafer manufacturing facilities and purchase additional equipment for our wafer capacity expansion plan in 2008 and 2009</li><li>• approximately \$100 million to invest in polysilicon manufacturing production in 2008 and 2009; and</li><li>• the remaining amount for other general corporate purposes.</li></ul> <p>We will not receive any of the proceeds from the sale of ADSs by the selling shareholders.</p>
Trading market for ADSs and shares	<p>Our ADSs are listed on the New York Stock Exchange under the symbol “SOL.” The last sale price for our ADSs as reported on the New York Stock Exchange on June 5, 2008 was \$24.35 per ADS. Our shares are currently traded on AIM. The reported closing price of our shares on AIM on June 5, 2008 was £6.19.</p>

<sup>(1)</sup> Calculated using 22,322,744 ADSs outstanding as of June 5, 2008.

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We expect the shares represented by the ADSs to be issued in this offering to be admitted to trading on AIM on the next AIM trading day immediately after the completion of this offering. We expect the shares represented by the ADSs issuable upon exercise of the over-allotment option to be admitted to trading on AIM on the next AIM trading day after the closing of the over-allotment option.

Risk factors	See “Risk Factors” and other information included in this prospectus for a discussion of risks you should carefully consider before investing in our ADSs.
Depository	The Bank of New York.

The number of shares that will be outstanding immediately after this offering excludes (i) approximately 10,740,968 shares issuable upon the conversion of our RMB928,700,000 U.S. Dollar Settled 1% Convertible Bonds due 2012 calculated based on the conversion price in effect on the date of this prospectus, and (ii) 4,265,000 shares issuable upon the exercise of options outstanding as of the date of this prospectus, at a weighted average exercise price of £3.099 or \$6.303 per share. The number of shares issuable upon the conversion of our RMB928,700,000 U.S. Dollar Settled 1% Convertible Bonds due 2012 will be adjusted if we issue shares in our offering at a price below 95% of the current market price of our shares on AIM on the last trading day preceding the date of announcement of the terms of our offering, which will affect our pro forma and pro forma as adjusted information discussed in “Our Summary Consolidated Financial and Operation Data,” “Capitalization” and “Dilution.” Current market price at a particular date is the average closing price of our AIM shares for the five consecutive trading days ending on the trading day immediately preceding such date. See “Dilution” for more details.

## OUR SUMMARY CONSOLIDATED FINANCIAL AND OPERATING DATA

You should read the following information in conjunction with our consolidated financial statements and related notes, “Selected Consolidated Financial Data” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this prospectus.

The summary consolidated statements of income data for the three years ended December 31, 2005, 2006 and 2007 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. Our consolidated financial statements are prepared and presented in accordance with accounting principles generally accepted in the United States, or 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,		
	2005	2006	2007
(in thousands, except percentage, share, per share, per ADS and operating data)			
<b>Consolidated Statement of Income Data</b>			
Net revenue:			
Product sales	\$ 5,088	\$ 78,515	\$ 231,282
Processing services	—	5,856	17,691
<b>Total net revenue</b>	<b>5,088</b>	<b>84,371</b>	<b>248,973</b>
Cost of revenues:			
Product sales	(3,677)	(57,141)	(184,292)
Processing services	—	(2,505)	(11,185)
<b>Total cost of revenues</b>	<b>(3,677)</b>	<b>(59,646)</b>	<b>(195,477)</b>
Gross profit	1,411	24,725	53,496
Total operating expenses	(809)	(2,490)	(10,063)
Income from operations	602	22,235	43,433
Income before income tax	574	22,580	36,808
Income tax benefit	617	2,721	6,156
Minority interest	—	—	27
<b>Net income attributable to equity holder</b>	<b>\$ 1,191</b>	<b>\$ 25,301</b>	<b>\$ 42,936</b>
Earnings per share <sup>(1)</sup>			
Basic	\$ 0.02	\$ 0.32	\$ 0.43
Diluted	\$ 0.02	\$ 0.32	\$ 0.43
Earnings per ADS			
Basic	\$ 0.04	\$ 0.63	\$ 0.86
Diluted	\$ 0.04	\$ 0.63	\$ 0.86
Weighted average number of shares used in computing earnings per share: <sup>(1)</sup>			
Basic	66,666,699	80,000,032	100,000,032
Diluted	66,666,699	80,122,052	108,221,480
<b>Other Consolidated Financial Data</b>			
Gross margin	27.7%	29.3%	21.5%
Operating margin	11.8%	26.4%	17.4%
Net margin	23.4%	30.0%	17.2%
<b>Selected Consolidated Operating Data</b>			
Solar products shipped (in MW) <sup>(2)</sup>	1.8	39.5	124.5
Total solar wafers shipped (in MW) <sup>(3)</sup>	0.01	26.0	98.6
Average selling price (\$/W) <sup>(4)</sup>	\$ 1.55	\$ 2.16	\$ 2.30

(1) 2005 and 2006 share and per share data are presented to give retrospective effect to our reorganization in 2006.

(2) Includes solar wafers shipped, solar wafers shipped from processing services and ingots shipped.

(3) Excludes solar wafers shipped from processing services.

(4) Calculated based on net revenue attributable to solar wafers shipped divided by solar wafers shipped during such period.

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The following table presents a summary of the balance sheet data as of December 31, 2007:

- on an actual basis;
- on an as adjusted basis to reflect (i) the sale of 9,212,500 ADSs by us in our initial public offering in January 2008, and (ii) the sale of 8,149,437 ADSs by us in this offering based on the assumed offering price of \$24.35 per ADS, the last sale price for our ADSs as reported on the New York Stock Exchange on June 5, 2008, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us; and
- on a pro forma as adjusted basis to reflect: (i) the sale of 9,212,500 ADSs by us in our initial public offering in January 2008, (ii) the sale of 8,149,437 ADSs by us in this offering at the assumed public offering price of \$24.35 per ADS, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us, and (iii) conversion of approximately 10,740,968 shares pursuant to RMB928,700,000 U.S. Dollar Settled 1% Convertible Bonds due 2012 calculated based on the conversion price in effect on the date of this prospectus.

	As of December 31, 2007		
	Actual	As adjusted <sup>(1)</sup> (in thousands)	Pro forma as adjusted
<b>Consolidated Balance Sheet Data</b>			
Cash and cash equivalents	\$ 53,137	\$ 350,529	\$ 350,529
Inventories	110,630	110,630	110,630
Advances to suppliers	53,727	53,727	53,727
Total current assets	263,241	560,633	560,633
Property, plant and equipment, net	136,598	136,598	136,598
Advances for purchases of property, plant and equipment	29,648	29,648	29,648
Total assets	440,609	738,001	734,665
Short-term borrowings	71,691	71,691	71,691
Advances from customers	59,626	59,626	59,626
Total current liabilities	158,376	158,376	158,376
Convertible bonds payable	128,265	128,265	—
Total liabilities	305,684	305,684	177,419
Total shareholders' equity	125,708	423,100	548,029
Total liabilities and shareholders' equity	\$ 440,609	\$ 738,001	\$ 734,665

(1) A \$1.00 increase (decrease) in the assumed public offering price of \$24.35 per ADS would increase (decrease) the amounts representing cash and cash equivalents, total current assets, total assets and total shareholders' equity by \$7.8 million.



## RISK FACTORS

*An investment in our ADSs involves significant risks. You should carefully consider all the information in this prospectus, including the risks and uncertainties described below before you decide to buy our ADSs. If any of the following risks actually occurs, our business, prospects, financial condition and results of operations could be materially harmed, the trading price of our ADSs could decline and you could lose all or part of your investment.*

### Risks Related To Our Business

#### **Our limited operating history may not serve as an adequate indicator of our future prospects and results of operations.**

We commenced our solar power business in July 2005 and have a limited operating history. We initially sold solar wafers, solar modules and other related solar power products. In April 2006, we discontinued the sale of solar modules to strategically focus on our production and sale of solar wafers. As such, our historical operating results may not provide a meaningful basis for evaluating our business, financial performance and prospects in the future. We may not be able to achieve a similar growth rate in future periods or maintain profitability following the expansion of our operations. Accordingly, you should not rely on our results of operations for any prior periods as an indication of our future performance. You should evaluate our business and prospects in light of the risks and challenges that we are likely to face as an early-stage company seeking to develop and expand in a rapidly evolving market.

#### **The current industry-wide shortage of silicon raw materials could constrain our revenue growth and decrease our gross margins and profitability.**

Silicon is an essential raw material in the production of our solar wafers. There is currently an industry-wide shortage of virgin polysilicon primarily as a result of the growing market demand for solar power products, and the price of virgin polysilicon has increased in the past few years. We produce solar wafers using silicon raw materials, which include reclaimable raw materials such as part-processed and broken wafers, broken solar cells, pot scrap, silicon powder, ingot tops and tails, and other off-cuts, sourced from the semiconductor industry and the solar power industry. Historically, we purchased a substantial portion of our silicon raw materials from the spot market using short-term contracts and purchase orders. Due to the increasing usage of reclaimable silicon raw materials by wafer manufacturers, the prices of reclaimable silicon raw materials have increased over the past few years. For example, the supply agreements that we recently entered into reflect a continuing increase of such prices. See “Business—Raw Materials” for more details on these agreements. For delivery of silicon raw materials in 2008, some of these agreements stipulate a fixed price, whereas other agreements stipulate a price with reference to the market price calculated on a periodic basis. Depending on the increase in the price of silicon raw materials in 2008, the increase in cost of revenues resulting from our contracts without a fixed price may be greater than the historical increase we have experienced, which may have a material adverse effect on our business and results of operations.

If we fail to procure sufficient silicon raw materials at reasonable prices, we may be unable to timely manufacture our products or our products may only be produced at a higher cost, and we could fail to fulfill contractual commitments, lose customers, market share and revenue, and our profit margins could decrease. This would have a material adverse effect on our business, financial condition and results of operations.

#### **Our dependence on a limited number of suppliers for key raw materials could prevent us from timely fulfilling our customer orders or implementing our expansion plan.**

We purchase our silicon raw materials from a limited number of suppliers, including waste management companies and trading companies that have connections with semiconductor manufacturers. Our top five suppliers collectively accounted for over 35% of the silicon raw material supplies procured in both 2006 and

2007. Desheng Energy Co., Ltd. (formerly Shangrao Desheng Industrial Co., Ltd.), or Desheng Energy, accounted for more than 10% of the silicon raw material supplies procured in 2006 and 2007. The pricing terms under some of our supply agreements are to be determined based on future negotiations, and in the event that we cannot reach agreement on the pricing terms with the suppliers in the future, those agreements may not be enforceable. We also provide some of our customers with wafer and ingot processing services where they supply to us silicon raw materials. Some of our suppliers may fail to timely perform their delivery obligations. The failure of any major supplier to supply raw materials that meet our quality, quantity and cost requirements in a timely manner could impair our ability to manufacture our products or increase our costs. In 2007, the reclaimable silicon raw materials we sorted and cleaned contained, in terms of volume, around 10% of scrap raw materials with low resistivity and unusable materials. If the reclaimable raw materials we purchase contain an unexpected high level of scrap raw materials with low resistivity or unusable materials and to the extent that we have no recourse against the suppliers who sold such raw materials, our cost of revenues will increase and we may need to procure more supplies to satisfy our raw material requirements. This could materially and adversely affect our gross margins. Furthermore, if we fail to maintain our relationships with our major suppliers or fail to develop new relationships with other suppliers, we may be unable to manufacture our products or our products may only be produced at a higher cost or after a long delay, and we could be prevented from delivering our products to our customers in the required quantities and at prices that are profitable.

**Our dependence on a limited number of third-party suppliers for key manufacturing equipment 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 principal manufacturing equipment and spare parts, including wire saws that we use to slice ingots into wafers. Our major equipment suppliers include ALD Vacuum Technologies GmbH, Beijing Oriental Keyun Crystal Technologies Co., Ltd., Shanghai Hanhong Precision Machinery Co., Ltd., Miyamoto Trading Limited and Meyer Burger AG. These suppliers have supplied most of our current equipment and spare parts, and we will also rely on them to provide a substantial portion of the principal manufacturing equipment and spare parts contemplated in our expansion program. However, due to the strong market demand for manufacturing equipment, we have experienced, and may continue to experience, delays in the delivery of such equipment or the provision of technical support. We currently do not have all the supply contracts necessary to secure equipment for our 2009 wafer capacity expansion plan. If we fail to develop new relationships or maintain existing relationships with equipment suppliers, or should any of our major equipment suppliers encounter difficulties in the manufacturing or shipment of its equipment to us, including due to natural disasters or otherwise, it will be difficult for us to find alternative providers for such equipment on a timely basis or on commercially reasonable terms. As a result, the implementation of our expansion plan may be interrupted and our production may be adversely impacted.

**Because 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 power market is highly competitive and continually evolving. We believe the key competitive factors in the solar wafer market include product quality, price and cost competitiveness, manufacturing technologies and efficiency, strength of supplier relationships, economies of scale and reputation. We expect to face increased competition, which may result in price reductions, reduced profit margins or loss of market share. Our competitors include specialized solar wafer manufacturers such as LDK Solar Co., Ltd., Jiangsu Shunda PV-Tech Co., Ltd. and Jinggong P-D Shaoxing Solar Energy Technology Co., Ltd. Our competitors also include solar wafer manufacturing divisions of large conglomerates such as Deutsche Solar AG, Kyocera Corporation and M. SETEK Co., Ltd. In addition, some of the polysilicon suppliers may decide 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 silicon raw materials than we do. For example, some of our competitors have a history of long-term relationships with reclaimable and virgin polysilicon suppliers, and, as a result, such competitors may have an advantage over us in pricing as well as obtaining silicon raw material supplies at times of silicon shortage. Many of our competitors also have more established distribution networks and larger

customer bases. In addition, many of our competitors have well-established relationships with our customers and have extensive knowledge of our target markets. 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. Furthermore, due to the expected growth in demand for solar wafers, we expect an increase in the number of our competitors over the next few years. The key barriers to enter into our industry at present consist of access to sufficient silicon raw materials, key manufacturing equipment, 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.

Moreover, due to the lack of sufficient market information, it is difficult for us to ascertain our competitive position vis-à-vis our competitors on some important competitive factors. 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. Accordingly, investors may not be able to obtain a comprehensive view of our competitive position vis-à-vis our competitors.

**Our future success substantially depends on our ability to significantly increase both our manufacturing capacity and total output, which exposes us to a number of risks and uncertainties.**

As of December 31, 2007, we had 226 monocrystalline furnaces, 32 multicrystalline furnaces and 77 wire saws. We expect to install additional equipment to increase our total annual ingot manufacturing capacity to approximately 645 MW and our annual wafer manufacturing capacity to approximately 585 MW by the end of 2008, and approximately 1,000 MW of both by the end of 2009. We have entered into contracts to purchase some of these equipments. Our future success depends on our ability to implement our strategy of further increasing both our manufacturing capacity and production output. If we are unable to do so, we may be unable to expand our business, decrease our costs per watt, maintain our competitive position in the market and improve our profitability. Our ability to establish additional manufacturing capacity and increase output is subject to significant risks and uncertainties, including:

- the need to raise significant additional funds, which we may be unable to obtain on commercially viable terms or at all;
- the ability to secure sufficient silicon raw materials at reasonable costs to support our expanded manufacturing capacity;
- the ability to timely procure additional production equipment at reasonable costs;
- construction delays and cost overruns;
- delays or denial of required approvals by relevant government authorities; and
- diversion of significant management attention.

If we are unable to successfully establish and operate additional manufacturing capacity, or if we encounter and fail to resolve any of the risks described above, we may be unable to expand our business as planned. Therefore, we cannot assure you that we can meet our desired scale of production so as to implement our strategy of increasing our manufacturing capacity and total output. Moreover, even if we do expand our manufacturing capacity as planned, we may be unable to generate sufficient customer demand for our solar wafers to support our increased production levels, which could adversely affect our business and results of operations.

**Prices for our solar wafers are expected to decline in the next few years, which could adversely affect our gross margin.**

Our solar wafer prices are based on a variety of factors, including silicon raw material costs, supply and demand conditions globally, the quality of our wafers, and the terms of our customer contracts, including sales volumes and the terms on which certain customers supply us with silicon raw materials, if any. We expect that there will be an industry-wide expansion effort to increase the overall wafer manufacturing capacity over the next few years, which will increase solar wafer supplies and create downward pressures on pricing. In addition, any aggressive expansion of manufacturing capacity by us and our competitors may result in significant excess capacity in the solar wafer sector and, as a result, prices may further decline and our utilization rate may decrease. If wafer prices decline and we are unable to lower our costs in line with the price decline, whether through manufacturing larger ingots or thinner wafers, through securing feedstock at reasonable costs, or through technological advances, our gross margins would be adversely affected.

**We may not be successful in the commercial production of new products, which could limit our growth prospects.**

We may develop and produce new products from time to time. For example, in addition to our existing monocrystalline solar wafers, we began the production of multicrystalline wafers in the third quarter of 2007. In the future, we may develop and produce other new products. If we are unable to develop and cost-efficiently produce our new products with the expected performance, or if we are unable to generate sufficient customer demand for our new products, our business and prospects may be adversely impacted and we may be unable to recoup our investment in the development and production of such products.

**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 complementary to our business or form alliances with key players in the solar power industry to further expand our business. Future acquisitions 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 joint venture or other 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 at our own facilities. We lack 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.

**If we fail to manage our growth and expansion effectively, our business may be adversely affected.**

Since we began our wafer manufacturing business, we have experienced a period of fast growth and expansion that has placed, and continues to place, significant strain on our management personnel, systems and resources. To accommodate our growth, we anticipate that we will need to implement a variety of new and upgraded operational and financial systems, procedures and controls, which require substantial management efforts, attention and other resources. We will also need to continue to expand, train, manage and motivate our workforce, manage our customer relationships and manage our relationships with equipment and raw material suppliers. All of these endeavors will require substantial management effort and skill and the incurrence of additional expenditures. Failure to manage our growth effectively may have a material adverse effect on our business.

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

We sell a substantial portion of our solar wafers to a limited number of customers. In 2006 and 2007, our top five customers accounted for 59.1% and 77.7% of our net revenue, respectively. Sales to each of Konca Solar Energy (Wuxi) Co., Ltd., Motech Industries Inc. and Suntech Power Co., Ltd. accounted for over 10% of our net revenue in 2006. In 2007, sales to each of Motech Industries Inc., Solarfun Power Holding Ltd. and Suntech Power Co., Ltd. accounted for over 10% of our net revenue, with sales to each of Motech Industries Inc. and Suntech Power Co., Ltd. representing over 20% of our net revenue. Sales to our major customers are typically made under multi-year framework contracts or multi-year sales contracts. Framework contracts typically provide for the sales volumes and price of our solar wafers for the first year, which terms are binding. The pricing terms, and sometimes the sales volumes, for subsequent years are subject to annual renegotiation. Therefore, if prices for later years cannot be determined through renegotiation, the framework contracts will be terminated or will not be performed. 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. We anticipate that our dependence on a limited number of customers will continue for the foreseeable future. Consequently, any one of the following events may cause material fluctuations or declines in our revenue:

- reduction, delay or cancellation of orders from one or more of our significant customers;
- failure to reach an agreement with our customers on the pricing terms or sales volumes under our framework contracts during annual renegotiations;
- 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 proposed polysilicon projects may not succeed, which may cause a setback to our growth strategy.**

In August 2007, we invested in a 49% interest in Linzhou Zhongsheng Semiconductor, a polysilicon manufacturing company located in Henan Province, China. The first phase of the joint venture with an annualized polysilicon manufacturing capacity of 300 metric tons commenced trial production of polysilicon in January 2008 and has been supplying polysilicon to Zhejiang Yuhui. Development of the second phase with a planned annual capacity of 450 metric tons is currently under consideration. We are committed to purchasing 90% of the joint venture's production output. We also started building a polysilicon manufacturing facility in Meishan, Sichuan Province, China, through our wholly-owned subsidiary Sichuan ReneSola, which was established in Sichuan Province in August 2007. This manufacturing facility is expected to become operational incrementally starting from the first half of 2009 and to have an annualized manufacturing capacity of 3,000 metric tons of polysilicon by the end of 2009. We do not have any operating experience in polysilicon production. Manufacturing polysilicon is a highly complex process and these projects may not be able to produce polysilicon of sufficient quantity and quality 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 yield no output. If any of the polysilicon projects experiences a major delay or is unable to supply us with polysilicon as planned, we will suffer a setback to our raw material procurement strategy. Furthermore, if any of the polysilicon projects fails, we may be unable to recoup our investments. This could materially and adversely affect our growth strategy and our results of operations.

Linzhou Zhongsheng Semiconductor is in the process of obtaining the land use rights where its polysilicon manufacturing facilities are located. In addition, Linzhou Zhongsheng Semiconductor has not obtained the requisite construction permits prior to constructing and operating the facilities on such land. We cannot assure you that we will be able to obtain the land use rights and permits. Failure to obtain the necessary rights and permits may subject Linzhou Zhongsheng Semiconductor, to various penalties, including fines or demolition of the facilities, which will have a materially adverse effect on our business, results of operations and growth strategy.

Sichuan ReneSola has not yet obtained the approval from the PRC National Development and Reform Commission or its local counterpart for the project of manufacturing 3,000 metric tons of polysilicon per year, and also has not obtained the Construction Land Use Right Permit for such project. Failure to obtain the above approval and permit may subject Sichuan ReneSola to various penalties, including fines, suspension of construction or demolition of the facilities after the construction being completed, which will have a materially adverse effect on our business, results of operations and growth strategy.

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

In order to secure a greater supply of silicon raw materials, we make advance payments to most of our silicon raw material suppliers, which is consistent with the industry practice. As of December 31, 2006 and 2007, our advances to suppliers amounted to approximately \$17.0 million and \$53.7 million, respectively. We depend on a limited number of suppliers, and we make such advance payments without receiving any collateral. As a result, our claims for such advance payments would rank only as unsecured claims, exposing us to the credit risks of the suppliers in the event of their insolvency or bankruptcy. We may not be able to recover such advance payments and would suffer losses should the suppliers fail to fulfill their delivery obligations under the contracts. Accordingly, defaults by our suppliers may materially and adversely affect our financial condition, results of operations and liquidity.

**Our costs and expenses may be greater than those of our competitors as we enter into fixed-price, prepaid arrangements with our suppliers.**

We secure a portion of our supply of silicon raw materials through fixed-price, prepaid supply arrangements. If the price of silicon raw materials were to decrease in the future, our fixed-price, prepaid arrangements may cause our cost of raw materials to be greater than that of our competitors who operate under floating-price arrangements. Additionally, if demand for our solar wafers decreases, we may incur inventory holding costs, which may have a material adverse effect on our cash flows. To the extent we would not be able to pass these increased costs and expenses on to our customers, our business, results of operations and financial condition may be materially and adversely affected.

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

A majority of our solar wafers sold are made into modules, which are eventually utilized in the on-grid market, where the solar power systems are connected to the utility grid and generate electricity to feed into the grid. We believe that the near-term growth of the market for on-grid applications depends in large part on the availability and size of government subsidies and economic incentives. The reduction or elimination of subsidies and economic incentives may adversely affect the growth of this market or result in increased price competition, either of which could cause our revenue to decline.

Today, when upfront system costs are factored into cost per kilowatt, the cost of solar power substantially exceeds the cost of power furnished by the electric utility grid in many locations. As a result, national and local governmental bodies in many countries, most notably in Germany, Spain, Italy, the United States and China, 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 in on-grid applications and to reduce dependence on other forms of energy. These government economic incentives could potentially be reduced or eliminated altogether. 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, reductions in, or eliminations of, subsidies and economic incentives for on-grid solar energy applications could result in decreased demand for our products and cause our revenue to decline.

**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 revenue may not continue to increase or may even decline, and we may be unable to achieve or sustain our profitability.**

The solar power market is at a relatively early stage of 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 power 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 revenue may suffer and we may be unable to sustain our profitability.

In addition, the entire solar power industry faces competition from conventional and non-solar renewable energy technologies. Due to the relatively high manufacturing costs compared to most other energy sources, solar energy is generally not competitive without government subsidies and economic incentives.

**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 power 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 monocrystalline wafers and multicrystalline wafers. 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 revenue 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 ingots and solar wafers 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 malfunctions of the equipment or facilities used can lower yields or silicon consumption



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rate, cause quality control problems, interrupt production or result in losses of products in process. For example, when we began slicing wafers during the initial training period for our employees, we encountered a higher than expected number of solar wafers that did not pass our quality control standards and thus required reprocessing. From time to time, a small portion of our wafers sold were returned because these wafers did not meet the quality standards required by some of our customers. Moreover, during the second quarter of 2007, a number of our monocrystalline furnaces were temporarily shut down for upgrades, which resulted in a shortfall from our planned production output for that quarter. We may also experience floods, droughts, power losses, labor disputes and similar events within or beyond our control that would affect our operations. Because our manufacturing capabilities are concentrated in our manufacturing facilities in Jiashan, China, any problem in our facilities may limit our ability to manufacture products and to fulfill our commitments to customers on a timely basis. Our manufacturing processes also use hazardous equipment, such as ingot furnaces, squarers and wire saws. Unexpected accidents may result in production curtailments or shutdowns or periods of reduced production, which would negatively affect our results of operations. In addition, such events could cause damage to properties, 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 Xiaoshu Bai, our chief financial officer, Mr. Yuncai Wu, our vice president, and Dr. Panjian Li, our chief strategy officer and chief executive officer of 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 China's legal system. See “—Risks Related to Doing Business in China—Uncertainties with respect to the PRC legal system could adversely affect us.”

### **Problems with product quality or product performance could result in increased costs, damage to our reputation and loss of revenue 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. Our products may contain defects that are not detected until after they are shipped or installed. For example, recently, we have been in dispute with one of our former customers regarding the return or refund of certain shipments of solar modules that were sold in 2005. While we are still disputing the alleged defects, 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 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, in particular for payments to suppliers to secure our raw materials requirements. 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

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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.

If we are unable to obtain necessary capital in a timely manner or on commercially acceptable terms, our operation, results of operations and growth prospects may be materially and adversely affected.

### **If more stringent restrictions are imposed on the import of reclaimable silicon materials, our raw material supplies may be adversely affected.**

We import a substantial amount of reclaimable silicon raw materials from overseas suppliers into China. China has implemented rules regulating the import of waste materials into China, under which waste materials are categorized as “permitted,” “restricted” or “prohibited.” If certain imported material is recognized as waste material and is not categorized as “permitted” or “restricted,” it generally will be deemed as “prohibited” for import. The prohibited waste materials are not allowed to be imported into China. The import of restricted waste material is subject to the approval of various governmental authorities, including environmental protection authorities. According to the advice of our PRC counsel, Boss & Young, and our consultation with relevant governmental authorities, it is unclear whether reclaimable silicon we used should be regarded as waste materials and therefore shall be subject to the waste importation regulations. Currently, relevant PRC local customs allow the import of reclaimable silicon. However, we were informed that new rules may be issued to clarify the classification of reclaimable silicon for import purposes. It is uncertain when the new rules will be issued and we cannot predict the categorization of the silicon material we used under the new rules. If reclaimable silicon is categorized as a restricted or prohibited waste material for import, we may be unable to import reclaimable silicon in sufficient quantities to support our production, or at all. If this occurs, we may be forced to seek alternative sources for silicon raw materials, which could be significantly more expensive or harder to acquire. This could materially and adversely affect our business and results of operations.

### **We face risks associated with the marketing, distribution and sale of our solar power products internationally, and if we are unable to effectively manage these risks, they could impair our ability to expand our business abroad.**

In 2006 and 2007, 32.9% and 37.7%, respectively, of our net revenue were generated from customers outside of China. We continue to sell our products outside of China. The marketing, distribution and sale of our solar power products in international markets expose us to a number of risks, including:

- fluctuations in currency exchange rates;
- increased costs associated with maintaining marketing efforts in various countries;
- difficulty and costs relating to compliance with the different commercial 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 attract, train and retain qualified personnel, our business may be materially and adversely affected.**

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.

**If we fail to establish 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, or Sarbanes-Oxley Act, 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. These requirements will first apply to our annual report on Form 20-F for the fiscal year ending on December 31, 2008. Our reporting obligations as a public company will place a significant strain on our management, operational and financial resources and systems for the foreseeable future.

During the preparation and external audit of our consolidated financial statements for the year ended December 31, 2007, we identified a material weakness and certain deficiencies in our internal control over financial reporting, as defined in the standards established by the U.S. Public Company Accounting Oversight Board. The material weakness identified related to our failure to apply, or failure to apply in a consistent manner, certain aspects of accounting policies and procedure, such as inadequate formal documentation of the control procedures on the financial reporting of certain subsidiaries and joint venture entity and inadequate control procedures to identify and apply relevant accounting to non-routine transactions. If we had performed a thorough assessment of our internal control over financial reporting or if our independent registered public accounting firm had performed an audit of our internal control over financial reporting, additional material weaknesses, significant deficiencies or control deficiencies might have been identified.

We are in the process of implementing measures to remedy this material weakness and deficiencies to meet the deadline imposed by Section 404 of the Sarbanes-Oxley Act. If we fail to timely achieve and maintain the adequacy of our internal controls, our management may conclude that our internal control over financial reporting is not effective. 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 four patents and seven pending patent applications in China. 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

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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 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.

### **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 other intellectual property rights of third parties. The defense and prosecution 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 to which we may become a party could subject us to significant liability to third parties, require us to seek licenses from third parties, to pay ongoing royalties, or to redesign our products or subject us to injunctions prohibiting the manufacture and sale of our products or the use of our technologies. 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.

### **Our quarterly operating results may fluctuate from period to period in the future.**

Sales of our solar power products have increased due to strong demand and our rapid expansion. Typically, demand for solar power products tends to be weaker during the winter months, because of adverse weather conditions in certain regions, which complicate the installation of solar power systems. As such, our quarterly operating results may fluctuate from period to period based on the seasonality of industry demand for solar power products. In addition, our quarterly results may also be affected by other factors, such as changes in costs of raw materials, delays in equipment delivery, suppliers' failure to perform their delivery obligations and interruptions in electricity supply, etc. As a result, you may not be able to rely on period to period comparisons of our operating results as an indication of our future performance.

### **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. To mitigate the effect of possible interruption or shortage of electricity, we have installed backup power transformer substations at our site with an aggregate capacity of 11 million volt-amperes. 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, we cannot assure you that there will be no risk of interruption or shortages in our electricity supply or that there

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will be sufficient electricity available to meet our future requirements. We also cannot assure you that our electricity cost will not rise significantly or that we will be able to pass the increased cost to our customers. Increases in electricity costs may adversely affect our profitability.

### **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 processing reclaimable silicon raw materials, producing ingots and slicing wafers, 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 and have all the necessary environmental permits 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.

### **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 other countries. We do not have any product liability insurance or business interruption insurance. 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.

As with 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. Historically, our solar modules were typically sold with a warranty for minimum power output warranty of 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 only since July 2005, and discontinued the sale of our solar modules in April 2006. 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.

### **Our financial leverage may hamper our ability to expand and may materially affect our results of operations.**

We have significant borrowings. We issued RMB928,700,000 U.S. Dollar Settled 1% Convertible Bonds due 2012 in March 2007, which are used primarily for working capital purposes and capital expenditures. We

expect to incur new debt obligations to finance our operations and, as a result, we will be required to allocate a significant 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. We cannot assure you that our business will 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. We cannot assure you that any of these alternatives can be implemented on satisfactory terms, if at all, or without breach of the terms and conditions of existing or future financing arrangements. In the event that we are unable to meet our obligations when they become due or if our creditors take legal action 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.

**We failed to disclose certain trust arrangements involving shares in our company owned by Messrs. Li and Wu in our admission document in connection with our AIM flotation. Any future breach of the AIM rules by us may subject us to strict disciplinary actions by AIM.**

In July 2007, it came to our attention that the admission document we used in connection with our AIM flotation failed to mention an arrangement pursuant to which Messrs. Li and Wu had agreed to hold in trust for Messrs. Zhengmin Lian and Xiangjun Dong, each a director of Zhejiang Yuhui, certain percentages of shares in ReneSola registered under Ruixin Holdings Limited and Yuncai Holdings Limited. Such omission was due to an oversight and resulted in a failure to disclose Messrs. Lian's and Dong's beneficial interests in our shares. Promptly upon discovery of such omission, we informed AIM and issued a public announcement on the AIM market correcting this omission and disclosing Messrs. Lian's and Dong's beneficial interests in us. After a preliminary inquiry, AIM found in September 2007 that we had breached the AIM rules in respect of the accurate disclosure of directors' share ownership in the company. Because there was no intention to mislead our investors, AIM decided not to pursue disciplinary action against us or any individual associated with us. However, AIM has reserved the right to revisit this decision in the event of any future breach by us. Should any of AIM's rules be breached in the future, AIM may take disciplinary action against us because of our prior record. Any disciplinary action by AIM against us, which could include, inter alia, a fine, public or private censure and/or cancellation of admission, may have a material adverse effect on the trading prices of our shares on AIM and of our ADS.

**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.**

Substantially all of our business operations are conducted in China, and some of our sales are made in China. Accordingly, our business, financial condition, results of operations and prospects are significantly affected by economic, political and legal developments in China. Since the late 1970s, the PRC government has been reforming the economic system in China. These reforms have resulted in significant economic growth. However, we cannot predict the future direction of economic reforms or the effects such measures may have on our business, financial position or results of operations. Furthermore, while the economy of China has experienced significant growth in the past twenty years, this growth has been uneven, both geographically and among various sectors of the economy. Any adverse change in the economic conditions in China, in policies of the PRC government, or in laws and regulations in China, could have a material adverse effect on the overall economic growth of China and investment in the solar power industry. Such developments could adversely affect our business, lead to a reduction in demand for our products and adversely affect our competitive position.

**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 subsidiary, Zhejiang Yuhui, incorporated in China. Zhejiang Yuhui is generally subject to laws and regulations 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 1979, 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 of 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. Under the new tax law and relevant rules, Zhejiang Yuhui is subject to a state enterprise income tax rate of 25% as of January 1, 2008. In addition, enterprises that were established and already enjoyed preferential income tax treatments before March 16, 2007 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 starts from January 1, 2008, if the first profitable year for the relevant enterprise is later than January 1, 2008. Therefore, Zhejiang Yuhui will continue to be entitled to the above preferential tax exemption and reduction currently enjoyed by it during such transition period.

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, it is entitled to full exemption from enterprise income tax for the two years starting from its first profitable year of operation with respect to the income attributable to operations funded by the increased capital and a 50% deduction in income taxes for the following three years, upon written approval from the tax authority. Since our capital increase from \$45.0 million to \$102.5 million was registered after March 16, 2007, we have received an approval from the PRC tax authority that income derived from this registered capital increase will receive preferential tax treatment until December 31, 2007. However, since the new Enterprise Income Tax Law was only recently enacted, there remains uncertainty as to whether we can maintain the preferential tax treatment for income derived from some of our registered capital increases.

In addition, although the approval letter we received from the PRC tax authority has indicated that income derived from 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 we have paid tax on income derived from such capital increase at the rate of 12.5% after January 1, 2008, which is 50% of the statutory tax rate. The tax authority may request us to make a supplementary tax payment on our income which have been paid at the rate of 12.5% and also request that we pay tax at the rate of 25% in the future.

Moreover, under the new tax law, enterprises organized under the laws of jurisdictions outside China with their de facto management bodies located within China may be considered PRC resident enterprises and,



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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 China, we may be considered a PRC resident enterprise and, therefore, subject to PRC enterprise income tax at the rate of 25% on our worldwide income. 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, as of July 1, 2007, the VAT refund was reduced to 5%, which materially affects the gross margin of our overseas sales. If this VAT refund is further reduced, our profitability may be materially and adversely affected.

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

We rely on dividends paid by our PRC subsidiary, Zhejiang Yuhui, for our cash needs, including the funds necessary to pay dividends and other cash distributions, if any, to our shareholders, to service any 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 has not been paid.

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 China-sourced income derived after January 1, 2008, by non-resident enterprises 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. The Company does not currently intend to declare dividends for the foreseeable future. However, if the Company is classified as a resident enterprise, such dividends payable to foreign enterprise investors may be subject to the 10% withholding tax.

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

A substantial portion of our sales, costs and expenses is denominated in Renminbi and U.S. dollars, with the remainder in Euros and Japanese Yen. Fluctuations in exchange rates, particularly among the U.S. dollar and Renminbi, could affect our net profit margins and could result in foreign exchange losses and operating losses. For example, we recognized foreign exchange loss of \$4.0 million in 2007. 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 change in value of the Renminbi against the U.S. dollar and other currencies is affected by, among other things, changes in China’s political and economic conditions. 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 is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. This change in policy has resulted in an approximately 16.1% appreciation of the RMB against the U.S. dollar

between July 21, 2005 and June 5, 2008. While the international reaction to the Renminbi revaluation has generally been positive, there remains significant international pressure on the PRC government to adopt an even more flexible currency policy, which could result in a further and more significant appreciation of the Renminbi against the U.S. dollar. As a substantial portion of our costs and expenses is denominated in Renminbi, the revaluation beginning in July 2005 and potential future revaluation has and could further increase our costs in U.S. dollar terms. For example, if we decide to convert our Renminbi into U.S. dollars for the purpose of making payments for dividends on our shares or ADSs 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. In addition, appreciation or depreciation in the value of the Renminbi relative to the U.S. dollar would affect our financial results reported in U.S. dollar terms without giving effect to any underlying change in our business or results of operations.

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

A significant portion of our revenue and expenses are denominated in Renminbi. If our revenue denominated in Renminbi increase or expenses denominated in Renminbi decrease in the future, we may need to convert a portion of our revenue 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 the State Administration of Foreign Exchange, or the 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 the 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 the SAFE, the Ministry of Commerce or their local counterparts. These limitations could affect the ability of Zhejiang Yuhui to obtain foreign exchange through debt or equity financing, and could affect our business and financial condition.

**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 New York Stock Exchange, this offering could be delayed until we obtain approval.**

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 New York Stock Exchange in January 2008. We did not seek CSRC approval in connection with either our initial public offering or this offering. 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, Boss & Young, 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 New York Stock Exchange did not require CSRC approval.

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If the CSRC or another PRC regulatory agency subsequently determines that CSRC approval was required for the initial public offering or is required for this offering, 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 this offering 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. The CSRC or other PRC regulatory agencies also may take actions requiring us, or making it advisable for us, to halt this offering before settlement and delivery of the ADSs offered hereby. Consequently, if you engage in market trading or other activities in anticipation of and prior to settlement and delivery, you do so at the risk that settlement and delivery may not occur.

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.

### **Recent 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, the 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.

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 completed the necessary filings as required under Notice 75 and other related rules, except that (i) Mr. Xianshou Li and Mr. Yuncai Wu have filed and updated their 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; (iii) we are in the process of making filings in connection with options granted to our PRC employees under our 2007 share incentive plan; and (iv) Mr. Zhengmin Lian and Mr. Xiangjun Dong have inquired with the relevant local branch of the SAFE with respect to the filings of the shares that Mr. Li and Mr. Wu hold on trust for them as described in "Related Party Transactions—Restructuring," but were advised that such applications could not be accepted as there is a lack of precedents for filing such trust arrangements. We attempt to comply, and attempt to ensure that our shareholders

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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, 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. Any prolonged recurrence of avian flu, SARS 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 or any other epidemic.

### **Risks Related To Our ADSs**

#### **Volatility of the AIM market may adversely affect the price of our shares and ADSs.**

Our shares are traded on the AIM market of the London Stock Exchange. AIM, like any other securities exchange, may experience problems that affect the market price and liquidity of the securities of its listed companies. These problems may include temporary exchange closures, the suspension of stock exchange administration, broker defaults, settlement delays and strikes by brokers. Similar problems could occur in the future and, if they do, they could harm the market price and liquidity of our shares and the price of 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;
- 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;

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- 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. These market fluctuations may also 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 vice president and director, currently hold, indirectly, approximately 32.4% and 16.7% of our outstanding share capital, respectively, as of the date of this prospectus. 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 this offering will be sufficient to meet our anticipated cash needs in 2008, including our cash needs for working capital and capital expenditures. We may, however, 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 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.**

Additional 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 of our ADSs are freely transferable without restriction or additional registration under the Securities Act of 1933, as amended, or the Securities Act. Moreover, as of June 5, 2008, approximately 15.3 million of our shares held by persons not affiliated with us were eligible for resale under Rule 144

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under the Securities Act. Each of our directors, executive officers and certain shareholders has agreed, subject to certain exceptions, not to transfer or dispose of any of our shares, in the form of ADSs or otherwise, for a period of 90 days after the date of this prospectus. After the expiration of the 90-day period the shares held by these shareholders may be sold subject to volume and other restrictions under Rule 144 under the Securities Act. Further, any or all of these shares may be released prior to expiration of the lock-up period at the discretion of the lead underwriters for our public offering. To the extent shares are released before the expiration of the lock-up period and these shares are sold into the market, the market price of our ADSs could decline.

### **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 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

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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.

### **We may be classified as a passive foreign investment company, which could result in adverse U.S. federal income tax consequences to U.S. Holders of our ADSs or shares.**

We do not expect to be a passive foreign investment company, or PFIC, for U.S. federal income tax purposes for our current taxable year ending December 31, 2008. However, we must make a separate determination each taxable year as to whether we are a PFIC (after the close of each taxable year). Accordingly, we cannot assure you that we will not be a PFIC for our current taxable year ending December 31, 2008 or any future taxable year. A non-U.S. corporation will be considered a PFIC for any taxable year if either (1) at least 75% of its gross income is passive income or (2) at least 50% of the value of its assets (based on an average of the quarterly values of the assets during the taxable year) is attributable to assets that produce or are held for the production of passive income. The value of our assets for purposes of the PFIC asset test will generally be determined based on the market price of our ADSs and shares. If we are treated as a PFIC for any taxable year during which a U.S. Holder (as defined in “Taxation—U.S. Federal Income Taxation”) holds an ADS or a share, certain adverse U.S. federal income tax consequences could apply to such U.S. Holder. See “Taxation—U.S. Federal Income Taxation—Passive Foreign Investment Company.”

### **We incur increased costs as a result of being a public company in the United States.**

As a public company in the United States, we incur a significantly higher level of legal, accounting and other expenses than we did previously. In addition, the Sarbanes-Oxley Act and new rules subsequently implemented by the SEC and the New York Stock Exchange have required changes in the corporate governance practices of public companies. We expect these new rules and regulations to increase our legal and financial compliance costs and to make some activities more time-consuming and costly. We are currently evaluating and monitoring developments with respect to these new rules, and we cannot predict or estimate the amount of additional costs we may incur or the timing of such costs.

## FORWARD-LOOKING STATEMENTS

We make “forward-looking statements” in the “Prospectus Summary,” “Risk Factors,” “Use of Proceeds,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business” sections and elsewhere throughout this prospectus, such as our expected manufacturing capacity, our estimated silicon raw material requirements for 2008 and our estimated silicon consumption rate for 2008. 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 prospectus will happen as described or that they will happen at all. You should read this prospectus completely and with the understanding that actual future results may be materially different from what we expect. The forward-looking statements made in this prospectus 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 with 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. The “Risk Factors” section of this prospectus describes the principal contingencies and uncertainties to which we believe we are subject.

This prospectus also contains data related to the solar power market in several countries, including China. This market data, including market data from Solarbuzz, include projections that are based on a number of assumptions. The solar power market may not grow at the rates projected by the market data, or at all. The failure of the market to grow at the projected rates may materially and adversely affect our business and the market price of our ADSs. In addition, the rapidly changing nature of the solar power market subjects any projections or estimates relating to the growth prospects or future condition of our market to significant uncertainties. If any one or more of the assumptions underlying the market data proves to be incorrect, actual results may differ from the projections based on these assumptions. You should not place undue reliance on these forward-looking statements.



## USE OF PROCEEDS

We estimate that we will receive net proceeds from this offering of approximately \$188.4 million, or approximately \$202.2 million if the underwriters exercise their option to purchase additional ADSs in full, after deducting underwriting discounts and commissions and the estimated offering expenses payable by us. These estimates are based upon an assumed public offering price of \$24.35 per ADS, the last sale price for our ADSs as reported on the New York Stock Exchange on June 5, 2008. We will not receive any of the proceeds from the sale of ADSs by the selling shareholders. A \$1.00 increase (decrease) in the assumed public offering price of \$24.35 per ADS would increase (decrease) the net proceeds of this offering by \$7.8 million after deducting underwriting discounts and commissions and the estimated offering expenses payable by us. We intend to use the net proceeds we receive from this offering for the following purposes:

- approximately \$70 million to expand our solar wafer manufacturing facilities and purchase additional equipment for our wafer capacity expansion plan in 2008 and 2009;
- approximately \$100 million to invest in polysilicon manufacturing production in 2008 and 2009; and
- the remaining amount for other general corporate purposes.

The foregoing represents our current intentions to use and allocate the net proceeds of this offering based upon our present plans and business conditions. We believe that our current cash and cash equivalents, anticipated cash flows from our operations and bank borrowings, existing bank facilities and net proceeds from this offering will be sufficient to meet our anticipated cash needs in 2008. Our management, however, will have significant flexibility and discretion to apply the net proceeds of this offering. If an unforeseen event occurs or business conditions change, we may use the proceeds of this offering differently than as described in this prospectus.

Pending use of the net proceeds, we intend to hold our net proceeds in demand deposits or invest them in interest-bearing government securities.

Since we are an offshore holding company, we will need to make capital contributions and loans to our PRC subsidiaries such that the net proceeds of the offering can be used in the manner described above. Such capital contributions and loans are subject to a number of limitations and approval processes under PRC laws and regulations. We cannot assure you that we can obtain the approvals from the relevant governmental authorities, or complete the registration and filing procedures required to use our net proceeds as described above, in each case on a timely basis, or at all. We will not receive any of the proceeds from the sale of ADSs by the selling shareholders.

## 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 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 subsidiaries 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 any principal or interest due in that year 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 China-sourced income derived after January 1, 2008, by non-resident enterprises 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 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 as to whether to distribute 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. According to the terms of our RMB928,700,000 U.S. Dollar Settled 1% Convertible Bonds due in 2012, if we pay any dividends, the conversion price of such bonds will be adjusted downward by multiplying a fraction, the numerator of which is the current market price per share of our company on the last trading day preceding the date on which the dividend is announced, or the market price of the preceding day, minus the fair market value of the dividend per share on the date of such announcement, and the denominator of which is the market price of the preceding day. If we pay any dividends, we will pay our ADS holders to the same extent as holders of our shares, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder. See "Description of American Depositary Shares."

## CAPITALIZATION

The following table sets forth our capitalization as of December 31, 2007:

- on an actual basis;
- on an as adjusted basis to reflect (i) the sale of 9,212,500 ADSs by us in our initial public offering in January 2008, and (ii) the sale of 8,149,437 ADSs by us in this offering based on the assumed public offering price of \$24.35 per ADS, the last sale price for over ADSs as reported on the New York Stock Exchange on June 5, 2008, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us; and
- on a pro forma as adjusted basis to reflect: (i) the sale of 9,212,500 ADSs by us in our initial public offering in January 2008, (ii) the sale of 8,149,437 ADSs by us in this offering at the assumed public offering price of \$24.35 per ADS, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us, and (iii) the conversion of approximately 10,740,968 shares pursuant to RMB928,700,000 U.S. Dollar Settled 1% Convertible Bonds due 2012 calculated based on the conversion price in effect on the date of this prospectus.

You should read this table together with our consolidated financial statements and the related notes included elsewhere in this prospectus and the information under “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

	As of December 31, 2007		
	Actual	As adjusted (in thousands)	Pro forma as adjusted
Convertible bonds payable	\$ 128,265	\$ 128,265	\$ —
Long-term borrowings (unguaranteed and unsecured)	6,845	6,845 <sup>(3)</sup>	6,845 <sup>(3)</sup>
<b>Shareholders’ equity:</b>			
Shares (no par value; 250,000,000 shares authorized and 100,000,032 shares issued and outstanding as of December 31, 2007) <sup>(1)(2)</sup>	36,266	333,658	458,587
Additional paid-in capital	14,827	14,827	14,827
Retained earnings	66,200	66,200	66,200
Accumulated other comprehensive income	8,415	8,415	8,415
Total shareholders’ equity <sup>(1)</sup>	<u>125,708</u>	<u>423,100</u>	<u>548,029</u>
Total capitalization <sup>(2)</sup>	<u>\$ 260,818</u>	<u>\$ 558,210</u>	<u>\$ 554,874</u>

- (1) A \$1.00 increase (decrease) in the assumed public offering price of \$24.35 per ADS would increase (decrease) the amounts representing shares, total shareholders’ equity and total capitalization by \$7.8 million.
- (2) The pro forma as adjusted amount also includes \$3,335,681 of unamortized deferred convertible bond issue costs as of December 31, 2007.
- (3) Excludes long-term loans entered into after January 1, 2008, consisting of a loan from Bank of China of RMB120 million (\$16.3 million) in January 2008 and three long-term loans from Industrial and Commercial Bank of China of approximately RMB25 million (\$3.4 million) in March 2008, RMB30 million (\$4.1 million) in April 2008 and RMB35 million (\$4.8 million) in April 2008.

## DILUTION

Our net tangible book value as of December 31, 2007 was approximately \$114.9 million, or \$1.15 per share, and \$2.30 per ADS. Net tangible book value per share represents the amount of total tangible assets (net of prepaid land rent and deferred convertible bond issue costs), minus the amount of total liabilities, divided by the total number of shares outstanding. Dilution is determined by subtracting net tangible book value per share from the public offering price per share.

Without taking into account any other changes in such net tangible book value after December 31, 2007, other than to give effect to: (i) the sale of 9,212,500 ADSs by us in our initial public offering in January 2008, (ii) the conversion into approximately 10,740,968 shares pursuant to our RMB928,700,000 U.S. Dollar Settled 1% Convertible Bonds due 2012 calculated based on the conversion price in effect on the date of this prospectus, and (iii) the issuance and sale of 8,149,437 ADSs in this offering, at the assumed public offering price of \$24.35 per ADS, after deduction of underwriting discounts and commissions and estimated offering expenses payable by us, our pro forma as adjusted net tangible book value at December 31, 2007 would have been \$3.72 per outstanding share, including shares underlying our outstanding ADSs, or \$7.43 per ADS. This represents an immediate increase in net tangible book value of \$0.99 per share, or \$1.98 per ADS, to existing shareholders and an immediate dilution in net tangible book value of \$8.46 per share, or \$16.92 per ADS, to purchasers of ADSs in this offering.

The following table illustrates the dilution on a per share basis based on the assumed public offering price per share of \$12.18, and all ADSs are exchanged for shares:

	<u>Per Ordinary Share</u>	<u>Per ADS</u>
Assumed public offering price	\$ 12.18	\$ 24.35
Net tangible book value as of December 31, 2007	1.15	2.30
Pro forma net tangible book value per share after giving effect to the sale of 9,212,500 ADSs by us during the initial public offering in January 2008 and the conversion of RMB928,700,000 U.S. Dollar Settled 1% Convertible Bonds due 2012	2.73	5.45
Pro forma as adjusted net tangible book value per share after giving effect to the sale of 9,212,500 ADSs by us during the initial public offering in January 2008, conversion of RMB928,700,000 U.S. Dollar Settled 1% Convertible Bonds due 2012 and this offering	3.72	7.43
Amount of dilution in net tangible book value to new investors in the offering	<u>\$ 8.46</u>	<u>\$ 16.92</u>

A \$1.00 increase (decrease) in the assumed public offering price of \$24.35 per ADS would increase (decrease) our pro forma as adjusted net tangible book value per share and per ADS by \$0.05 per share and \$0.11 per ADS and the dilution in pro forma as adjusted net tangible book value per share and per ADS to new investors in this offering by \$0.45 per share and \$0.89 per ADS, after giving effect to (i) the sale of 9,212,500 ADSs by us in our initial public offering in January 2008, (ii) the conversion into approximately 10,740,968 shares pursuant to our RMB928,700,000 U.S. Dollar Settled 1% Convertible Bonds due 2012 calculated based on the conversion price in effect on the date of this prospectus and (iii) this offering, after deducting underwriting discounts and commissions and other offering expenses payable by us.

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The number of shares issuable upon the conversion of our RMB928,700,000 U.S. Dollar Settled 1% Convertible Bonds due 2012 will be adjusted if we issue shares in our offering at a price below 95% of the current market price of our shares on AIM on the last trading day preceding the date of announcement of the terms of our offering, which will affect our pro forma and pro forma as adjusted information discussed in this prospectus. The conversion price of the convertible bonds will be adjusted by multiplying the conversion price immediately before the issue of additional shares by the following fraction:

$$\frac{A + B}{C}$$

Where:

- A is the number of shares in issue immediately before the issue of such additional shares;
- B is the number of shares which the aggregate consideration receivable for the issue of such additional shares would purchase at such current market price per share; and
- C is the number of shares in issue immediately after the issue of such additional shares.

Current market price at a particular date means the average closing price our AIM shares for the five consecutive trading days ending on the trading day immediately preceding such date. Such adjustment shall become effective on the date of issue of such additional shares.

The pro forma and pro forma as adjusted information discussed above are illustrative only. Our net tangible book value following the completion of this offering is subject to adjustment based on the actual public offering price of our ADSs and other terms of this offering determined at pricing.

The following table summarizes, on a pro forma basis as of December 31, 2007, the differences between the shareholders as of December 31, 2007 and the new investors with respect to the number of shares purchased from us, the total consideration paid and the average price per share paid at the public offering price of \$24.35 per ADS, assuming (i) the sale of 9,212,500 ADSs by us in our initial public offering in January 2008 and (ii) the conversion into approximately 10,740,968 shares pursuant to our convertible bonds calculated based on the conversion price in effect on the date of this prospectus, and before deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. The total number of shares does not include 595,437 ADSs issuable pursuant to the exercise of the over-allotment option granted to the underwriters.

	<u>Shares Purchased</u>		<u>Total Consideration</u>		<u>Average Price Per Share</u>	<u>Average Price Per ADS</u>
	<u>Number</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>		
Existing shareholders	129,166,000 <sup>(1)</sup>	89%	285,046,984	59%	\$ 2.21	\$ 4.41
New investors	16,298,874	11	198,438,791	41	\$ 12.18	\$ 24.35
<b>Total</b>	<b>145,464,874</b>	<b>100%</b>	<b>483,485,775</b>	<b>100%</b>		

(1) Assuming the conversion of approximately 10,740,968 shares pursuant to RMB928,700,000 U.S. Dollar Settled 1% Convertible Bonds due 2012 calculated based on the assumed adjusted conversion price according to the defined market price on June 5, 2008.

A \$1.00 increase (decrease) in the assumed public offering price of \$24.35 per ADS would increase (decrease) total consideration paid by new investors, total consideration paid by all shareholders, average price per share and per ADS paid by all shareholders by \$8.1 million, \$8.1 million, \$0.06 per share and \$0.11 per ADS,

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respectively, assuming (i) the sale of 9,212,500 ADSs by us in our initial public offering in January 2008, (ii) the conversion into approximately 10,740,968 shares pursuant to our convertible bonds based on the conversion price in effect on the date of this prospectus and (iii) this offering, before deducting underwriting discounts and commissions and other offering expenses payable by us.

**EXCHANGE RATE INFORMATION**

Our business is conducted in China, and a substantial portion of our revenue is denominated in Renminbi. However, periodic reports made to shareholders will be expressed in U.S. dollars using the then current exchange rates. For the sole convenience of the reader, this prospectus contains translations of certain Renminbi amounts into U.S. dollars at the rate of RMB7.2946 to \$1.00, the noon buying rate in effect on December 31, 2007 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 any Renminbi or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or Renminbi, as the case may be, at any particular rate, the rates stated below, or at all. The PRC government imposes control over its foreign currency reserves in part through direct regulation of the conversion of Renminbi into foreign exchange and through restrictions on foreign trade. On June 5, 2008, the noon buying rate was RMB6.9460 to \$1.00.

The following table sets forth information concerning exchange rates between the RMB and the U.S. dollar for the periods indicated. These rates are provided solely for your convenience and are not necessarily the exchange rates that we used in this prospectus or will use in the preparation of our periodic reports or any other information to be provided to you. The source of these rates is the Federal Reserve Bank of New York.

Period	Noon Buying Rate			
	Period End	Average <sup>(1)</sup> (RMB Per \$1.00)	Low	High
2003	8.2767	8.2771	8.2765	8.2800
2004	8.2765	8.2768	8.2764	8.2774
2005	8.0702	8.1940	8.0702	8.2765
2006	7.8041	7.9579	7.8041	8.0702
2007	7.2946	7.5806	7.2946	7.7714
July	7.5720	7.5757	7.5580	7.6055
August	7.5462	7.5734	7.5420	7.6181
September	7.4928	7.5196	7.4928	7.5540
October	7.4682	7.5016	7.4682	7.5158
November	7.3850	7.4212	7.3800	7.4582
December	7.2946	7.3682	7.2946	7.4120
2008				
January	7.1818	7.2405	7.1818	7.2946
February	7.1115	7.1644	7.1100	7.1973
March	7.0120	7.0722	7.0105	7.1110
April	6.9870	7.0000	6.9840	7.0185
May	6.9400	6.9725	6.9377	7.0000
June (through June 5)	6.9460	6.9440	6.9633	6.9325

(1) Annual averages are calculated using the average of month-end rates of the relevant year. Monthly averages are calculated using the average of the daily rates during the relevant period.

Unless otherwise noted, all translations from pounds sterling to U.S. dollars and from U.S. dollars to pounds sterling in this prospectus were made at a rate of £1.00 to \$1.9843, the noon buying rate in effect on December 31, 2007 in New York City for cable transfers of pounds sterling as certified for customs purposes by the Federal Reserve Bank of New York. We make no representation that any pounds sterling or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or pounds sterling, as the case may be, at any particular rate, the rates stated below, or at all. On June 5, 2008, the noon buying rate was £1.00 to \$1.9563.

Unless otherwise noted, all translations from euros to U.S. dollars and from U.S. dollars to euros in this prospectus were made at a rate of €1.00 to \$1.4603, the noon buying rate in effect on December 31, 2007 in New York City for cable transfers of euros as certified for customs purposes by the Federal Reserve Bank of New York. We make no representation that any euros or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or euros, as the case may be, at any particular rate, the rates stated below, or at all. On June 5, 2008, the noon buying rate was €1.00 to \$1.5560.

**MARKET PRICE INFORMATION**

Our ADSs have been listed on the New York Stock Exchange since January 28, 2008. Our ADSs trade under the symbol “SOL.” For the period from January 28, 2008 to June 5, 2008, the trading price of our ADSs on the New York Stock Exchange has ranged from \$7.60 to \$27.80 per ADS. The following table provides the high and low trading prices for our ADSs on the New York Stock Exchange for each of the months since our initial public offering.

<u>Month</u>	<u>Price per ADS</u>	
	<u>High</u>	<u>Low</u>
2008	US\$	
January (from January 28)	13.04	12.51
February	13.65	10.01
March	12.21	7.60
April	18.84	11.17
May	27.80	15.62
June (through June 5)	24.35	23.06

In August 2006, our shares were admitted to trading on AIM, in conjunction with a placing of 33,333,333 shares at \$1.50 per share. ReneSola shares are traded by member firms of the London Stock Exchange through an electronic order book called SETS MM, which is an order driven central electronic trading system and the trading hours for AIM are 8.00 a.m. to 4.30 p.m. The FTSE AIM All Share index is a weighted index that is computed by adjusting the change in each constituent's stock price by its relevant weighting, by market capitalization, in the index. The total weighted changes in stock price are then applied to the previous day's total to calculate the new index figure. The base date for the index is December 31, 1994.



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The following table sets forth, for the periods indicated:

- the high and low closing market price for our shares as reported on AIM;
- the average daily trading volume of our shares; and
- the high and low of the daily closing values of the AIM FTSE All Share index.

	Price per share		Average daily trading volume	FTSE AIM All Share Index	
	High	Low		High	Low
	£			£	
2006 (from August 8)	4.77	0.90	1,142,282	10.55	9.73
Third quarter	1.94	0.90	954,798	10.54	10.01
Fourth quarter	4.77	1.80	1,255,367	10.55	9.73
2007	6.39	2.10	815,149	12.37	10.11
First quarter	6.39	4.12	656,726	11.46	10.46
January	5.90	4.12	628,912	10.79	10.46
February	6.39	5.30	734,523	11.43	10.88
March	5.25	4.74	613,815	11.46	10.81
Second quarter	5.71	4.36	756,848	12.26	11.44
April	5.62	4.36	711,608	11.81	11.44
May	5.32	4.75	862,926	12.13	11.77
June	5.71	5.35	691,700	12.26	11.97
Third quarter	5.52	2.10	1,051,842	12.37	10.64
July	5.52	4.74	418,209	12.37	11.81
August	4.51	2.10	1,670,869	11.79	10.64
September	3.62	2.25	1,067,909	11.17	10.84
Fourth quarter	4.94	2.99	792,446	11.51	10.11
October	4.85	2.99	1,100,963	11.51	11.15
November	4.75	3.32	634,937	11.44	10.35
December	4.94	3.53	601,356	10.49	10.11
2008					
First quarter	4.96	2.10	739,357	10.56	9.40
January	4.96	3.16	790,004	10.56	9.49
February	3.40	2.61	671,912	10.20	9.67
March	3.04	2.10	755,257	10.17	9.40
April	4.61	2.78	919,553	9.82	9.54
May	7.29	4.05	888,568	10.35	9.79
June (through June 5)	6.19	6.03	476,326	10.21	10.13

## ENFORCEABILITY OF CIVIL LIABILITIES

We were incorporated in the British Virgin Islands in order to take advantage of certain benefits associated with being a British Virgin Islands company, such as:

- political and economic stability;
- an effective judicial system;
- a favorable tax system;
- the absence of exchange control or currency restrictions; and
- the availability of professional and support services.

However, certain disadvantages accompany incorporation in the British Virgin Islands. These disadvantages include:

- the British Virgin Islands has a less developed body of securities laws as compared to the United States, and these securities laws provide significantly less protection to investors; and
- British Virgin Islands companies may not have standing to sue before the federal courts of the United States.

Our organizational documents do not contain provisions requiring that disputes, including those arising under the securities laws of the United States, between us, our officers, directors and shareholders, be arbitrated.

All of our operations are conducted in China, and substantially all of our assets are located in China. A majority of our officers are nationals or residents of jurisdictions other than the United States, and a substantial portion of their assets are located outside the United States. As a result, it may be difficult for a shareholder to effect service of process within the United States upon these persons, or to enforce against us or them judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States.

We have appointed CT Corporation System, 111 Eighth Avenue, New York, NY 10011, as our agent upon whom process may be served in any action brought against us under the securities laws of the United States.

Harney Westwood & Riegels, our counsel as to British Virgin Islands law, and Boss & Young, our counsel as to PRC law, have advised us, respectively, that there is uncertainty as to whether the courts of the British Virgin Islands and China would:

- recognize or enforce judgments of United States courts obtained against us or our directors or officers predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States; or
- entertain original actions brought in each respective jurisdiction against us or our directors or officers predicated upon the securities laws of the United States or any state in the United States.

Harney Westwood & Riegels has further advised us that a final and conclusive judgment in the federal or state courts of the United States under which a sum of money is payable, other than a sum payable in respect of taxes, fines, penalties or similar charges, may be subject to enforcement proceedings as a debt in the courts of the British Virgin Islands under the common law doctrine of obligation.

Boss & Young has further advised us that the recognition and enforcement of foreign judgments are provided for under PRC Civil Procedures Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of PRC Civil Procedures Law based either on treaties between China and the

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country where the judgment is made or on reciprocity between jurisdictions. China does not have any treaties or other agreements that provide for the reciprocal recognition and enforcement of foreign judgments with the United States. In addition, according to the PRC Civil Procedures Law, courts in the PRC will not enforce a foreign judgment against us or our directors and officers if they decide that the judgment violates the basic principles of PRC law or national sovereignty, security or public interest. Thus, it is uncertain whether a PRC court would enforce a judgment rendered by a court in the United States.

## SELECTED CONSOLIDATED FINANCIAL DATA

You should read the following information in conjunction with our consolidated financial statements and related notes and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this prospectus.

The following selected consolidated statements of income data for the years ended December 31, 2005, 2006 and 2007, and the selected consolidated balance sheet data as of December 31, 2005, 2006 and 2007 are derived from our audited consolidated financial statements included elsewhere in this prospectus. 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 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this prospectus. 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.

Our selected consolidated statement of income data for the period from August 7, 2003, the date of the inception of our predecessor entity, to December 31, 2003 and the year ended December 31, 2004, and our consolidated balance sheets as of December 31, 2003 and 2004 are derived from our unaudited consolidated financial statements, which are not included in this prospectus. Our unaudited consolidated financial statements were prepared on the same basis as our audited consolidated financial statements.

	Period from August 7 to December 31, 2003	For the Year Ended December 31,			
		2004	2005	2006	2007
(in thousands, except percentage, share, per share data)					
<b>Consolidated Statement of Income Data</b>					
Net revenue:					
Product sales	—	—	\$ 5,088	\$ 78,515	\$ 231,282
Processing services	—	—	—	5,855	17,691
Total net revenue	—	—	5,088	84,371	248,973
Cost of revenues:					
Product sales	—	—	(3,677)	(57,141)	(184,292)
Processing services	—	—	—	(2,505)	(11,185)
Total cost of revenues	—	—	(3,677)	(59,646)	(195,477)
Gross profit	—	—	1,411	24,725	53,496
Operating expenses:					
Sales and marketing expenses	—	—	(210)	(335)	(584)
General and administrative expenses	(26)	(23)	(356)	(2,285)	(8,754)
Research and development expenses	—	—	—	(39)	(1,143)
Other general income (expenses)	—	48	(243)	169	418
Total operating income (expenses)	(26)	25	(809)	(2,490)	(10,063)
Income (loss) from operations	(26)	25	602	22,235	43,433
Interest income	—	3	1	312	1,934
Interest expenses	—	(26)	(27)	(331)	(4,512)
Foreign exchange gain (loss)	—	—	(2)	364	(4,047)
Income (loss) before income tax	(26)	2	574	22,580	36,808
Income tax benefit	—	5	617	2,721	6,155
Minority interest	—	—	—	—	27
Net income attributable to equity holders	\$ (26)	\$ 7	\$ 1,191	\$ 25,301	\$ 42,936

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	Period from August 7 to December 31, 2003	For the Year Ended December 31,			
		2004	2005	2006	2007
(in thousands, except percentage, share, per share data)					
<b>Earnings per share:<sup>(1)</sup></b>					
Basic	—	—	\$ 0.02	\$ 0.32	\$ 0.43
Diluted	—	—	\$ 0.02	\$ 0.32	\$ 0.43
<b>Earnings per ADS</b>					
Basic	—	—	\$ 0.04	\$ 0.63	\$ 0.86
Diluted	—	—	\$ 0.04	\$ 0.63	\$ 0.86
<b>Weighted average number of shares used in computing earnings per share:<sup>(1)</sup></b>					
Basic	—	—	66,666,699	80,000,032	100,000,032
Diluted	—	—	66,666,699	80,122,052	108,221,480
<b>Other Consolidated Financial Data</b>					
Gross margin	—	—	27.7%	29.3%	21.5%
Operating margin	—	—	11.8%	26.4%	17.4%
Net margin	—	—	23.4%	30.0%	17.2%
<b>Selected Operating Data</b>					
Solar products shipped (in MW) <sup>(2)</sup>	—	—	1.8	39.5	124.5
Total solar wafers shipped (in MW) <sup>(3)</sup>	—	—	0.01	26.0	98.6
Average selling price (\$/W) <sup>(4)</sup>	—	—	\$ 1.55	\$ 2.16	\$ 2.30

(1) 2005 and 2006 shares and per share data are presented to give retrospective effect to our reorganization in 2006.

(2) Includes solar wafers shipped, solar wafers shipped from processing services and ingots shipped.

(3) Excludes solar wafers shipped from processing services.

(4) Calculated based on net revenue attributable to solar wafer shipped divided by solar wafers shipped during such period.

	As of December 31,				
	2003	2004	2005	2006	2007
(in thousands)					
<b>Consolidated Balance Sheet Data</b>					
Cash and cash equivalents	\$ 194	\$ 40	\$ 404	\$ 9,862	\$ 53,137
Inventories	1	1	3,233	44,775	110,630
Advances to suppliers	—	9	1,151	16,952	53,727
Total current assets	460	261	6,769	89,365	263,241
Property, plant and equipment, net	508	463	2,426	19,908	136,598
Advances for purchases of property, plant and equipment	—	—	54	14,957	29,648
Total assets	968	908	10,059	128,586	440,609
Short-term borrowings	—	245	712	14,675	71,691
Advances from suppliers and customers	—	—	4,495	34,452	59,626
Total current liabilities	404	469	7,316	55,982	158,376
Total shareholders' equity	564	439	2,703	72,541	125,708
Total liabilities and shareholders' equity	\$ 968	\$ 908	\$ 10,059	\$ 128,586	\$ 440,609

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

*You should read the following discussion and analysis of our financial condition and results of operations in conjunction with the section entitled "Selected Consolidated Financial and Operating Data" and our consolidated financial statements and related notes included elsewhere in this prospectus. The following discussion and analysis contain forward-looking statements relating to events that are subject to risks and uncertainties. Our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" and elsewhere in this prospectus.*

### Overview

We are a leading global manufacturer of solar wafers, which are the principal component of solar cells. According to Solarbuzz, we are one of the largest wafer manufacturers globally based on wafer manufacturing capacity in 2007. We have historically focused on manufacturing monocrystalline wafers. As part of our expansion plan, we commenced the production of multicrystalline wafers in the third quarter of 2007. As of December 31, 2007, we had annual ingot manufacturing capacity of approximately 378 MW, consisting of monocrystalline ingot manufacturing capacity of approximately 218 MW and multicrystalline ingot manufacturing capacity of approximately 160 MW, and solar wafer manufacturing capacity of approximately 305 MW. To further capitalize on rising global demand for solar wafers, we intend to increase our annual ingot manufacturing capacity to approximately 645 MW, consisting of monocrystalline ingot manufacturing capacity of approximately 325 MW and multicrystalline ingot manufacturing capacity of approximately 320 MW, and our wafer manufacturing capacity to approximately 585 MW by the end of 2008. By the end of 2009, we plan to expand our annual ingot manufacturing capacity to approximately 1,000 MW, consisting of monocrystalline ingot manufacturing capacity of approximately 325 MW and multicrystalline ingot manufacturing capacity of approximately 675 MW, and our wafer manufacturing capacity to approximately 1,000 MW.

We have grown rapidly since we began manufacturing solar wafers and related products in 2005. Our net revenue increased significantly from \$5.1 million in 2005 to \$84.4 million in 2006 and to \$249.0 million in 2007, representing a CAGR of 598.7%. Our income from operations increased from \$0.6 million in 2005 to \$22.2 million in 2006 and to \$43.4 million in 2007, representing a CAGR of 750.5%. Our net income increased from \$1.2 million in 2005 to \$25.3 million in 2006 and to \$42.9 million in 2007, representing a CAGR of 497.9%.

Our growth is driven by the expected increasing demand for solar power products, our ability to increase our manufacturing capacity and production output, and our ability to improve operational efficiency. The solar power industry is currently facing an industry-wide shortage of virgin polysilicon, the principal raw material for making solar wafers. To address this shortage, we produce solar wafers from a wide range of silicon raw materials, including reclaimable raw materials such as broken wafers and broken cells that are difficult to process but are less expensive than other reclaimable silicon raw materials. We also began producing our own polysilicon through a joint venture in Linzhou Zhongsheng Semiconductor, in Linzhou, Henan Province, China and started building a polysilicon manufacturing facility in Meishan, Sichuan Province, China, through our wholly-owned subsidiary Sichuan ReneSola. We have developed proprietary technologies, processes and know-how, which enable us to produce cost-effectively solar wafers comparable in quality and performance to those made from solar-grade virgin polysilicon. Our historical financial results were also affected by changes in our product mix. We initially sold solar wafers, solar modules and other related solar products. In April 2006, we discontinued the sale of solar modules to focus strategically on our production and sale of solar wafers.

### Industry demand

The solar power market has grown significantly over the past decade. According to Solarbuzz, the global solar power market, as measured by annual solar power system installed capacities, grew at a CAGR of 47.4% from 598 MW in 2003 to 2,826 MW in 2007. In one of Solarbuzz's forecasts, annual solar power system installed capacities may further increase to 9,917 MW in 2012, and solar power industry revenue may increase from \$17.2 billion in 2007 to \$39.5 billion in 2012, which we believe is driven largely by surging market demand, rising product prices and government initiatives.

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As solar wafer manufacturing capacity and output currently lag the manufacturing capacity and output of solar cell and module manufacturers, we expect our leading position as a solar wafer manufacturer will help us capture the significant expansion opportunities for upstream manufacturers provided by the market.

### ***Our manufacturing capacity***

We have rapidly expanded our manufacturing capacity since we began the production of solar wafers. As of December 31, 2005 and 2006, we had an annual silicon ingot manufacturing capacity of 14 MW and 80 MW, respectively. As of December 31, 2007, we had annual monocrystalline and multicrystalline ingot manufacturing capacities of approximately 218 MW and 160 MW, respectively, and solar wafer manufacturing capacity of approximately 305 MW. During the second quarter of 2007, a number of our monocrystalline furnaces were temporarily shut down for upgrades to produce larger wafers, which resulted in an output lower than what we had planned for the quarter. Furthermore, the implementation of our plan to manufacture multicrystalline wafers was also delayed due to the late delivery of crucibles. In the third quarter of 2007, we began the production of multicrystalline ingots. We intend to increase our annual manufacturing capacities for monocrystalline ingots to approximately 325 MW, multicrystalline ingots to approximately 320 MW and solar wafers to approximately 585 MW by the end of 2008. By the end of 2009, we plan to expand our annual ingot manufacturing capacity to approximately 1,000 MW, consisting of monocrystalline ingot manufacturing capacity of approximately 325 MW and multicrystalline ingot manufacturing capacity of approximately 675 MW, and our wafer manufacturing capacity to approximately 1,000 MW. However, we cannot assure you that we will achieve our 2008 and 2009 expansion plan. See the section headed “Risk Factors—Risks Related to Our Business—Our dependence on a limited number of third-party suppliers for key manufacturing equipment could prevent us from timely fulfillment of customer orders and successful execution of our expansion plans” in this prospectus. 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.

### ***Availability and price of silicon raw materials***

Virgin polysilicon and reclaimable silicon are the primary raw materials used to make crystalline silicon solar wafers. The increase in demand for solar power products has led to an industry-wide silicon shortage and significant price increases in virgin polysilicon in recent years. To address this shortage, we historically manufacture solar wafers primarily from reclaimable silicon raw materials that cost less than the spot price of virgin polysilicon, but we have recently increased the use of virgin polysilicon in our feedstock mix due to the greater availability of virgin polysilicon. We have developed proprietary technologies, processes and know-how to facilitate the processing of various types of broken wafers and cells that can be purchased at significantly lower costs than virgin polysilicon and other types of reclaimable silicon raw materials. As a result, we believe we enjoy cost advantage over many competitors that rely on virgin polysilicon and reclaimable silicon raw materials that are easy to process and are purchased from the spot market. However, as more wafer manufacturers utilize reclaimable silicon raw materials, the prices of reclaimable silicon raw materials have also increased over the past few years. We currently source virgin polysilicon from short-term, long-term and spot purchases, in-house production, customers under processing services, and purchase reclaimable silicon raw materials from waste management companies and trading companies that have connections with semiconductor manufacturers. We also procure a portion of our silicon raw materials directly from semiconductor manufacturers, and plan to enhance our relationships with them.

We believe that the prices of reclaimable silicon raw materials will continue to increase until the shortage of virgin polysilicon eases. Although we primarily use reclaimable silicon raw materials as feedstock at present, we plan to increase the use of virgin polysilicon in the future to supplement our existing feedstock mix.

We rely on a combination of supply contracts, framework supply contracts with our suppliers and in-house polysilicon production in order to secure a steady supply of raw materials. With the exception of a few contracts, our supply contracts generally have fixed quantity and fixed price. Our framework supply contracts provide for

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fixed quantity, but the pricing terms are subject to negotiations. Under the framework supply contracts, a purchase order is generally issued for each shipment of products. See the section headed “Business—Raw Materials” in this prospectus for more details on the recent supply contracts we entered into.

Moreover, to satisfy our raw material requirements, we secure silicon raw materials from some of our customers and sell solar wafers or ingots to them in return. We also provide some of our customers with wafer and ingot processing services. These agreements not only enhance the utilization rate of our manufacturing capacity and mitigate the risk of raw material price increases, they also strengthen our strategic partnerships with customers. We also source a portion of our silicon raw materials from the spot market from time to time depending on the price and our requirement.

Over the last few years, the prices of reclaimable silicon raw materials and virgin polysilicon have increased, which resulted in a material increase in our cost of revenues. For delivery of silicon raw materials in 2008, some of the agreements stipulate a fixed price below the current spot price, whereas other agreements stipulate a price at a percentage below the market price calculated on a periodic basis. Depending on the increase in the price of silicon raw materials in 2008, our cost of revenues may increase at a rate higher than our historical trend as a result of pricing of silicon raw materials with reference to spot market prices in some of our contracts.

To facilitate our access to virgin polysilicon, in August 2007, we and Zhongsheng Steel established Linzhou Zhongsheng Semiconductor, a joint venture to engage in virgin polysilicon production in Linzhou, Henan Province, China. Up to February 2008, we paid approximately RMB102.9 million (\$13.9 million) in cash for a 49% interest. For the 51% interest in the joint venture, Zhongsheng Steel contributed approximately RMB146.8 million (\$19.8 million) in the form of equipment, factory premises and land use rights. The first phase of the joint venture with an annualized polysilicon manufacturing capacity of 300 metric tons commenced trial production of polysilicon in January 2008 and has been supplying polysilicon to Zhejiang Yuhui. Development of the second phase with a planned annual capacity of 450 metric tons is currently under consideration. We are committed to purchasing 90% of the joint venture’s production output, which is expected to provide up to 10% of our silicon raw material requirements in 2008. Zhongsheng Steel is entitled to appoint three directors, while we are entitled to appoint two directors, the general manager and the finance manager. Linzhou Zhongsheng Semiconductor is treated as a variable interest entity and is consolidated by our company.

We also started building a polysilicon manufacturing facility in Meishan, Sichuan Province, China, through our wholly-owned subsidiary Sichuan ReneSola, which was established in Sichuan Province in August 2007. This manufacturing facility is expected to become operational incrementally starting from the first half of 2009 and to have an annualized manufacturing capacity of 3,000 metric tons of polysilicon by the end of 2009. We believe that our joint venture in Linzhou will provide us with experience and expertise that will be valuable to the development, construction and operation of our new polysilicon manufacturing facility in Meishan, Sichuan Province.

In line with ReneSola’s strong commitment to maintaining environmentally responsible business practices, the joint venture in Henan Province has met the environmental protection standards set by the government and is equipped to recycle silicon tetrachloride. The polysilicon project in Meishan, Sichuan Province will utilize proven, high-end equipment with fully closed loop systems to recycle and convert waste into products that can be reused in the production process.

### ***Advancement in process technologies***

Advancement in our process technologies is important to our financial performance as it improves production yield, reduces manufacturing costs and enhances the quality and performance of our products. We have developed advanced processes for sorting, cleaning and testing reclaimable silicon, which enable us to process a wide range of reclaimable silicon raw materials that are difficult to process and are less expensive. Our experience in using reclaimable silicon raw materials, particularly semiconductor-grade silicon raw materials, enables us to produce silicon ingots and solar wafers comparable in quality and performance to those made from solar-grade virgin polysilicon. We have also developed other 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 costs and enhance the utilization rate of our furnaces and consumables, such as crucibles. Our advanced technologies for using silicon powder to produce ingots expands the range of reclaimable silicon raw materials for our production. Furthermore, we have customized our manufacturing equipment and trained our employees to enhance our product quality and manufacturing efficiency while maintaining relatively low production costs.

#### ***Product pricing***

Our wafer prices are based on a variety of factors, including silicon raw material costs, supply and demand conditions globally, the quality of our wafers, 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. In 2005, 2006, 2007 and 2008, the average selling price of our wafers increased due to strong demand. We expect wafer prices to decline in the next few years due to increased production efficiencies, expected increases in global polysilicon supplies, declines in polysilicon prices and increased wafer manufacturing capacity in our industry.

#### ***Product mix***

Our historical financial results were also affected by changes in our product mix. We initially sold solar wafers in return for solar cells that were assembled into solar modules, which we sold in 2005 and the first quarter of 2006. Solar modules, as finished products, command a higher price than that of wafers, which are components. As we do not have solar cell manufacturing capabilities, we incurred processing fees by outsourcing the processing of wafers into solar cells, which were included in our cost of revenues. In April 2006, we discontinued the sale of solar modules, which faced increasing margin pressures, to strategically focus on our production and sale of solar wafers. We also sold ingots when our ingot manufacturing capacity was larger than our wafer slicing capacity.

In 2005 and 2006, we offered 125 mm by 125 mm monocrystalline wafers with a thickness of 220 microns. In late 2006, we introduced 125 mm by 125 mm monocrystalline wafers with a thickness of 200 microns. We now also offer 156 mm by 156 mm monocrystalline wafers with a thickness of 200 microns. By the end of the first quarter of 2008, we were able to offer both sizes of monocrystalline wafers with a thickness of 180 microns. Furthermore, we began manufacturing 156 mm by 156 mm multicrystalline wafers with a thickness of 220 microns in the third quarter of 2007. By the end of the first quarter of 2008, we were able to reduce the thickness of multicrystalline wafers to 200 microns. Although multicrystalline wafers generally command a lower price than monocrystalline wafers of a comparable size because of lower conversion efficiencies of solar cells made from them, they also cost less to produce per watt and have less stringent raw material requirements. With the addition of larger solar wafers and multicrystalline wafers to our product portfolio, we will be able to offer our customers with diversified solar wafers to satisfy their needs.

#### ***Gross margin***

Our gross margin is affected by changes in our net revenue and cost of revenues. Our net revenue is determined by the average selling prices 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 to efficiently manage our manufacturing process. Our gross margin increased from 27.7% in 2005 to 29.3% in 2006. The increase was primarily due to our increased wafer production, which has a higher margin, and discontinuance of module production, which had a lower margin. Our gross margin decreased from 29.3% in 2006 to 21.5% in 2007. The decrease was primarily due to the increase in silicon raw material prices. We were able to alleviate some of the pressure on our gross margin by:

- increasing production yield by efficiently utilizing silicon consumption, enhancing process technologies and improving labor skills;

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- controlling raw material costs through sourcing of reclaimable silicon raw materials from strengthened international procurement network; and
- reducing processing fees paid to third parties after our commencement of in-house wafer-slicing operations in the third quarter of 2006.

We expect that raw material costs will continue to increase, which may lead to a decline in our gross margin over the next two quarters. We cannot assure you that the decline would not be material. See the section headed “Risk Factors—Risks Related To Our Business—The current industry-wide shortage of silicon raw materials could constrain our revenue growth and decrease our gross margins and profitability” in this prospectus.

### Net Revenue

We derive revenue primarily from the sale of solar wafers. To focus on the production and sale of solar wafers, we discontinued the sale of solar modules in April 2006. We also sold solar cells in 2005 and 2006 and silicon raw materials in 2006 and 2007 to meet our liquidity needs. In 2005, 2006 and 2007, we also derived a portion of our revenue from the sale of ingots, when our ingot manufacturing capacity was larger than our wafer slicing capacity. In 2006, a portion of our revenue related to our disposition of solar cells after we discontinued the sale of solar modules. In 2006 and 2007, we also generated processing services revenue by processing some of our customers’ silicon raw materials into silicon ingots or solar wafers. Set forth below is the breakdown of our net revenue by product and service, in absolute amount and as a percentage of total net revenue, for the periods indicated.

	Year Ended December 31,					
	2005		2006		2007	
	(in thousands, except percentages)					
Revenue by products:						
Solar wafers	\$ 21	0.4%	\$ 56,219	66.6%	\$ 226,552	91.0%
Solar modules	3,919	77.0	2,176	2.6	—	—
Ingots	803	15.8	13,764	16.3	1,255	0.5
Solar cells	345	6.8	2,840	3.4	—	—
Other materials	—	—	3,516	4.2	3,475	1.4
Processing services	—	—	5,855	6.9	17,691	7.1
Total	<u>\$ 5,088</u>	<u>100.0%</u>	<u>\$ 84,371</u>	<u>100.0%</u>	<u>\$ 248,973</u>	<u>100.0%</u>

Our net revenue derived from product sales is net of Value Added Tax, sales returns and exchanges. Factors affecting our net revenue derived from product sales include our unit sales volume and average selling prices. We increased sales of our solar wafers in 2006 and 2007 due to strong market demand and increased production output. We discontinued the sale of solar modules in April 2006 to focus on upstream solar power products as we believed our solar module business would face increased competition and margin pressure. Selling prices of our solar power products increased overall in 2006 from 2005 primarily due to increases in silicon raw material costs. Selling prices of our solar wafers increased sequentially from quarter to quarter in 2007 to meet robust demand of our wafer products.

A substantial portion of our sales, particularly our sales to our major customers, including JA Solar Co., Ltd., Motech Industries Inc., Solarfun Power Holding Ltd. and Suntech Power Co., Ltd., are made under multi-year framework contracts or multi-year sales contracts. Framework contracts typically provide for the sales volumes and price of our solar wafers for the first year, which terms are binding. The pricing terms, and sometimes the sales volumes, for subsequent years are subject to annual renegotiation. Therefore, if prices for later years cannot be determined through renegotiation, the framework contracts will be terminated or will not be performed. 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

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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. Compared to spot sales contracts, we believe our framework contracts and sales contracts not only provide us with better visibility into future revenue, 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 or framework contracts are entered into. In 2005, 2006 and 2007, our sales contracts and framework contracts typically required our customers to make a prepayment depending on the credit status of our customers, market demand and the term of the contracts, with the remaining price to be paid within a short period after shipment.

In 2005, 2006 and 2007, our top five customers collectively accounted for 62.1%, 59.1% and 77.7%, respectively, of our net revenue. Sales to each of Konca Solar Energy (Wuxi) Co., Ltd., Motech Industries Inc. and Suntech Power Co., Ltd. accounted for over 10% of our net revenue in 2006. In 2007, sales to each of Motech Industries Inc., Solarfun Power Holding Ltd. and Suntech Power Co., Ltd. accounted for over 10% of our net revenue. Our largest customers have changed from 2005 to 2006, primarily because we discontinued the sale of solar modules in 2006. Our largest customers remain unchanged from 2006 to 2007. Changes in our product mix have resulted in changes in our geographical market concentration from year to year. For example, our sales to Europe decreased substantially in 2006 as we discontinued the sale of solar modules, the primary customers of which are based in Europe. Moreover, we entered into a contract to sell 18.9 MW of solar wafers in 2007 to Motech Industries Inc. with deliveries on a monthly basis. Accordingly, Motech Industries Inc. accounted for 23.5% of our net revenue in 2007. We determine the geographical market of our net sales based on the immediate destination of our shipped goods. The following table sets forth the breakdown of our net revenue by geographic market, in absolute amount and as a percentage of total net revenue, for the periods indicated.

	Year Ended December 31,					
	2005		2006		2007	
	(in thousands, except percentages)					
China	\$ 1,365	26.8%	\$ 56,591	67.1%	\$ 155,015	62.3%
Taiwan	—	—	14,706	17.4	71,681	28.8
Korea	—	—	6,942	8.2	8,185	3.3
India	—	—	—	—	6,837	2.7
Rest of Asia	21	0.4	1,543	1.8	406	0.2
Germany	3,338	65.6	1,990	2.4	57	—
United States	—	—	—	—	6,744	2.7
Others	364	7.2	2,599	3.1	48	—
<b>Total</b>	<b>\$ 5,088</b>	<b>100.0%</b>	<b>\$ 84,371</b>	<b>100.0%</b>	<b>\$ 248,973</b>	<b>100.0%</b>

### Cost of Revenues

Our cost of revenues consists primarily of costs for:

- virgin polysilicon and reclaimable silicon raw materials which include part-processed and broken wafers, broken solar cells, pot scrap, silicon powder, ingot tops and tails, and other off-cuts;
- consumables, including crucibles, steel sawing wires, chemicals and packaging materials;
- direct labor costs, including salaries and benefits for our manufacturing personnel;
- overhead costs, including equipment maintenance and utilities such as electricity and water used in manufacturing;
- depreciation of manufacturing facilities and equipment; and
- warranty costs.

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All the above costs increased from 2005 to 2006 and 2007, as we expanded our manufacturing capacity and increased our sales volume. The increase in our silicon raw materials costs was attributable to increases in the prices of silicon raw materials and purchase volume from 2005 to 2006 and 2007, as well as a change in raw material mix in 2007 during which we purchased higher quality raw materials.

In 2005 and 2006, our cost of revenues included provisions for warranties in respect to our solar modules. We sold solar modules until April 2006 typically with a warranty for minimum power output of up to 20 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 two years from the date of sale. We accrued warranty costs generated from solar module sales of approximately \$41,000, \$22,000 and nil in 2005, 2006 and 2007, respectively. We determine our warranty costs based on several factors. See “—Critical Accounting Policies—Warranty.” We do not provide similar warranty for our solar wafers.

### **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 benefits for our sales personnel, commission paid to our sales agents, expenses for attending industrial exhibitions 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, and target new markets and initiate additional marketing programs to build our brand. However, because most of our wafers are sold under arrangements where our customers bear the transportation costs, absent other factors, we do not expect sales and marketing expenses to increase at a proportionate rate with increases in net revenue. Accordingly, as a result of economies of scale, sales and marketing expenses, as a percentage of net revenue, may decrease with increased sales.

#### ***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, travel, and related costs of our administrative and management personnel. In 2006 and 2007, we recognized share-based compensation expenses in connection with share awards to certain members of our management. In 2007, our general and administrative expenses increased due primarily to increased salaries and benefits as we hired more 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 AIM. We expect our general and administrative expenses to continue to increase as we hire additional personnel and advisors and incur expenses including compliance-related costs to support our future operations as a U.S. listed public company.

#### ***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. We did not incur research and development expenses in 2005. In 2006 and 2007, our research and development expenses amounted to approximately \$39,000 and approximately \$1.1 million, respectively. We expect our research and development expenses to increase substantially in the near future as we hire more research and development personnel and

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devote greater resources to research and development efforts. Our research and development efforts are undertaken primarily to innovate new raw material recycling technologies, enhance our manufacturing processes, reduce manufacturing cost and enhance product performance.

### **Other Income and Expenses**

Our other income and expenses consist primarily of interest income, interest expenses, and foreign currency exchange gains or losses.

Our interest income represents interest on our cash balances. Our interest expenses relate primarily to our short-term borrowings from banks and our convertible bonds issued in March 2007, 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 transactions. 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 appreciation of Renminbi against U.S. dollar from 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 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 2005, we had foreign currency exchange gain of approximately \$2,000. In 2006 and 2007, we had a foreign exchange loss of \$0.4 million and \$4.0 million, respectively.

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.

Prior to January 1, 2008, under PRC laws and regulations, a company established in China was typically subject to a state enterprise income tax rate of 30% and a local enterprise income tax rate of 3% on its taxable income. PRC laws and regulations also provide foreign-invested enterprises established in certain areas in the PRC with preferential tax treatment.

Zhejiang Yuhui, a foreign-invested enterprise engaged in manufacturing and established in Jiashan, which is within a coastal economic zone, was entitled to a preferential state enterprise income tax rate of 24% and a preferential local enterprise income tax of 2.4%, or an aggregate 26.4% tax rate, prior to January 1, 2008. As a foreign-invested enterprise in a manufacturing business with an authorized term of operation of more than ten years, 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. Accordingly, Zhejiang Yuhui was qualified for a preferential enterprise income tax rate of 13.2% for 2007.

In March 2007, however, the National People's Congress of China enacted a new Enterprise Income Tax Law, which became effective on January 1, 2008. The new tax law imposes a unified income tax rate of 25% on all domestic enterprises and foreign-invested enterprises unless they qualify under certain limited exceptions. Under the new tax law, Zhejiang Yuhui is subject to a state enterprise income tax rate of 25% as of January 1,

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2008. In addition, enterprises that were established and already enjoyed preferential tax treatment before March 16, 2007 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 starts from January 1, 2008, if the first profitable year for the relevant enterprise is later than January 1, 2008. Therefore, Zhejiang Yuhui will continue to enjoy the above preferential tax exemption and reduction during such transition period.

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, it is entitled to full exemption from enterprise income tax for the two years starting from its first profitable year of operation with respect to the income attributable to operations funded by the increased capital and a 50% deduction in income taxes for the following three years, upon written approval from the tax authority. Since our capital increase from \$45.0 million to \$102.5 million was registered after March 16, 2007, we have received an approval from the PRC tax authority that income derived from this registered capital increase will receive preferential tax treatment until December 31, 2007. However, since the new Enterprise Income Tax Law was only recently enacted, there remains uncertainty as to whether we can maintain the preferential tax treatment for income derived from some of our registered capital increases.

In addition, although the approval letter we received from the PRC tax authority has indicated that income derived from 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 we have paid tax on income derived from such capital increase at the rate of 12.5% after January 1, 2008, which is 50% of the statutory tax rate. The tax authority may request us to make a supplementary tax payment on our income which have been paid at the rate of 12.5% and also request that we pay tax at the rate of 25% in the future.

Under the Provisional Regulation of China on Value Added Tax and its implementing rules, all entities and individuals that are 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 Value Added Tax, or 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 refund of some or all of the VAT that it has already paid or borne. Accordingly, we are subject to 17.0% VAT with respect to our sales of solar wafers in China. Historically, we were entitled to a 13% refund of VAT that we had already paid or borne with respect to our export of solar wafers. However, as of July 1, 2007, the VAT refund is reduced to 5%, which materially affects our export of solar wafers. 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 due to the enactment of the new Enterprise Income Tax Law.

### **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 that reasonably could have been used, or changes in the accounting estimates that are reasonably likely

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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 prospectus.

### **Revenue Recognition**

We recognize revenue when persuasive evidence of an arrangement with the customer exists, the product is shipped and title has passed, provided that we do not have significant post delivery obligations, the amount due from the customer is fixed or determinable and collectibility is reasonably assured. 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 collectibility 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.

### **Warranty**

We sell our module products to customers along with a warranty on the performance of solar module products at certain levels of conversion efficiency for an extended period. Our solar modules are typically sold with a 20-year warranty against specified declines in the initial minimum power generation capacity at the time of sale. We also provided warranty for our solar modules against defects in materials and workmanship for a period two years from the date of sale. We, therefore, maintain warranty reserves to cover potential liabilities that could arise from these warranties. We accrue warranty costs at the time revenues are recognized and such costs are included in our cost of revenues. Due to our limited history, we do not have a significant history of warranty claims. We determine the costs for product warranty claims based on our experience of the amount of claims made, an assessment of our competitor's accrual history, industry-standard testing, estimates of failure rates from quality review and other assumptions that we believe to be reasonable under the circumstances.

### **Impairment of long-lived assets**

We evaluate our long-lived assets 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. We recognize an impairment loss in the event the carrying amount exceeds the estimated future cash flows attributable to such assets, measured as the difference of the assets and the fair value of the impaired assets. There was no impairment of loss of long-lived assets in any of the years presented.

### **Income tax**

We currently have deferred tax assets mainly resulting from investment tax credit carryforwards, net operating loss carryforwards and deductible temporary differences between the tax basis of assets and liabilities and their reported amount on the financial statements, all of which are available to reduce future taxes payable. In assessing whether such deferred tax assets can be realized in the future, we need to make judgments and estimates on the ability to generate taxable income in future years. We believe that it is more likely than not that the deferred tax assets will be realized as we expect that we will generate sufficient taxable income in future.

### **Share-based compensation**

Determining the value of our share-based compensation expenses in future periods requires the input of highly subjective assumption, including estimated forfeitures and the price volatility of the underlying shares. We grant our restricted shares at the fair value, which is the market value at the date of grant. We estimate our forfeitures based on our expectations of future retention rates, and we will prospectively revise our forfeiture rates based on actual history. Our share-based compensation cost may change based on changes to our actual forfeitures.

Prior to September 2007, we did not have a share incentive plan. We adopted a share incentive plan in September 2007 and granted options to certain directors and employees in October and November 2007. See “Management—Share Options.” Our share-based compensation expenses relating to our 2007 option grants had an adverse effect on our reported earnings for the year ended December 31, 2007 and will continue to have an adverse effect for the remaining vesting periods. Our total share-based compensation expenses relating to our 2007 option grants would be approximately \$13.4 million, amortized over five years using a straight-line vesting method. Determining the value of our share-based compensation expense in future periods requires the input of subjective assumptions, including estimated forfeitures and the price volatility of the underlying shares. We estimate our forfeitures of our shares based on past employee retention rates, our expectations of future retention rates, and we will prospectively revise our forfeiture rates based on actual history. Our share compensation charges may change based on changes to our actual forfeitures. Our actual share-based compensation expenses may be materially different from our current expectations.

### **Inventory**

Our inventory consists of raw materials, work-in-progress and finished goods. Silicon raw materials in our inventory mainly include unprocessed raw materials and scrap materials with low resistivity. We usually acquire reclaimable silicon raw materials in batches for a fixed price. Upon signing a purchase order for such materials, some of the raw materials contained within each batch may be of greater value than others and, as a result, we have implemented a process whereby the value of each batch is allocated to the various classes of raw materials contained within each batch. Specifically, the reclaimable raw materials are tested for resistivity on a piece-by-piece basis and are allocated into one of three different classes of raw materials: “waste,” having no future value; “scrap,” having low resistivity but some future alternative uses; and “qualified,” being ready for immediate use. The total purchase price for a given batch is then allocated based on these categories as follows: waste—zero; scrap—market value; and qualified—the residual amount of the fixed price of the batch. Our work-in-progress mainly includes qualified silicon raw materials that are being used as feedstock for ingot production and ingots. As of December 31, 2007, our inventory contains \$63.6 million of unprocessed reclaimable raw materials, \$2.3 million of scrap raw materials with low resistivity, \$15.0 million of qualified raw materials and \$29.7 million of ingots, wafers and other materials in inventory.

Our scrap raw material inventory was approximately \$0.9 million and \$2.3 million as of December 31, 2006 and 2007, respectively. The market value of these materials is primarily based upon a limited number of sales transactions and reference to an independent website containing estimated values for comparable scrap raw materials.

We state inventory at the lower of cost or market value. Cost is determined by the first-in-first-out method. Cost comprises 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. We wrote down approximately \$13 million of such inventory and relocated the equal amount to our cost of revenues in 2007.



### **Internal Control over Financial Reporting**

During the preparation and external audit of our consolidated financial statements for the year ended December 31, 2007, we identified a material weakness and certain deficiencies in our internal control over financial reporting, as defined in the standards established by the U.S. Public Company Accounting Oversight Board. The material weakness identified related to our failure to apply, or failure to apply in a consistent manner, certain aspects of accounting policies and procedure, such as inadequate formal documentation on the control procedures on the financial reporting of some subsidiaries and joint venture entity and inadequate control procedures to identify and apply relevant accounting to non-routine transactions.

We are in the process of implementing a number of measures to address the material weakness and deficiencies that have been identified, including: (i) improve our accounting manual by incorporating U.S. GAAP requirements, (ii) enhance the implementation of our accounting manual and other control procedures and enhance the documentation of the procedures and their implementation, (iii) engage an advisory firm to advise us on compliance with requirements of Sarbanes-Oxley Act, (iv) establish an internal control department and hire an internal control director and an internal audit manager to assist in our internal control compliance efforts. We are working to complete these measures, although our success will depend upon the availability of appropriate candidates for financial controller and internal audit manager positions in the market place.

**Selected Quarterly Results of Operations**

The following table presents our unaudited consolidated quarterly results of operations for the eight quarterly periods ended December 31, 2007. You should read the following table in conjunction with our audited consolidated financial statements and related notes included elsewhere in this prospectus. We have prepared the unaudited consolidated quarterly financial information on the same basis as our audited consolidated financial statements. This unaudited consolidated financial information includes all adjustments, consisting only of normal recurring adjustments, that we consider necessary for a fair representation of our financial position and operating results for the quarters presented. Because our business is relatively new, our operating results for any particular quarter are not necessarily indicative of our future results. Furthermore, our quarterly operating results may fluctuate from period to period based on changes in customer demand and the seasonality of consumer spending and industry demand for solar power products. For additional risks, see the section headed “Risk Factors—Risks Related to Our Business” in this prospectus.

	<b>For the Three Months Ended,</b>							
	<b>March 31, 2006</b>	<b>June 30, 2006</b>	<b>September 30, 2006</b>	<b>December 31, 2006</b>	<b>March 31, 2007</b>	<b>June 30, 2007</b>	<b>September 30, 2007</b>	<b>December 31, 2007</b>
	<b>(in thousands, except operating data)</b>							
Net revenue	\$ 8,285	\$ 15,758	\$ 28,057	\$ 32,272	\$ 35,916	\$ 44,471	\$ 72,540	\$ 96,046
Cost of revenues	5,981	10,891	19,380	23,394	27,764	34,521	56,765	76,427
Gross profit	2,304	4,867	8,677	8,878	8,152	9,950	15,775	19,619
Operating expenses:								
Sales and marketing	104	100	47	85	149	114	152	169
General and administrative	148	417	952	766	1,058	1,707	2,354	3,635
Research and development	11	11	6	11	63	100	82	898
Other general expense (income)	(22)	8	(141)	(14)	(57)	(32)	(246)	(83)
Total operating expenses	241	536	864	848	1,213	1,889	2,342	4,619
Income from operations	2,063	4,330	7,812	8,030	6,939	8,061	13,433	15,000
Interest income	1	5	143	162	60	1,094	551	229
Interest expenses	(19)	(84)	(174)	(53)	(176)	(1,161)	(1,484)	(1,690)
Foreign exchange gain (loss)	(7)	(2)	232	141	(63)	(2,241)	(569)	(1,174)
Income before income tax	2,038	4,249	8,013	8,280	6,760	5,753	11,931	12,365
Income tax benefit	241	510	946	1,023	22	155	808	5,171
Minority interest	—	—	—	—	—	—	37	65
Net income attributable to equity holders	\$ 2,279	\$ 4,760	\$ 8,959	\$ 9,303	\$ 6,781	\$ 5,908	\$ 12,776	\$ 17,471
Solar products shipped (in MW) <sup>(1)(2)</sup>	3.3 <sup>(1)</sup>	7.7	13.1	15.4	15.4	22.1	36.4	50.6
Total solar wafers shipped (in MW) <sup>(3)</sup>	1.9	5.0	8.3	10.8	13.7	18.9	29.3	36.7
Average selling price (\$/W) <sup>(4)</sup>	2.01	2.11	2.19	2.18	2.21	2.22	2.30	2.37

(1) Includes 0.5 MW of solar modules shipped.

(2) Includes solar wafers shipped, solar wafers shipped from processing services and ingots shipped.

(3) Excludes solar wafers shipped from processing services.

(4) Calculated based on net revenue attributable to solar wafers shipped divided by solar wafers shipped during such period.

For the eight quarters ended December 31, 2007, our net revenue grew quarter on quarter, primarily as a result of continued growth in the sale of our solar wafers and related products driven by strong market demand for solar wafers and the expansion of our manufacturing capacity. Our cost of revenues also increased from quarter to quarter to reflect an increase in production output and an increase in cost of silicon raw materials.

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Our gross profit increased from quarter to quarter, except for the first quarter of 2007, which decrease was due primarily to an increase in the price of silicon raw materials. Our gross margin declined from the fourth quarter of 2006 to the fourth quarter of 2007, as compared with the previous quarters, reflecting a significant increase in the cost of silicon raw materials primarily due to higher raw material prices although the average selling prices for our wafers increased during the same period. The impact of the increase in the cost of silicon raw materials was partially offset by the effects of (i) increasing production yield by efficiently utilizing silicon consumption, enhancing process technologies and improving labor skills, (ii) controlling raw material costs through sourcing of reclaimable silicon raw materials from strengthened international procurement network and (iii) reduction of processing fees paid to third parties after our commencement of in-house wafer-slicing operations in the third quarter of 2006.

Our income from operations increased from quarter to quarter, in line with our gross profit trend, except for the first quarter of 2007. On the non-operating expenses, our interest expenses increased in 2007 as a result of our issuance of convertible bonds in March 2007 and incurrence of more short-term and long-term borrowings in 2007. We also experienced a significant foreign exchange loss in the second quarter of 2007 primarily due to the appreciation of the Renminbi against the U.S. dollar and our holding of large amounts of cash denominated in U.S. dollar as a result of issuance of convertible bonds.

Our net income increased from quarter to quarter, in line with our gross profit trend, except for the first and second quarters of 2007, which decreases were partly due to increases in interest expenses and foreign exchange losses.

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**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 revenue.

	Year Ended December 31,					
	2005		2006		2007	
	(in thousands, except percentages)					
<b>Net revenue:</b>						
Product sales	\$ 5,088	100.0%	\$ 78,515	93.1%	\$ 231,282	92.9%
Processing services	—	—	5,856	6.9	17,691	7.1
Total net revenue	<u>5,088</u>	<u>100.0</u>	<u>84,371</u>	<u>100.0</u>	<u>248,973</u>	<u>100.0</u>
<b>Cost of revenues:</b>						
Product sales	(3,677)	(72.3)	(57,141)	(67.7)	(184,292)	(74.0)
Processing services	—	—	(2,505)	(3.0)	(11,185)	(4.5)
Total cost of revenues	<u>(3,677)</u>	<u>(72.3)</u>	<u>(59,646)</u>	<u>(70.7)</u>	<u>(195,477)</u>	<u>(78.5)</u>
Gross profit	<u>1,411</u>	<u>27.7</u>	<u>24,725</u>	<u>29.3</u>	<u>53,496</u>	<u>21.5</u>
<b>Operating expenses:</b>						
Sales and marketing	(210)	(4.1)	(335)	(0.4)	(584)	(0.2)
General and administrative	(356)	(7.0)	(2,285)	(2.6)	(8,754)	(3.5)
Research and development	—	—	(39)	0.0	(1,143)	(0.5)
Other general (expenses) income	(243)	(4.8)	169	0.2	418	0.2
Total operating expenses	<u>809</u>	<u>15.9</u>	<u>2,490</u>	<u>3.0</u>	<u>10,063</u>	<u>4.0</u>
Income from operations	602	11.8	22,235	26.4	43,433	17.4
Interest income	1	—	312	0.4	1,934	0.8
Interest expenses	(27)	(0.5)	(331)	(0.4)	(4,512)	(1.8)
Foreign exchange gain (loss)	(2)	—	364	0.4	(4,047)	(1.6)
Income before income tax and minority interest	574	11.3	22,580	26.8	36,808	14.8
Income tax benefit	617	12.1	2,721	3.2	6,155	2.5
Minority interest	—	—	—	—	27	—
Net income attributable to equity holders	<u>\$ 1,191</u>	<u>23.4%</u>	<u>\$ 25,301</u>	<u>30.0%</u>	<u>\$ 42,936</u>	<u>17.2%</u>

**Year Ended December 31, 2006 Compared to Year Ended December 31, 2007**

**Net revenue.** Our net revenue increased significantly from \$84.4 million in 2006 to \$249.0 million in 2007 due primarily to an increase in solar wafer sales. We discontinued the sale of solar modules in April 2006 to focus on the production and sale of solar wafers. We built up our wafer slicing capacity in 2006 and increased our annual manufacturing capacity of solar ingots to 378 MW as of December 31, 2007, which contributed to our significant revenue growth. As a result, our revenue generated from the sale of solar wafers increased from approximately \$56.0 million in 2006 to \$226.6 million in 2007, and our revenue derived from the sale of modules decreased from \$2.2 million in 2006 to nil in 2007. We sold 26.0 MW and 98.6 MW of solar wafers in 2006 and 2007, respectively. We sold 0.5 MW and nil of solar modules in 2006 and 2007, respectively.

In 2006 and 2007, we derived a portion of our revenue from the sale of ingots, when our ingot manufacturing capacity was larger than our wafer slicing capacity. Our revenue generated from the sale of ingots decreased from \$13.8 million in 2006 to \$1.3 million in 2007 as we built up our wafer slicing capability. We also generated revenue of \$2.8 million from sale of solar cells in 2006 in connection with the purchase and sale of solar cells and the disposal of our solar cell inventories after we discontinued the sale of solar modules in April 2006. Our revenue generated from sale of silicon raw materials was \$3.5 million in 2007.

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In 2006 and 2007, \$5.9 million and \$17.7 million of our net revenue were generated from processing silicon raw materials into solar ingots or solar wafers for customers. This increase is primarily due to increased demand from customers for such processing services.

**Cost of revenues.** Our cost of revenues increased from \$59.6 million in 2006 to \$195.5 million in 2007. Our reclaimable silicon raw material costs increased significantly due primarily to increases in silicon raw material prices and purchased volume, as well as a change in raw material mix as we purchased higher quality raw materials. In 2007, our average silicon cost per watt increased approximately 37.7% compared to the cost in 2006. Our costs of consumables, overhead costs, labor costs and depreciation also increased due to increased sales and processing services.

**Gross profit.** Our gross profit increased by \$28.8 million from \$24.7 million in 2006 to \$53.5 million in 2007. Our gross margin decreased from 29.3% in 2006 to 21.5% in 2007, primarily due to increases in the cost of reclaimable silicon raw materials as described above, while prices of our wafers remained relatively stable. The impact of the increase in the cost of raw materials was offset in part by our efforts to (i) increasing production yield by efficiently utilizing silicon consumption, enhancing process technologies and improving labor skills, (ii) controlling raw material costs through sourcing of reclaimable silicon raw materials from strengthened international procurement network, (iii) reduction of processing fees paid to third parties after our commencement of in-house wafer-slicing operations in the third quarter of 2006, and (iv) higher average selling prices of our wafer products (from \$2.16 in 2006 to \$2.30 in 2007) due to strong demand for our wafer products.

**Sales and marketing expenses.** Sales and marketing expenses increased from \$0.3 million in 2006 to \$0.6 million in 2007. The increase in sales and marketing expenses was primarily attributable to an increase in expenses for attending industrial exhibitions and advertising and promotion expenses and an increase in sales and marketing personnel as we expanded our wafer business. As a percentage of net revenue, sales and marketing expenses decreased from 0.4% in 2006 to 0.2% in 2007 primarily due to our increased scale, a decrease in commissions paid to sales agents because we engaged in more direct sales and a decrease in warranty costs as we discontinued the sale of solar modules in April 2006.

**General and administrative expenses.** General and administrative expenses increased from \$2.3 million in 2006 to \$8.8 million in 2007. The increase in our general and administrative expenses was primarily attributable to increased salaries, bonuses and benefits as we hired more staff to manage the manufacture and sale of multicrystalline wafers and our growing business, and our professional fees and compliance expenses increased as we became a public company listed on AIM. As a percentage of net revenue, general and administrative expenses increased from 2.7% in 2006 to 3.5% in 2007.

**Research and development expenses.** Research and development expenses increased from \$39,000 in 2006 to approximately \$1.1 million in 2007. The increase in our research and development expenses in 2007 included increases in salaries and benefits of our research and development employees, chemicals and other materials used in our research and development activities and depreciation of relevant equipment.

**Interest income and expenses.** Our interest income was \$0.3 million in 2006 compared to \$1.9 million in 2007. Our cash balances increased in 2007 compared to 2006, primarily due to the net proceeds we received from our issuance of convertible bonds, part of which were placed in interest-bearing deposit accounts. Our interest expenses increased from \$0.3 million in 2006 to \$4.5 million in 2007 primarily as a result of increased short-term and long-term borrowings and increased borrowing costs to finance equipment purchases, construction of plants and the working capital requirements of our growing business, as well as interests on our convertible bonds issued in March 2007.

**Foreign exchange gain (loss), net.** We recognized a foreign exchange loss of \$4.0 million in 2007, compared to a foreign exchange gain of \$0.4 million in 2006. Our foreign exchange loss in 2007 was primarily due to the appreciation of the Renminbi against the U.S. dollar and increases in our U.S. dollar denominated

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assets, such as cash and cash equivalents and advances to suppliers. Our foreign exchange gain in 2006 was primarily due to the appreciation of Renminbi against the U.S. dollar and increases in our U.S. dollar dominated liabilities, such as advance from customers.

**Income tax benefit.** Our income tax benefit decreased from \$2.7 million in 2006 to \$6.2 million in 2007, primarily due to the utilization of tax credit carryforwards to offset the income tax of the current period and the increase in our deferred tax liabilities.

**Net income.** As a result of the foregoing, our net income increased from \$25.3 million, or 30.0% of net revenue, in 2006 to \$42.9 million, or 17.2% of net revenue, in 2007.

### **Year Ended December 31, 2005 Compared to Year Ended December 31, 2006**

**Net revenue.** Our net revenue increased significantly from \$5.1 million in 2005 to \$84.3 million in 2006. We commenced our production of solar wafers and modules in the second half of 2005 and sold solar modules in 2005 and the first quarter of 2006. We discontinued the sale of solar modules in April 2006 to focus on the production and sale of solar wafers. We built up our wafer slicing capacity in 2006 and increased our annual manufacturing capacity of solar wafers to 45 MW as of December 31, 2006, which contributed to our significant revenue growth. As a result, our revenue generated from the sale of solar wafers increased from approximately \$21,000 in 2005 to \$56.0 million in 2006, and our revenue derived from the sale of modules decreased from \$3.9 million in 2005 to \$2.2 million in 2006. We sold 26.0 MW of solar wafers in 2006 and 1.1 MW and 0.5 MW of solar modules in 2005 and 2006.

In 2005 and 2006, we derived a portion of our revenue from the sale of ingots, when our ingot manufacturing capacity was larger than our wafer slicing capacity. Our revenue generated from the sale of ingots increased from \$0.8 million in 2005 to \$13.8 million in 2006. Due to the increase in our ingot manufacturing capacity from 14 MW as of December 31, 2005 to 80 MW as of December 31, 2006 and due to the strong demand for ingots, our ingot sales increased from 0.7 MW in 2005 to 8.3 MW in 2006. We also sold some solar cells in 2005 and 2006. We sold more solar cells in 2006 compared to 2005 due to the disposal of our solar cell inventories after we discontinued the sale of solar modules in April 2006. In 2006, \$5.9 million of our net revenue was generated from processing silicon raw materials into silicon ingots or solar wafers for customers.

**Cost of revenues.** Our cost of revenues increased from \$3.7 million in 2005 to \$59.6 million in 2006. Our reclaimable silicon raw material costs increased significantly due primarily to the expansion of our solar wafer manufacturing capacity and output and increase in silicon prices. Our costs of consumables, overhead costs, labor costs and depreciation also increased due to increased sales and processing services. We also incurred more processing fees in 2006 compared to 2005 as we outsourced some slicing of ingots into wafers to third party-manufacturers before our in-house capacity was fully built up.

**Gross profit.** Our gross profit increased by \$23.3 million from \$1.4 million in 2005 to \$24.7 million in 2006. Our gross margin increased from 27.7% in 2005 to 29.3% in 2006, primarily due to our increased wafer production, which has higher margin, and discontinuance of module production, which has lower margin.

**Sales and marketing expenses.** Sales and marketing expenses increased from \$0.2 million in 2005 to \$0.3 million in 2006. The increase in sales and marketing expenses was primarily attributable to an increase in sales and marketing personnel as we grew our wafer business. As a percentage of net revenue, sales and marketing expenses decreased from 4.1% in 2005 to 0.4% in 2006 primarily because of our increased scale, a decrease in commissions paid to sales agents due to our enhanced relationships with customers and a decrease in warranty costs as we discontinued the sale of solar modules in April 2006.

**General and administrative expenses.** General and administrative expenses increased from \$0.4 million in 2005 to \$2.3 million in 2006. The increase in our general and administrative expenses was attributable to increases in employee salaries and benefits as we hired more staff to manage our growing business, and share-based compensation

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with respect to the grant of restricted shares to certain members of our management. As a percentage of net revenue, general and administrative expenses decreased from 7.0% in 2005 to 2.7% in 2006 because of our increased scale.

**Research and development expenses.** Research and development expenses increased from nil in 2005 to approximately \$39,000 in 2006. Our research and development expenses in 2006 were primarily due to purchases of relevant equipment and chemicals used in our research and development activities.

**Interest income and expenses.** Our interest income was \$0.3 million in 2006 compared to \$1,000 in 2005. Our cash balances increased significantly in 2006, primarily due to the net proceeds we received from our AIM listing. Our interest expenses increased from \$27,000 in 2005 to \$0.3 million in 2006 primarily as a result of increased short-term borrowings to finance equipment purchases and the working capital requirements of our growing business.

**Foreign exchange gain (loss), net.** We recognized a foreign exchange loss of \$2,000 in 2005 compared to a foreign exchange gain of \$0.4 million in 2006. Our foreign exchange gain was due primarily to the appreciation of the Renminbi against the U.S. dollar and to increases in our U.S. dollar dominated assets, such as cash and cash equivalents and advances to suppliers, in 2006 compared to 2005.

**Income tax benefit.** Our income tax benefit increased from \$0.6 million in 2005 to \$2.7 million in 2006, primarily because of an increase in deferred tax resulting from an increase in tax credits we received for making certain equipment purchases.

**Net income.** As a result of the foregoing, our net income increased from \$1.2 million, or 23.4% of net revenue, in 2005 to \$25.3 million, or 30.0% of net revenue, in 2006.

### **Liquidity and Capital Resources**

We have financed our operations primarily through short-term borrowings, long-term borrowings, the proceeds from our initial public offering on AIM, the proceeds from our convertible bonds offering, equity contributions by our shareholders and cash generated from operations. As of December 31, 2005, 2006 and 2007, we had \$0.4 million, \$9.9 million and \$53.1 million, respectively, in cash and cash equivalents, and \$0.7 million, \$14.7 million and \$89.5 million, respectively, in outstanding borrowings. In 2005, 2006 and 2007, we had bank credit facilities of \$0.7 million, \$15.6 million and \$184.8 million, respectively, of which \$0.7 million, \$14.7 million and \$89.5 million were drawn down. As of December 31, 2005, 2006 and 2007, nil, \$0.9 million and \$95.3 million were available under these facilities.

As of December 31, 2005, 2006 and 2007, we had outstanding short-term borrowings of \$0.7 million, \$14.7 million and \$71.7 million, respectively. These short-term borrowings expire at various times throughout the year. Our short-term borrowings outstanding as of December 31, 2005, 2006 and 2007 were RMB-denominated and bore a weighted average interest rate of 7.3%, 6.0% and 6.0%, 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 any principal or interest due in that year has not been paid. See “Dividend Policy.”

As of December 31, 2007, we had outstanding long-term loans of \$17.8 million. We obtained two long-term loans in RMB equivalent of approximately \$2.6 million and \$2.1 million in June 2007 and one long-term loan in RMB equivalent of approximately \$2.0 million in July 2007 from Industrial and Commercial Bank of China. The loans were used to finance the construction of our multicrystalline wafer facilities and purchase of equipment. All of our bank loans are unsecured and have variable interest rates tied to a percentage below the applicable benchmark interest rate set by the People’s Bank of China. The loans in the amount of \$2.1 million, \$2.6 million and \$2.0 million will be due for repayment upon maturity in 2009, 2010 and 2010, respectively. The weighted average interest rate for such loans was approximately 6.6% in 2007. See “—Contractual Commitments” for details of long-term loans we entered into after December 31, 2007.

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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 are convertible into our ordinary shares at an initial conversion price of £5.74 per share. The conversion price will be adjusted upon occurrence of certain events, including among others, issuance of our shares at a price below 95% of the current market price on the last trading day preceding the date of announcement of the terms of our offering. Current market price at a particular date is the average closing price of our AIM shares for the five consecutive trading days ending on the trading day immediately preceding such date. The bonds mature on March 26, 2012 at 105.9% of their principal amount plus accrued interest. We may 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. Holders may require us to redeem the bonds on March 26, 2010 at 103.47% of their principal amount plus accrued interest. As of December 31, 2007, the carrying value of our convertible bonds was \$128.3 million.

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 industry-wide shortage 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 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 increased significantly from \$1.2 million as of December 31, 2005 to \$17.0 million as of December 31, 2006 and \$53.7 million as of December 31, 2007 due to the significant expansion of our solar wafer manufacturing capacity and output. We expect that our inventories will continue to increase as our business grows.

We generally require customers to make prepayment before delivery. Accordingly, although our business has grown significantly, our accounts receivable only increased from \$0.2 million as of December 31, 2005 to \$0.7 million as of December 31, 2006 and \$8.8 million as of December 31, 2007. The increase in our accounts receivable as of December 31, 2007 compared to December 31, 2006 was primarily due to a delivery of our products to one of our major customers at the end of the third quarter of 2007. The payment for this delivery has since been received. Because of the prepayment requirements that we imposed on our customers, our allowance for doubtful accounts was not significant.

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

	Year Ended December 31,		
	2005	2006 (in thousands)	2007
Net cash provided by (used in) operating activities	\$ 1,082	\$ (15,499)	\$ (31,661)
Net cash used in investing activities	(2,237)	(32,205)	(118,200)
Net cash provided by financing activities	1,499	57,218	188,537
Net increase in cash and cash equivalents	364	9,458	43,275
Cash and cash equivalents at the beginning of the year	40	404	9,862
Cash and cash equivalents at the end of the year	\$ 404	\$ 9,862	\$ 53,137

### *Operating activities*

Net cash used in operating activities in 2007 was \$31.7 million, primarily attributable to (i) an increase in inventories of \$60.4 million as we expended substantially more cash to increase our inventories to meet production output, (ii) an increase in advances to suppliers of \$34.3 million to secure raw materials for our increased production output, (iii) an increase in prepaid expenses and other current assets of \$6.6 million primarily related to our entitlement to tax credits for the purchase of certain domestic equipment and our prepayment of income tax. The substantial cash outflow was offset in part by a net income of \$42.9 million. Although net cash outflow is expected to continue, we are able to fund our net cash outflow from internally generated cash, existing bank facilities, proceeds from our initial public offering in the United States and prepayments from our customers on our wafer sales.



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Net cash used in operating activities in 2006 was \$15.5 million, primarily attributable to an increase in inventories of \$40.6 million as we expended substantially more cash to increase our inventories to meet production output, and an increase in advances to suppliers of \$15.6 million to secure raw materials for our increased production output. The substantial cash outflow was partially offset by an increase in advances from customers of \$29.2 million due to increased sales and a net income of \$25.3 million. Net cash provided by operating activities in 2005 was \$1.1 million, partly attributable to a net income of \$1.2 million, adjusted by an increase in advances from customers of \$4.5 million resulting from increased sales, offset by increases in inventories of \$3.2 million and advances to suppliers of \$1.1 million to secure raw materials for our increased production output.

### ***Investing activities***

Net cash used in investing activities in 2007 was \$118.2 million, primarily due to the construction of our wafer and ingot processing plant and the purchase of production equipment, as well as advances for the purchase of production equipment and land use rights.

Net cash used in investing activities in 2006 was \$32.2 million, primarily due to building of our wafer and ingot processing plant, purchasing production equipment, including advances for the purchase of production equipment, and acquiring factory premises. Net cash used in investing activities in 2005 was \$2.2 million, primarily due to building of our wafer and ingot processing plant and purchasing production equipment.

### ***Financing activities***

Net cash provided by financing activities was \$188.5 million in 2007, primarily attributable to an increase in short-term and long-term borrowings of \$70.9 million in 2007 and the net proceeds of \$115.8 million received from our convertible bonds issued in March 2007.

Net cash provided by financing activities increased from \$1.5 million in 2005 to \$57.2 million in 2006. The increase was primarily attributable to an increase in short-term borrowings and the net proceeds from our initial public offering on AIM in August 2006.

### **Capital Expenditures**

We had capital expenditures of \$0.3 million, \$2.2 million, \$17.6 million and \$101.4 million in 2004, 2005, 2006 and 2007, respectively. We had advances for purchases of property, plant and equipment of \$53,000, \$14.6 million and \$13.1 million in 2005, 2006 and 2007, respectively. As of December 31, 2006 and 2007, commitments outstanding for purchase of property, plant and equipment were \$29.6 million and \$103.3 million, respectively. Our capital expenditures were used primarily to build our wafer and ingot processing plant, purchase production equipment and acquire land use rights.

We expect our capital expenditures to increase in the future as we implement a business expansion program to capture what we believe to be an attractive market opportunity in the solar wafer industry. We estimate that our capital expenditures for 2008 are approximately \$375 million, of which we allocate \$230 million to our Sichuan project and \$145 million to capacity expansion. As of December 31, 2007, we had annual ingot manufacturing capacity of approximately 378 MW, consisting of monocrystalline ingot manufacturing capacity of approximately 218 MW and multicrystalline ingot manufacturing capacity of approximately 160 MW, and solar wafer manufacturing capacity of approximately 305 MW. By the end of 2008, we intend to increase our annual ingot manufacturing capacity to approximately 645 MW, consisting of monocrystalline ingot manufacturing capacity of approximately 325 MW and multicrystalline ingot manufacturing capacity of approximately 320 MW, and solar wafer manufacturing capacity to approximately 585 MW in order to meet the increasing demand for our solar wafers. By the end of 2009, we plan to expand our annual ingot manufacturing capacity to approximately 1,000 MW, consisting of monocrystalline ingot manufacturing capacity of approximately 325 MW and multicrystalline ingot manufacturing capacity of approximately 675 MW, and our solar wafer manufacturing capacity to approximately 1,000 MW.

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We believe that our current cash and cash equivalents, anticipated cash flows from our operations and bank borrowings, existing bank facilities and proceeds from this offering will be sufficient to meet our anticipated cash needs in 2008, including our cash needs for working capital and capital expenditures. 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.

### Contractual Commitments

The following table sets forth our contractual obligations as of December 31, 2007:

Contractual Obligations	Payment Due by Period			
	Total	1 year	1-3 years	3-5 years
Long-term borrowings	\$ 20,252	\$ 1,243	\$ 19,009	—
Convertible bonds	140,033	1,271	2,543	\$ 136,219
Purchase obligations <sup>(1)</sup>	103,289	87,099	16,190	—
Total	<u>\$ 263,574</u>	<u>\$ 89,613</u>	<u>\$ 37,742</u>	<u>\$ 136,219</u>

(1) Includes commitments to purchase production equipment and payment obligations under construction contracts.

In 2007, the Company entered into multiple long-term supply contracts. Under these contracts, the Company agreed to purchase approximately 14,890 metric tons of silicon raw materials from 2008 to 2013 with prices to be determined or negotiated in future periods.

In January 2008, we obtained a loan from Bank of China of RMB120 million (\$16.3 million), which is due in January 2010. This loan is secured by mortgages over some of our equipment and inventory and a guarantee provided by Mr. Li, our director and chief executive officer, and his wife. This loan has a variable interest rate adjusted on an annual basis according to the applicable benchmark interest rate set by the People's Bank of China. We also obtained three long-term loans from Industrial and Commercial Bank of China of RMB25 million (\$3.4 million) in March 2008, RMB30 million (\$4.1 million) in April 2008 and RMB35 million (\$4.8 million) in April 2008, which are due in March 2010, April 2010 and April 2011, respectively. These loans are secured by mortgages over some of our inventory. These loans have a variable interest rate adjusted on an annual basis according to the applicable benchmark interest rate set by the People's Bank of China.

### Off-balance Sheet Commitments and Arrangements

There are no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors, other than those discussed under "—Contractual Commitments" above.

### 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 1.8%, 1.5% and 4.8% in 2005, 2006 and 2007, respectively.

## Market Risks

### *Foreign exchange risk*

Our sales in China are denominated in Renminbi, and our export sales are generally denominated in U.S. dollars. Our costs and capital expenditures are largely denominated in Renminbi and foreign currencies, including U.S. dollars, Euros and Japanese Yen. Fluctuations in currency exchange rates, particularly between the U.S. dollar and Renminbi and between Euros 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.

We incurred foreign currency exchange losses of approximately \$2,000 for the year ended December 31, 2005 and \$4.0 million for the year ended December 31, 2007, but a foreign exchange gain of \$0.4 million for the year ended December 31, 2006. We have employed derivative financial instruments to manage our exposure to fluctuations in foreign currency exchange rates, including forward exchange contracts to hedge the exchange rate risk arising from future costs and capital expenditures. We do not hold derivative financial instruments for trading purposes. Although we consider the use of a derivative portfolio to be an effective risk management tool, we did not apply hedge accounting. Such derivative instruments are marked to market and are recorded in the combined balance sheets as either an asset or liability, with changes in fair value recognized in the income statement in administrative and general expenses.

### *Interest rate risk*

Our exposure to interest rate risk relates to interest expenses incurred by our short-term and long-term borrowings, RMB928,700,000 U.S. Dollar Settled 1% Convertible Bonds due 2012 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.

## Recent Accounting Pronouncements

In September 2006, the FASB issued Statement No.157, Fair Value Measurements, or SFAS 157, which establishes a framework for measuring fair value and expands disclosures regarding fair value measurements. The changes to current practice resulting from the application of this Statement relate to the definition of fair value, methods used to measure fair value, and the expanded disclosures of fair value measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007, and interim period within those fiscal years. The adoption of SFAS 157 is not expected to have a material impact on our financial position or results of operations.

In February 2007, the FASB issued Statement No.159, The Fair Value Option for Financial Assets and Financial Liabilities, or SFAS 159. This Statement permits entities to choose to measure many financial instruments at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring different assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS 159 is effective for fiscal year beginning after November 15, 2007. We do not plan to elect the fair value option under SFAS 159. As a result, SFAS 159 does not have a material impact on our financial position or results of operations.

In December 2007, the FASB issued Statement No. 141 (revised 2007) "Business Combinations", or SFAS 141(R), to improve reporting and to create greater consistency in the accounting and financial reporting of business combinations. The standard requires the acquiring entity in a business combination to recognize all (and only) the assets acquired and liabilities assumed in the transaction; establishes the acquisition date fair value as the measurement objective for all assets acquired and liabilities assumed; and requires the acquirer to disclose to

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investors and other users all of the information they need to evaluate and understand the nature and financial effect of the business combination. SFAS 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008, with the exception of the accounting for valuation allowances on deferred taxes and acquired tax contingencies. SFAS 141(R) amends SFAS 109, "Accounting for Income Taxes," such that adjustments made to valuation allowances on deferred taxes and acquired tax contingencies associated with acquisitions that closed prior to the effective date of SFAS 141(R) would also apply the provisions of SFAS 141(R). An entity may not apply it before that date. We are currently evaluating the potential effects on our consolidated financial statements.

In December 2007, the FASB issued Statement No. 160, Non-controlling Interests in Consolidated Financial Statements, or SFAS 160, to improve the relevance, comparability, and transparency of financial information provided to investors by requiring all entities to report non-controlling interests in subsidiaries in the same way as required in the consolidated financial statements. Moreover, SFAS 160 eliminates the diversity that currently exists in accounting for transactions between an entity and non-controlling interests by requiring they be treated as equity transactions. SFAS 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Earlier adoption is prohibited. We are currently evaluating the impact of the adoption of SFAS 160 on our consolidated financial position, results of operations or cash flows.

In March 2008, the FASB issued Statement No. 161, Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133, or SFAS 161, to enhance disclosures about how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for and their effect on an entity's financial position, financial performance, and cash flows. SFAS 161 is effective for us on January 1, 2009. We are currently evaluating the impact that the adoption of SFAS 161 will have on our consolidated financial statements.

## BUSINESS

### Overview

We are a leading global manufacturer of solar wafers, which are thin sheets of crystalline silicon material primarily used in the production of solar cells. According to Solarbuzz, we are one of the largest wafer manufacturers globally based on wafer manufacturing capacity in 2007. Our customers include some of the leading global manufacturers of solar cells and modules, such as JA Solar Co., Ltd., Motech Industries Inc., Solarfun Power Holding Ltd. and Suntech Power Co., Ltd.

Historically, we focused on manufacturing monocrystalline wafers and have accumulated extensive experience and expertise in developing and using monocrystalline wafer production technologies. In 2005 and 2006, we offered 125 mm by 125 mm monocrystalline wafers with a thickness of 220 microns. In late 2006, we introduced 125 mm by 125 mm monocrystalline wafers with a thickness of 200 microns. We now also offer 156 mm by 156 mm monocrystalline wafers with a thickness of 200 microns. By the end of the first quarter of 2008, we were able to offer both sizes of monocrystalline wafers with a thickness of 180 microns. Furthermore, we began manufacturing 156 mm by 156 mm multicrystalline wafers with a thickness of 220 microns in the third quarter of 2007. By the end of the first quarter of 2008, we were able to reduce the thickness of multicrystalline wafers to 200 microns. Monocrystalline cells are made from monocrystalline wafers. Solar power products that use monocrystalline cells generally yield higher conversion efficiencies. On the other hand, multicrystalline wafers are less expensive to produce and have less stringent raw material requirements. With our production of multicrystalline wafers, we expect to realize cost synergies by utilizing some of the silicon materials reclaimable from our monocrystalline wafer production process.

We possess one of the largest solar wafer manufacturing plants in China based on production capacity as of December 31, 2007. As of December 31, 2007, we had annual ingot manufacturing capacity of approximately 378 MW, consisting of monocrystalline ingot manufacturing capacity of approximately 218 MW and multicrystalline ingot manufacturing capacity of approximately 160 MW, and solar wafer manufacturing capacity of approximately 305 MW. To further capitalize on rising global demand for solar wafers, we intend to increase our annual ingot manufacturing capacity to approximately 645 MW, consisting of monocrystalline ingot manufacturing capacity of approximately 325 MW and multicrystalline ingot manufacturing capacity of approximately 320 MW, and our solar wafer manufacturing capacity to approximately 585 MW by the end of 2008. By the end of 2009, we plan to expand our annual ingot manufacturing capacity to approximately 1,000 MW, consisting of monocrystalline ingot manufacturing capacity of approximately 325 MW and multicrystalline ingot manufacturing capacity of approximately 675 MW, and solar wafer manufacturing capacity to approximately 1,000 MW. However, we cannot assure you that we will achieve our 2008 and 2009 expansion plan.

By using proprietary technologies, processes and know-how, we manufacture solar wafers from a wide range of silicon raw materials, including reclaimable raw materials such as broken wafers and broken cells that are difficult to process but less expensive than other reclaimable silicon raw materials. We believe this affords us significant advantages over many of our competitors who rely substantially on virgin polysilicon sourced from the spot market and reclaimable silicon raw materials that are easier to process but more expensive. Our solar wafers are comparable in quality and performance to those made from solar-grade virgin polysilicon because of our use of a high percentage of semiconductor-grade reclaimable silicon materials and our proven process technologies.

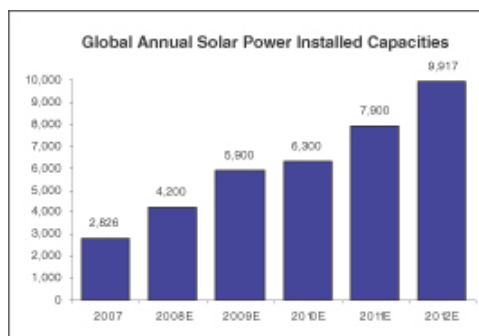
We believe we are well positioned to address the challenges presented by the current industry-wide shortage of silicon raw materials. In addition to entering into longer term polysilicon supply contracts and establishing extensive global network of suppliers with dedicated procurement personnel in China, the United States and Singapore to facilitate close contact with our suppliers, we have also taken steps to expand into upstream polysilicon manufacturing in order to enhance our competitive advantage as a low-cost producer and to secure a reliable long-term supply of feedstock.

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We have grown rapidly since we began manufacturing solar products in 2005. Our net revenue increased significantly from \$5.1 million in 2005 to \$84.4 million in 2006 and to \$249.0 million in 2007. Our income from operations increased from \$0.6 million in 2005 to \$22.2 million in 2006 and to \$43.4 million in 2007. Our net income increased from \$1.2 million in 2005 to \$25.3 million in 2006 and to \$42.9 million in 2007.

### Our Industry

Solar power is one of the rapidly growing renewable energy sources today, and the solar power market has grown significantly over the past decade. According to Solarbuzz, the global solar power market, as measured by annual solar power system installed capacities, grew at a CAGR of 47.4% from 598 MW in 2003 to 2,826 MW in 2007. In one of Solarbuzz's forecasts, annual solar power system installed capacities may further increase to 9,917 MW in 2012, and solar power industry revenue may increase from \$17.2 billion in 2007 to \$39.5 billion in 2012.



Source: Solarbuzz, 2008.

### Key Growth Drivers

We believe the following factors have driven and will continue to drive the growth of the solar power industry:

**Growing Electric Power Demand and Supply Constraints.** In recent years, global economic development has resulted in surging energy demand, while the generation, transmission and distribution infrastructure is capacity constrained and limited supply and escalating consumption of coal, oil and natural gas continue to drive up wholesale electricity prices, resulting in higher electricity costs for consumers. As a result, renewable energy, such as solar power, is expected to play an important role in meeting the increasing energy demand.

**Advantages of Solar Power.** Solar power has several advantages over both conventional and other forms of renewable energy:

- **Fuel Risk Advantage.** Unlike fossil fuels, solar energy has no fuel price volatility or supply constraints. In addition, because solar power relies solely on sunlight, it does not present similar delivery risks associated with fossil or nuclear fuels. Although the amount and timing of sunlight varies over the day, season and year, a properly sized and configured system can be designed to provide a highly reliable and long-term electricity supply.
- **Modularity and Location Advantage.** Unlike other renewable resources such as hydroelectric and wind power, solar power can be utilized anywhere there is sunlight and directly where the power will be used. As a result, solar power limits the expense of and energy losses associated with transmission and distribution from large-scale electric plants to the end users. Moreover, solar power products can be deployed in many different sizes and configurations to meet specific customer needs.
- **Reliability.** With no moving parts and no requirement for regular maintenance, solar power systems are among the most reliable forms of electricity generation.

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- *Environmental Advantage.* Solar power products generate electricity without air or water emissions, noise, vibration, habitat impact or waste generation.
- *Peak Energy Use Advantage.* Since the maximum sunlight hours correspond to peak electricity demand periods, solar power is well-suited to match peak energy needs and is not subject to the seasonal availability problems typically faced by hydroelectric and wind power.

**Government Incentives for Solar Power.** 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.

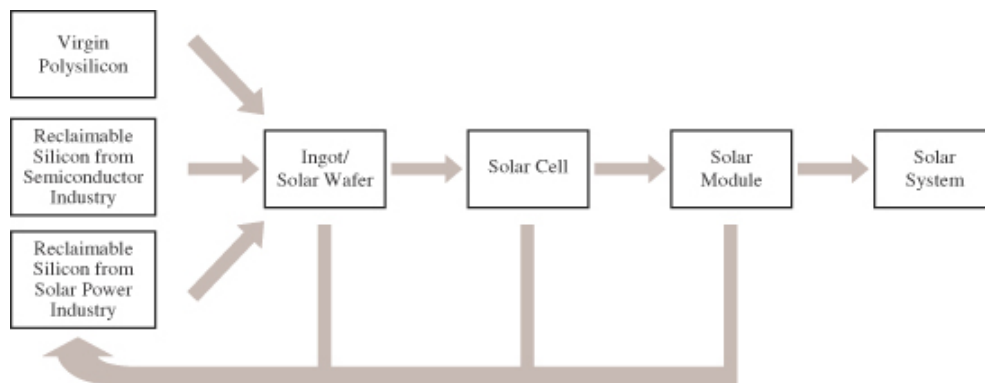
### The Solar Power Industry Value Chain

Crystalline silicon-based technologies and thin-film technologies are the primary technologies currently used in the solar power industry. According to Solarbuzz, crystalline silicon-based solar cells represented 88% of the solar cell production in 2007, compared to 12% for thin-film-based solar cells.

The crystalline silicon-based solar power manufacturing value chain starts with the processing of quartz sand to produce metallurgical-grade silicon. This material is further purified to semiconductor-grade or solar-grade polysilicon feedstock. Reclaimable silicon raw materials, acquired from the semiconductor and solar power industries, can also be used as feedstock. The silicon feedstock is then processed into solar wafers.

Wafers are manufactured into solar cells through a multiple step manufacturing process that entails etching, doping, coating and applying electrical contacts. Solar cells are then interconnected and packaged to form solar modules, which together with system components such as batteries and inverters, are installed as solar power systems.

The following diagram illustrates the value chain for the manufacture of crystalline silicon-based solar power products.



In contrast, thin-film technologies generally require lower amounts of semiconductor materials, and do not require bulk polysilicon in the production of solar cells and modules. However, compared to crystalline silicon-based solar cells, the conversion efficiencies of thin-film-based solar cells are generally lower. Therefore, to attain electricity generation capacities comparable to that of crystalline silicon-based solar power systems, thin-film-based solar power systems need to use more solar cells and modules and need more space for installation. This restricts their use, particularly where space for installation is limited, such as in residential rooftop applications.

### ***The Challenges Facing Solar Power***

In spite of the benefits of solar power, the industry must overcome the following challenges to achieve widespread commercialization and use.

**High Cost of Solar Electricity.** For most on-grid applications, the current overall cost of generating solar power electricity, when upfront capital costs are factored in, is greater than the cost of purchasing retail electricity from a utility grid. While government programs have accelerated the use of solar power for on-grid applications, the higher cost of solar power products remain one of the impediments to growth. To address this issue, the solar power industry must continually reduce manufacturing and installation costs and find ways to make the use of solar power cost-effective over time without government incentives or subsidies. Increasing the conversion efficiency of solar power products in particular will help reduce the cost of electricity generated from solar power. We believe that when the cost of electricity generated from solar power products approaches the cost of electricity purchased from conventional power sources, solar power will become more attractive to consumers and greater demand for solar power than currently estimated will result.

**Shortages of Silicon Raw Materials.** Virgin polysilicon and reclaimable silicon are essential raw materials in the solar power supply chain. There is currently an industry-wide shortage of silicon raw materials, which is expected to continue in the near term. According to Solarbuzz, the average long-term supply contract price of virgin polysilicon increased from approximately \$50-\$55 per kilogram in 2006 to \$60-\$65 per kilogram in 2007. In addition, according to Solarbuzz, spot prices for virgin polysilicon were, in some cases, as high as \$400 per kilogram in 2007. Furthermore, as an increasing number of solar wafer manufacturers use more reclaimable silicon raw materials in their production to enhance raw material sufficiency and reduce manufacturing costs, prices of reclaimable silicon raw materials have also increased.

**Need to Increase Awareness and Acceptance of Solar Power Usage.** Growth in solar power usage has been mostly limited to on-grid applications. Increasing promotion efforts for solar power products are needed to increase customers' awareness and acceptance of solar power, and thus tap the potential of the off-grid market.

### ***Solar Wafer Industry***

The solar wafer industry is characterized by evolving technologies and intense competition. Access to sufficient silicon raw materials, key manufacturing equipment and skilled personnel are the major barriers for new entrants in this market.

Despite the higher prices of virgin polysilicon caused by its shortage, the substitution of reclaimable silicon raw materials to manufacture ingots and wafers has helped to lower the overall cost of raw materials. However, advanced technology is required to produce solar wafers of comparable quality and performance from reclaimable silicon. The conversion efficiencies of solar cells depend to a large extent on the purity of the silicon raw materials and manufacturing process technologies of ingots, wafers and cells.

Reclaimable silicon raw materials include part-processed and broken wafers, broken solar cells, pot scrap, silicon powder, ingot tops and tails, and other off-cuts sourced from the semiconductor industry and the solar power industry. Most reclaimable silicon raw materials sourced from the semiconductor industry are semiconductor-grade, which, after a relatively complicated recycling process, is typically of higher purity than solar-grade reclaimable silicon raw materials. The supplies of reclaimable silicon raw materials, particularly semiconductor-grade silicon, are dominated by waste management companies and trading companies that have connections with semiconductor manufacturers. As an increasing number of solar wafer manufacturers resort to using a greater amount of reclaimable silicon raw materials in their production of solar wafers, prices of reclaimable silicon raw materials have also increased. A close relationship with suppliers is critical to a wafer manufacturer's ability to secure raw material supplies.



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There are two primary solar wafer technologies: monocrystalline silicon technology and multicrystalline silicon technology. According to Solarbuzz, monocrystalline and multicrystalline wafer-based cell production represented approximately 39.8% and 48.6% of the total solar power market in 2007, respectively.

- Monocrystalline silicon technology has the longest history among the different solar power production technologies. In monocrystalline technology, the basic silicon material is produced from a single seed crystal, which is dipped in molten polysilicon and then pulled to become a single cylindrical ingot. The pulling process is also a purifying process, and the upper part of the ingot generally has higher purity. Ingots are then sliced into monocrystalline wafers. Monocrystalline-based solar power products are more expensive to produce than multicrystalline-based solar power products of similar dimensions. However, due to the uniform properties associated with using a single crystal, the conductivity of electrons in monocrystalline silicon is optimized, thus yielding higher conversion efficiencies. China offers a competitive advantage for monocrystalline wafer production because of low labor and consumable costs. According to Solarbuzz, high-efficiency monocrystalline modules achieved an average conversion efficiency rate of 15.1% in 2007, and the price of monocrystalline wafers generally increased by approximately 10% from 2006.
- Multicrystalline silicon is made from casting polysilicon into ingot blocks. It consists of numerous smaller crystals and generally contains more impurities and crystal defects that impede the flow of electrons relative to monocrystalline silicon. While this results in a lower energy conversion efficiency, producing multicrystalline-based solar power products involves less labor and lower quality silicon feedstock, and is cheaper compared to producing monocrystalline-based solar power products of similar dimensions. According to Solarbuzz, high-efficiency multicrystalline modules achieved an average conversion efficiency rate of 13.6% in 2007, and the price of multicrystalline wafers generally increased by 12% from 2006.

The surface area of solar wafers is another key factor in determining how much incident light can be absorbed and converted into electricity. To reduce manufacturing costs during the current period of silicon shortage, solar wafer manufacturers strive to reduce the thickness of solar wafers without reducing the surface area as the production of thinner wafers uses less silicon per unit.

Due to rising market demand for solar wafers, wafer manufacturers are expanding their manufacturing capacities. However, from order to the delivery of key wafer manufacturing equipment, particularly wire saws, generally takes one to two years. Relationships with key equipment suppliers are therefore critical for wafer manufacturers to implement their expansion plans.

### **Our Strengths**

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

#### ***Leading Position as a Solar Wafer Manufacturer***

We possess one of the largest solar wafer manufacturing plants in China based on production capacity as of December 31, 2007. As of December 31, 2007, we had annual wafer manufacturing capacity of 305 MW. As solar wafer manufacturing capacity and output currently lag behind the manufacturing capacity and output of solar cell and module manufacturers, we believe the market provides significant expansion opportunities for solar wafer manufacturers. We have dedicated our resources to developing our core competencies in solar wafer manufacturing, which provides us with a strong base to expand into other sectors of the solar power industry.

We have focused on the production of monocrystalline wafers since we began manufacturing solar power products in 2005, and have accumulated extensive experience and expertise in developing and utilizing monocrystalline technologies. We believe that our advanced technological capabilities are evidenced by our ability to mass produce monocrystalline wafers with a thickness of 180 microns. In 2005 and 2006, we offered

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125 mm by 125 mm monocrystalline wafers with a thickness of 220 microns. In late 2006, we introduced 125 mm by 125 mm monocrystalline wafers with a thickness of 200 microns. We now also offer 156 mm by 156 mm monocrystalline wafers with a thickness of 200 microns. By the end of the first quarter of 2008, we were able to offer both sizes of monocrystalline wafers with a thickness of 180 microns. Furthermore, we began manufacturing 156 mm by 156 mm multicrystalline wafers with a thickness of 220 microns in the third quarter of 2007. By the end of the first quarter of 2008, we were able to reduce the thickness of multicrystalline wafers to 200 microns. We believe our in-depth understanding of our customers' needs, our expertise and our dual capability to produce monocrystalline and multicrystalline wafers provide us with a stronger market position.

### ***Strong Technology Development Capabilities***

We believe that we have one of the strongest research and development teams among solar wafer manufacturers in China, comprising over 26 experienced researchers and engineers. As of the date of this prospectus, we had four patents and seven pending patent applications in China relating to our process technologies, including advanced processes for sorting, cleaning and testing reclaimable silicon. Our proprietary technologies, processes and know-how enable us to cost-effectively manufacture solar wafers from a wider range of reclaimable silicon raw materials compared to many of our competitors. We believe that this affords us significant advantages over those competitors as we are able to both procure less expensive raw materials and better weather the current industry-wide shortage of silicon raw materials. We have also developed proprietary methods of producing more monocrystalline ingots by adding silicon raw materials in the furnaces after each production cycle without waiting for the furnaces to cool. These innovations enable us to increase the yield of our ingots, reduce electricity costs and enhance the utilization rate of our furnaces and consumables, such as crucibles. We have also improved the structure of our monocrystalline furnaces so that they can provide more favorable heating conditions to enhance ingot production. In addition, we have developed technologies that allow us to use silicon powder to produce ingots, thereby further expanding the range of silicon raw materials for our production. Furthermore, we have customized our manufacturing equipment to enhance our product quality and manufacturing efficiency while keeping production costs relatively low.

### ***Large-scale, Cost-effective Manufacturing***

We possess a large-scale manufacturing facility in Jiashan, China. As of December 31, 2007, we had annual ingot manufacturing capacity of approximately 378 MW, with 226 monocrystalline furnaces and 32 multicrystalline furnaces installed, and annual solar wafer manufacturing capacity of approximately 305 MW, with 77 wire saws installed.

We scale up our manufacturing capacity cost-effectively by taking advantage of the lower cost of facilities, equipment, utilities and labor in China compared to more developed countries. Leveraging our workforce of over 2,900 employees, who have been trained through our in-house training programs, our production process incorporates advanced technology and cost-effective manual techniques. For example, for the complicated ingot pulling process, we believe that we have one of the largest monocrystalline ingot pulling workforce in China, comprising of approximately 300 skilled employees. Furthermore, approximately 1,000 of our employees are involved in our silicon reclamation process, enabling us to recycle cost-effectively the raw materials we purchase. We are also able to lower our equipment procurement, transportation and installation costs by procuring some of our manufacturing equipment, principally for the manufacture of monocrystalline ingots, from suppliers in China. Located within one hour's drive of Shanghai, our manufacturing facilities' close proximity to the largest port in China provides us with cost and time advantages over some of our competitors. Our economies of scale and cost advantages have helped us achieve a strong record of profitability.

### ***Global Network of Suppliers and Customers***

We have established an international network of silicon raw materials suppliers. We purchase some feedstock directly from international semiconductor manufacturers and have established direct links with polysilicon producers. We also maintain close relationships with waste management companies and trading companies that have connections with semiconductor manufacturers, providing us with stable access to reclaimable silicon raw

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materials. We also secure silicon raw materials from some of our customers and sell solar wafers to them in return under buy-and-sell arrangements. In addition, we also provide some of our customers with wafer and ingot processing services. These arrangements not only satisfy a portion of our raw material requirements and mitigate the risk of raw material price increases, but also strengthen our strategic partnerships with customers. We have dedicated procurement personnel in China, the United States and Singapore, and we believe our procurement team's geographic proximity to semiconductor manufacturers and polysilicon producers enables us to communicate with them in a timely manner and readily inspect the quality and quantity of supplies before shipment.

We have established a number of long-term relationships with several key players in the solar power industry. Our current customer base consists of some of the leading global manufacturers of solar cells and modules, such as JA Solar Co., Ltd., Motech Industries Inc., Solarfun Power Holding Ltd. and Suntech Power Co., Ltd. We believe our strong customer base will continue to enable us to capture the growth opportunities in the solar power industry.

### ***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, is a pioneer in the solar power industry in China. Our management team also consists of members with complementary managerial experience, industry background and international perspectives. Mr. Charles Xiaoshu Bai, our chief financial officer, has over 15 years of experience working in investment banks and multinational companies. Dr. Panjian Li, our chief strategy officer 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. Our management team is also complemented by Mr. Ying Tao, our consultant, who has strong expertise in silicon raw materials production. Several key members of our management team have worked closely for several years, and their joint efforts led to our successful AIM admission in 2006. Our management team's strong industry expertise and execution capabilities have also enabled us to significantly ramp up our ingot and wafer production within a short period of time.

### **Our Strategies**

Our objective is to become a leader in the global solar power industry by strengthening our leading position in solar wafer manufacturing and strategically expanding further upstream. We intend to achieve this objective by pursuing the following strategies:

#### ***Expand Manufacturing Capacity***

We plan to rapidly expand our manufacturing capacity in order to meet the anticipated growth in demand for our products and to gain market share. We will continue to expand our monocrystalline manufacturing capacity to cement our leading position in the monocrystalline wafer sector. In addition to the 125 mm by 125 mm monocrystalline wafer we currently produce, we have commenced manufacturing 156 mm by 156 mm monocrystalline wafers, and will expand our manufacturing capacity of high-efficiency large wafers. Furthermore, we began producing 156 mm by 156 mm multicrystalline wafers in the third quarter of 2007. We believe our production of multicrystalline wafers will provide us with cost synergies, as it can utilize certain types of silicon materials reclaimed from our monocrystalline wafer manufacturing process that cannot be re-used for monocrystalline wafer production. In addition, our monocrystalline furnaces can also purify the silicon materials reclaimed from our multicrystalline wafer manufacturing process, thus further enhancing our silicon utilization.

We plan to install additional monocrystalline furnaces, multicrystalline furnaces and wire saws to increase our total annual manufacturing capacities for monocrystalline ingots to approximately 325 MW, multicrystalline ingots to approximately 320 MW and solar wafers to approximately 585 MW by the end of 2008. By the end of

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2009, we plan to expand our annual ingot manufacturing capacity to approximately 1,000 MW, consisting of monocrystalline ingot manufacturing capacity of approximately 325 MW and multicrystalline ingot manufacturing capacity of approximately 675 MW, and our wafer manufacturing capacity to approximately 1,000 MW. We believe our increased economies of scale in manufacturing both monocrystalline and multicrystalline wafers will further enhance our operating efficiencies and cost advantage. In addition, we established a facility in Malaysia with an annual reclaimable silicon processing capacity of 1,000 metric tons. We may also consider expanding our capacity through acquiring other businesses. At this time, however, we have not entered into advanced discussions with respect to any potential acquisitions.

### ***Complement Existing Business Through Upstream Integration***

We also expanded upstream into polysilicon manufacturing in order to secure reliable long-term raw material supplies at costs lower than raw materials purchased under long-term supply contracts or from the spot market. In August 2007, we invested in a 49% interest in Linzhou Zhongsheng Semiconductor, a polysilicon manufacturing company located in Henan Province, China in order to accumulate experience and expertise for the development and operation of the polysilicon manufacturing facility in Meishan, Sichuan Province. The first phase of the joint venture with an annualized polysilicon manufacturing capacity of 300 metric tons commenced trial production of polysilicon in January 2008 and has been supplying polysilicon to Zhejiang Yuhui. Development of the second phase with a planned annual capacity of 450 metric tons is currently under consideration. We are committed to purchasing 90% of the joint venture's production output. Linzhou Zhongsheng Semiconductor is a variable interest entity of our company.

We also started building a polysilicon manufacturing facility in Meishan, Sichuan Province, China, through our wholly-owned subsidiary Sichuan ReneSola, which was established in Sichuan Province in August 2007. This manufacturing facility is expected to become operational incrementally starting from the first half of 2009 and to have an annualized manufacturing capacity of 3,000 metric tons of polysilicon by the end of 2009. We have entered into a several equipment purchase contracts with suppliers covering key equipments for this facility. We plan to use advanced equipment to ensure that this facility will achieve the expected efficiency and realize other technical and cost synergies. We believe that our joint venture in Linzhou will provide us with experience and expertise that will be valuable to the development, construction and operation of our new polysilicon manufacturing facility in Meishan, Sichuan Province. We believe that a combination of lower polysilicon cost from in-house production, cost savings from reclaimable silicon raw materials from our production process and the low cost of reclaimable silicon raw materials we purchase from third parties will provide us with significant cost advantages over many of our competitors.

### ***Continue to Pursue Technological Innovation***

We plan to devote substantial resources to research and development in order to enhance our manufacturing processes, reduce manufacturing cost and enhance product performance. We plan to focus our research and development on the following areas:

- developing technologies to manufacture high-efficiency large monocrystalline wafer;
- further broadening the range of reclaimable silicon raw materials that can be used in our production, optimizing our silicon reclamation process and exploring new methods to cost-effectively produce polysilicon; improving the monocrystalline wafer manufacturing process, such as by shortening the time required for ingot-pulling, increasing the purity of the ingots produced, slicing thinner monocrystalline wafers, reducing wafer breakage rates and improving the quality and performance of our monocrystalline wafers;
- ramping up the production of multicrystalline wafers efficiently and cost-effectively; and
- customizing our manufacturing equipment and devices to enhance their performance.

To achieve this strategy, we have established a solar power technology development center that is equipped with advanced equipment.

### ***Further Develop Silicon Procurement Capabilities***

Our future success depends largely on our ability to reliably and cost-effectively secure silicon raw materials. In addition to our upstream expansion into polysilicon production, we will continue to pursue a diversified and flexible procurement program to manage our supply quantities and raw materials costs. Capitalizing on our procurement team's existing domestic and overseas presence, we will seek to maintain and expand our network of suppliers. We will enhance direct relationships with semiconductor manufacturers to ensure a consistent supply of semiconductor-grade reclaimable silicon raw materials. We will also continue our buy-and-sell arrangements with and processing services for some customers to satisfy part of the raw materials requirements for our expanded manufacturing capacity.

### ***Continue to Focus on Key Markets***

We will leverage our track record with top customers to attract new customers. Asia accounted for a majority of our sales in 2006 and 2007. We will continue our focus on Asian markets, particularly China, where many leading solar cell and module manufacturers are located. We will strengthen existing relationships and cultivate new relationships with leading solar cell and module manufacturers. With the expansion of our capacity and the addition of larger solar wafers and multicrystalline wafers to our product portfolio, we will be able to offer our major customers with a diversified selection of solar wafers to satisfy their needs.

### ***Our Products***

We develop, manufacture and sell solar wafers, which are thin sheets of crystalline silicon material primarily made by slicing monocrystalline or multicrystalline ingots. We offer monocrystalline wafers and multicrystalline wafers of various sizes and thicknesses, and we believe we are one of the few wafer manufacturers in China capable of slicing wafers with a thickness less than 200 microns on a large scale. We also offer ingot and wafer processing services to certain customers.

### ***Manufacturing***

The manufacture of solar wafers can be divided into three main steps:

- treatment of reclaimable silicon raw materials;
- ingot production; and
- wafer slicing.

### ***Treatment of Reclaimable Silicon Raw Materials***

We produce solar wafers using a wide range of silicon raw materials, including reclaimable silicon raw material, in the form of partially-processed and broken wafers, broken solar cells, pot scrap, silicon powder, ingot tops and tails and other off-cuts. We primarily use semiconductor-grade reclaimable silicon. Using our proprietary technologies and experience in recycling and using reclaimable silicon, we produce solar wafers with quality and performance characteristics comparable to those made from solar-grade virgin polysilicon.

We began recycling reclaimable silicon raw materials in July 2005, and we believe that we were one of the first manufacturers in China to process reclaimable silicon raw materials for solar wafer production. We have established large-scale and cost-efficient silicon recycling operations.

First, we test and sort reclaimable silicon raw materials based on their technical properties. Our employees use our self-designed hand-held testing devices to efficiently sort reclaimable silicon raw materials by testing their resistivity. We also use our self-developed solvent to quickly categorize different kinds of reclaimable silicon raw materials according to their electrical properties.

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We then remove the impurities from the reclaimable silicon raw materials through mechanical grinding, chemical etching and ultrasonic cleaning. A substantial portion of our reclaimable silicon raw materials feedstock is derived from different types of scrap wafers that cost significantly less but require more intensive processing than other types of reclaimable silicon raw materials. After cleaning, the usable reclaimed silicon raw materials are mixed using our proprietary formula. Our ability to remove impurities from the reclaimable silicon materials we purchase and our formula for mixing different types of recycled silicon raw materials are critical to the production of high-quality silicon ingots.

### ***Ingot Production***

To produce monocrystalline ingots, we place reclaimed silicon raw materials into a quartz crucible in a furnace, where the silicon 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. A total of 226 monocrystalline furnaces were installed by the end of 2007.

In the third quarter of 2007, we installed our first 10 multicrystalline furnaces and began trial production of multicrystalline ingots. By the end of 2007, a total of 32 multicrystalline furnaces were installed on schedule. To produce multicrystalline ingots, the molten silicon 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. Compared to a monocrystalline furnace, more silicon raw materials can be placed into a multicrystalline furnace, which shortens the ingot production cycle. As a result, the output of a multicrystalline furnace is higher than that of a monocrystalline furnace.

### ***Wafer Slicing***

After the ingots are inspected, monocrystalline ingots are squared by squaring machines. Through high-precision cutting techniques, the squared ingots are then sliced into wafers by wire saws using steel wires and silicon carbon powder. After insertion 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.

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 by the same high-precision cutting techniques as used for slicing monocrystalline wafers. After a cleansing and drying process, the wafers are inspected, packed and shipped.

### ***Manufacturing Capacity***

Since we commenced our manufacturing of solar wafers, we have significantly expanded our manufacturing capacity to meet the increasing demand for our solar wafers. We installed our first eight monocrystalline furnaces in September 2005. We expanded our ingot manufacturing capacity by installing 82 additional monocrystalline furnaces in 2006. As of December 31, 2007, we had 226 monocrystalline furnaces and 32 multicrystalline furnaces installed with an annual capacity of approximately 218 MW and 160 MW of monocrystalline and multicrystalline ingots, respectively. In addition, as of December 31, 2007, we had 77 wire saws with an annual slicing capacity of 305 MW of solar wafers. We are still in the process of arranging for additional power supply

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for the operation of several of our newly installed equipment. We purchased monocrystalline furnaces from China, multicrystalline furnaces from Germany and wire saws from overseas, including Japan and Switzerland. We possess one of the largest solar wafer manufacturing plants in China based on production capacity as of December 31, 2007.

In 2006 and 2007, we had ingot and wafer manufacturing output of approximately 38.9 MW and 125.6 MW, respectively, including ingots and wafers that were processed in connection with our processing services. In 2007, we processed 26.1 MW of ingots and wafers in connection with our processing services.

We plan to install additional furnaces and other equipment as we increase manufacturing capacity to capture market opportunities. We intend to increase our annual manufacturing capacities for monocrystalline ingots to approximately 325 MW, multicrystalline ingots to approximately 320 MW and solar wafers to approximately 585 MW by the end of 2008. By the end of 2009, we plan to expand our annual manufacturing capacities for monocrystalline ingots to approximately 325 MW, multicrystalline ingots to approximately 675 MW, and solar wafers to approximately 1,000 MW. However, we cannot assure you that we will achieve our 2008 and 2009 expansion plan. See “Risk Factors—Risks Related to Our Business—Our dependence on a limited number of third-party suppliers for key manufacturing equipment could prevent us from timely fulfillment of customer orders and successful execution of our expansion plans.” The following table sets forth the manufacturing capacities of our facilities.

<b>Manufacturing Facilities</b>		<b>Annual Manufacturing Capacity as of December 31, 2007</b>	<b>Expected Annual Manufacturing Capacity as of December 31, 2008</b>	<b>Expected Annual Manufacturing Capacity as of December 31, 2009</b>
Ingot	— Monocrystalline	218 MW	325 MW	325 MW
	— Multicrystalline	160 MW	320 MW	675 MW
Wafer		305 MW	585 MW	1,000 MW

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 equipments are sourced from overseas.

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### Facilities

We conduct our research, development and manufacturing of solar wafers at our facilities in Jiashan, China, where we occupy a site area of approximately 183,000 square meters as of December 31, 2007. On this site, there are completed manufacturing facilities and office premises occupying an area of approximately 105,000 square meters and additional manufacturing facilities, office premises and dormitories under construction occupying an area of 78,000 square meters. We are in the process of acquiring the right to use a parcel of land adjacent to the current site in Jiashan measuring 32,000 square meters, which we plan to use for future expansion. 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):

Facility No.	Construction Area (square meters)	Duration of Land Use Right	Products	Annual Manufacturing Capacities as of December 31, 2007	Expected Annual Manufacturing Capacities as of December 31, 2008	Expected Annual Manufacturing Capacities as of December 31, 2009	Major Equipment
1	36,000	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)	monocrystalline ingots	165 MW	165 MW	165 MW	Monocrystalline Furnaces <sup>(1)</sup>
			monocrystalline wafers	165 MW	165 MW	198 MW	NTC Wire Saws
2	25,000	January 2007 to December 2056	multicrystalline ingots	160 MW	320 MW	360 MW	ALD Multicrystalline Furnaces
			multicrystalline wafers	140 MW	300 MW	320 MW	Meyer Burger Wire Saws
3	*	July 2007 to July 2057	monocrystalline ingots	53 MW	160 MW	160 MW	Monocrystalline Furnaces <sup>(2)</sup>
			monocrystalline wafers	—	120 MW	200 MW	Meyer Burger Wire Saws
4	**	May 2008 to April 2058	multicrystalline ingots	—	—	360 MW	ALD Multicrystalline Furnaces
			multicrystalline wafers	—	—	360 MW	HCT Wire Saws and Meyer Burger Wire Saws
5	5,611	3 year lease from September 2007 to September 2010 with option to extend for another 3 years	reclaimable silicon	1,000 MT	1,000 MT	1,000 MT	Recycling Equipment <sup>(3)</sup>
6	75,000 <sup>(4)</sup>	—	virgin polysilicon	—	—	3,000 MT	Deposition reactors, rectifying tower and hydrogenation reactor

(1) Manufactured by Beijing Oriental Keyun Crystal Technologies Co., Ltd. for producing ingots in sizes of 6-inch and 8-inch in diameter, each with a capacity of 0.8 to 0.9 MW per year.

(2) Manufactured by Shanghai Hanhong Precision Machinery Co., Ltd., a subsidiary of Ferrotec Corporation, for producing ingots in the size of 8-inch in diameter, each with a capacity of 1.3 to 1.4 MW per year.



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- (3) Payment has not been completed under progressive billing scheme. We expect full ownership of the plant by the end of 2008.
- (4) This is an estimated figure. The facility is still under construction, and the construction plan has not been finalized as the date of this offering.
- \* The construction of the facilities was completed and construction completion inspection was done in January 2008.
- \*\* The facilities will be constructed on a parcel of land of approximately 63,000 square meters.

We believe that our existing facilities, together with our facilities under construction, are adequate for our expansion plan in 2008 and 2009.

### **Raw Materials**

The key raw material for our production is silicon feedstock. During the current industry-wide shortage of silicon raw materials, we seek to procure our raw materials from diversified sources and have established an international network of silicon raw materials suppliers. Currently, we produce solar wafers using polysilicon and reclaimable silicon raw materials.

Polysilicon are currently sourced from supplies under long-term supply contracts, some customers under processing service arrangements, and purchases from the spot market. We entered into two long-term polysilicon supply contracts in October 2007 with initial delivery in mid-2008. Linzhou Zhongsheng Semiconductor, a variable interest entity consolidated by our company, also started supplying polysilicon to us since the commencement of trial production in January 2008.

Reclaimable silicon raw materials are sourced primarily from the semiconductor industry. We maintain close relationships with silicon waste management companies and trading companies. These companies generally have connections with semiconductor manufacturers and provide us with stable access to semiconductor-grade reclaimable silicon raw materials.

With respect to processing service arrangements, we secure silicon raw materials, including polysilicon and reclaimable silicon raw materials, from some of our customers and sell solar wafers to them in return. We also provide some of our customers with wafer and ingot processing services. These arrangements not only satisfy a portion of our raw material requirements and mitigate the risk of raw material price increases, but also strengthen our partnerships with customers. In 2007, we provided processing services to companies, such as BP Solar and Topco Technologies Corp. In the first quarter of 2008, we provided processing services to other customers, including Suntech Power Co., Ltd. As of the date of this prospectus, we have secured over 500 metric tons of silicon raw materials for 2008 under our existing contracts and purchase orders for processing services.

In 2007, we purchased a monthly average of approximately 70 metric tons of silicon raw materials. Our top five suppliers collectively accounted for over 35% of the silicon raw material supplies procured in 2006 and 2007. Desheng Energy was the only supplier that accounted for more than 10% of the silicon raw material supplies procured in 2006 and 2007. Historically, a majority of our reclaimable silicon raw materials and virgin polysilicon inventory is purchased under supply contracts with one year or shorter durations or under purchase orders.

In October 2007, we entered into a supply contract with Sichuan Yongxiang Polysilicon Co., Ltd., under which Sichuan Yongxiang Polysilicon Co., Ltd. agreed to supply 200 metric tons, 500 metric tons and 3,000 metric tons of polysilicon to us in 2008, 2009 and 2010, respectively, and an aggregate of 9,000 metric tons from 2011 to 2013, with the price tied to a percentage below the market price calculated each quarter. In October 2007, we entered into a supply contract with Daqo New Material Co., Ltd., under which Daqo New Material Co., Ltd. agreed to supply to us 150 to 200 metric tons of polysilicon in 2008 at a fixed price and 300 metric tons in 2009 and 1,500 metric tons from 2010 to 2012 with prices to be negotiated each quarter. In July 2007, we entered into a supply contract with Desheng Energy, under which Desheng Energy agreed to supply us with 240 metric tons of reclaimable silicon raw materials in 2008, with the price subject to renegotiation if the change of the

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market price exceeds a benchmark provided in the contract. In May 2008, the Company, Desheng Energy and Jiangxi Jingke Energy Co., Ltd., or Jingke, entered into a liability transfer agreement, under which Desheng Energy transferred all of its rights and obligations under the above supply contract to Jingke. We have also entered into other short-term supply contracts, providing for approximately 749 metric tons of silicon raw materials for 2008. In addition, we had approximately 380 tons of polysilicon feedstock in inventory as of December 31, 2007.

We expanded upstream into polysilicon manufacturing in order to secure reliable long-term raw material supplies at costs lower than raw materials purchased under long-term supply contracts or from the spot market. In August 2007, we invested in a 49% interest in Linzhou Zhongsheng Semiconductor, a polysilicon manufacturing company located in Henan Province, China in order to accumulate experience and expertise for the development and operation of the polysilicon manufacturing facility in Meishan, Sichuan Province. The first phase of the joint venture with an annualized polysilicon manufacturing capacity of 300 metric tons commenced trial production of polysilicon in January 2008 and has been supplying polysilicon to Zhejiang Yuhui. Development of the second phase with a planned annual capacity of 450 metric tons is currently under consideration. We are committed to purchasing 90% of the joint venture's production output. Linzhou Zhongsheng Semiconductor is a variable interest entity consolidated by our company.

We started building a polysilicon manufacturing facility in Meishan, Sichuan Province, China, through our wholly-owned subsidiary Sichuan ReneSola, which was established in Sichuan Province in August 2007. This manufacturing facility is expected to become operational incrementally starting from the first half of 2009 and to have an annualized manufacturing capacity of 3,000 metric tons of polysilicon by the end of 2009. We believe that our joint venture in Linzhou will provide us with experience and expertise that will be valuable to the development, construction and operation of our new polysilicon manufacturing facility in Meishan, Sichuan Province.

We also procure a portion of our silicon raw materials directly from semiconductor manufacturers. We have dedicated procurement personnel in China, the United States and Singapore, and we believe our procurement teams' geographic proximity to semiconductor manufacturers and polysilicon producers enables us to communicate with them in a timely manner and to readily inspect the quality and quantity of supplies before shipment.

We believe that the supply contracts we entered into prior to the date of this prospectus, the inventory carried forward from 2007, the output from our joint venture in Linzhou, the raw materials secured under our processing service arrangements, and, to a lesser extent, purchases from the spot market will provide us with sufficient silicon raw material requirements for 2008. We estimate that we will require approximately 3,600 metric tons of silicon raw materials in 2009. We have entered into supplier contracts covering 845 metric tons in 2009. We plan to receive approximately 1,200 to 1,500 metric tons from in-house polysilicon production in 2009. We also estimate that approximately 1,000 metric tons will be secured through processing service arrangements in 2009. The remainder of our requirements will be purchased using short-term supply contracts or from the spot market.

### **Customers and Sales**

We currently sell our solar wafers primarily to solar cell and module manufacturers. Our top customers include some of the global industry leaders, including JA Solar Co., Ltd., Motech Industries Inc., Solarfun Power Holding Ltd. and Suntech Power Co., Ltd. Other notable customers include Q-Cells AG and Canadian Solar Inc. We derived 67.1% and 62.3% of our sales from customers in China in 2006 and 2007, respectively. In 2006 and 2007, our top five customers collectively accounted for approximately 59.1% and 77.7%, respectively, of our total sales. Sales to each of Konca Solar Energy (Wuxi) Co., Ltd., Motech Industries Inc. and Suntech Power Co., Ltd., accounted for over 10% of our net revenue for 2006. In 2007, sales to each of Motech Industries Inc., Solarfun Power Holding Ltd. and Suntech Power Co., Ltd. accounted for over 10% of our net revenue, with sales to each of Motech Industries Inc. and Suntech Power Co., Ltd. representing over 20% of our net revenue.

In 2006 and 2007, a majority of our sales were made to companies based in Asia, primarily to leading solar cell and module companies in China and Taiwan. We will continue our focus in this region, particularly China,

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where many leading solar cell and module manufacturers are located. With the expansion of our capacity and the addition of larger solar wafers and multicrystalline wafers to our product portfolio, we will be able to offer a diversified selection of solar wafers to our customers to satisfy their needs.

The following table sets forth by region our total net revenue for the periods indicated:

	Year Ended December 31,					
	2005		2006		2007	
	(in thousands, except percentages)					
China	\$ 1,365	26.8%	\$ 56,591	67.1%	\$ 155,015	62.3%
Taiwan	—	—	14,706	17.4	71,681	28.8
Korea	—	—	6,942	8.2	8,185	3.3
India	—	—	—	—	6,837	2.7
Rest of Asia	21	0.4	1,543	1.8	406	0.2
Germany	3,338	65.6	1,990	2.4	57	—
United States	—	—	—	—	6,744	2.7
Others	364	7.2	2,599	3.1	49	—
Total	<u>\$ 5,088</u>	<u>100.0%</u>	<u>\$ 84,371</u>	<u>100.0%</u>	<u>\$ 248,973</u>	<u>100.0%</u>

A substantial portion of our sales, particularly our sales to our major customers, are made under multi-year framework contracts or multi-year sales contracts. Framework contracts typically provide for the sales volumes and price of our solar wafers for the first year, which terms are binding. The pricing terms, and sometimes the sales volumes, for subsequent years are subject to annual renegotiation. Therefore, if prices for later years cannot be determined through renegotiation, the framework contracts will be terminated or will not be performed. 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. Some of our customers also make their purchases by purchase orders. In 2007, we entered into framework contracts with JA Solar Co., Ltd., Jetion Holding Limited and Suntech Power Co., Ltd. for delivery of solar wafers starting 2008.

Under our buy-and-sell arrangements with some of our customers, we obtain silicon raw materials from these customers and sell solar wafers to them in return. The payments we make for the silicon raw materials and the payments our customers make for the solar wafers are generally settled separately, in line with market practice. Since 2006, 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.

In November 2006, we entered into a framework contract with Motech Industries Inc., under which Motech Industries Inc. agreed to purchase 18.9 MW of monocrystalline wafers in 2007 for a fixed price. This framework contract also provides for the purchase of 28.3 MW and 42.9 MW solar wafers in 2008 and 2009, respectively, which terms are not binding as the price of solar wafers is subject to annual negotiation.

In September 2007, we entered into a framework contract with Suntech Power Co., Ltd., under which Suntech Power Co., Ltd. agreed to purchase at least 60 MW of solar wafers in 2008 with the price subject to renegotiation if the change in the market price exceeds a benchmark price provided in the contract. This framework contract also provides for the sale of at least 450 MW of solar wafers from 2009 to 2011, which terms are not binding as the price and the quantity of solar wafers are subject to annual negotiation.

In December 2007, we entered into a framework contract with JA Solar Co., Ltd., under which JA Solar Co., Ltd. agreed to purchase an aggregate of 80 MW and 520 MW of monocrystalline wafers from July 2008 to

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June 2010 and from July 2010 to August 2013, respectively. The prices of our solar wafers under this contract for deliveries from July 2008 to December 2009 are fixed, and the prices for subsequent deliveries are subject to renegotiation if the change in the market price exceeds a benchmark price provided in the contract.

In April 2008, we entered into multi-year sales contracts with Ningbo Solar Electric Power Co., Ltd., Eoply New Energy Technology Co., Ltd. and Shenzhen Topray Solar Co., Ltd. Under the terms of the contracts, ReneSola will supply each customer with 105 MW of monocrystalline solar wafers over a six-year period beginning in mid-2008.

In May 2008, we entered into a multi-year sales contract with Gintech Energy Co., Ltd. Under the terms of the contract, ReneSola will supply Gintech Energy Co., Ltd. with 525 MW of monocrystalline solar wafers over a six-year period beginning in July 2008.

### **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 of 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 of monocrystalline ingots and wafers, which we believe demonstrates our technological capabilities and instills customer confidence.

As of December 31, 2007, we had a dedicated team of 267 employees overseeing our quality control processes, who also 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.

### **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, 2007, our research and development team consisted of 26 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 study of solar power.

We have developed advanced processes for sorting, cleaning, testing and treating reclaimable silicon raw materials. For example, we developed a hand-held testing device extensively used by our employees to efficiently sort reclaimable silicon raw materials by testing their resistivity and a solvent for quickly categorizing different kinds of reclaimable silicon raw materials according to their electrical properties. We have designed customized sand blasting equipment to facilitate the removal of impurities from reclaimable silicon raw materials, enabling us to recycle thin scrap wafers, which are less expensive but more difficult to utilize compared to other types of reclaimable silicon.

Our in-depth experience in using reclaimable silicon raw materials enables us to mix different types of raw materials in the right proportions to produce high-quality silicon ingots. We have also developed proprietary methods of producing more monocrystalline ingots by inserting silicon raw materials into the furnaces after each production cycle without waiting for the furnaces to cool. These innovations enable us to increase the yield of our ingots, reduce electricity costs and enhance the utilization rate of our furnaces and consumables, such as crucibles. We have also improved the structure of our monocrystalline furnaces so that they can provide more favorable heating conditions to enhance ingot production. In addition, we have developed technologies that allow

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us to use silicon powder to produce ingots, thereby further expanding the range of silicon raw materials for our production. We have also designed a device used for transporting solar wafers during the manufacturing process. Furthermore, we have started testing production of silicon ingots from metallurgical-grade silicon. Because there is limited research on metallurgical silicon, we cannot assure you that our development efforts will yield expected results or that we are able to effectively use this new grade of silicon in our products.

Our developing efforts also focus on improving our wafer slicing ability by using thinner wires and higher precision techniques to slice thinner wafers.

### **Intellectual Property**

As of the date of this prospectus, we had four patents and seven pending patent applications in China. These patents and patent applications as listed below 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.

<u>Patent and Patent Applications</u>	<u>Status</u>
1. Sandblaster equipment for removing impurities from reclaimable silicon wafers	granted
2. Portable device for sorting silicon materials	granted
3. Reactor for recycling reclaimable silicon materials	granted
4. Adjustable clamp for carrying silicon wafers	granted
5. Silicon powder wafer machine	pending
6. Feeding tube for monocrystalline furnace	pending
7. Silicon cleaning methodology	pending
8. Reclaimable silicon cleaning methodology	pending
9. Chromogenic methodology for testing and sorting reclaimable silicon materials	pending
10. Method for removing impurity from pot scrap generated from Czochralski technique	pending
11. Chromogenic agent for testing and sorting reclaimable silicon materials	pending

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 Japan Patent Office and EU Office of Harmonization for the Internal Market in 2007.

### **Competition**

The solar power 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 supplier relationships;

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- economies of scale; and
- reputation.

Our competitors include specialized solar wafer manufacturers such as LDK Solar Co., Ltd., Jiangsu Shunda PV-Tech Co., Ltd. and Jinggong P-D Shaoxing Solar Energy Technology Co., Ltd. Our competitors also include solar wafer manufacturing divisions of large conglomerates engaging in solar wafer manufacturing such as Deutsche Solar AG, Kyocera Corporation and M. SETEK Co., Ltd. In addition, some of the polysilicon suppliers may decide 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 silicon raw materials 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 the dependence on solar wafers for use in solar power products.

We believe that 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. Most China-based monocrystalline wafer manufacturers offer wafers in the size of 125 mm by 125 mm. We currently offer monocrystalline wafers in sizes of both 125 mm by 125 mm and 156 mm by 156 mm. Due to the lack of sufficient market information, it is difficult for us to ascertain our competitive position vis-à-vis our competitors based on some important competitive factors. 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 are in compliance with present environmental protection requirements and have all the necessary environmental permits 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 process. 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.

### **Employees**

We had 305 and 1,882 employees as of December 31, 2005 and 2006, respectively. As of December 31, 2007, we had 2,925 full-time employees, including 2,217 in manufacturing, 211 in equipment maintenance, 267 in quality assurance, 29 in purchasing, 26 in research and development, 6 in sales and marketing, and 169 in general and administrative. Substantially all of these employees are located at our facilities in Jiashan, China, and a small portion of employees are based in Malaysia, Singapore and the United States. In addition, Linzhou Zhongsheng Semiconductor, a variable interest entity consolidated by our company, had 161 full-time employees as of December 31, 2007. We consider our relations with our employees to be good.

### **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 RMB400.9 million (\$54.9 million) as of December 31, 2007. We do not maintain product liability insurance or business interruption insurance. We consider our insurance coverage to be in line with other manufacturing companies of similar size in China.

**Legal Proceedings**

Since February 2007, we have received complaints from one of our former customers regarding defective solar modules in several shipments that were sold in 2005. The shipments were in an aggregate of approximately \$1.4 million. We are in dispute over the alleged defects. 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. If we do not reach an amicable settlement with such party, we may proceed to arbitration as stipulated in our contracts over the alleged defective goods. We cannot assure you that we will prevail at the outcome of the arbitration.

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.

## REGULATION

### **Renewable Energy Law and Other Government Directives**

In February 2005, China enacted its Renewable Energy Law, which became effective on January 1, 2006. 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, China's National Development and Reform Commission promulgated two implementation directives of the Renewable Energy Law. These directives set out specific measures in setting prices for electricity generated by solar and other renewal power generation systems and in sharing additional expenses occurred. The directives further allocate the administrative and 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.

China's 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.

### **Environmental 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.

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

### **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 shall still apply for the investment projects approved before the effective date of the Catalogue 2007.

## **Tax**

PRC enterprise income tax is calculated primarily on the basis of taxable income determined under PRC accounting principles. 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. The new tax law imposes a unified income tax rate of 25% on all domestic enterprises and foreign-invested enterprises unless they qualify under certain limited exceptions. Under the new tax law, Zhejiang Yuhui is subject to a state enterprise income tax rate of 25% as of January 1, 2008. In addition, enterprises that were established and already enjoyed preferential tax treatment before March 16, 2007 will continue to enjoy the original preferential tax exemption or reduction until the expiration of the specified terms, except that the relevant exemption or reduction starts from January 1, 2008, if the first profitable year for the relevant enterprise is later than January 1, 2008. Therefore, Zhejiang Yuhui will continue to be entitled to the above preferential tax exemption and reduction it currently enjoys during such transition period.

Zhejiang Yuhui increased its registered capital from \$1.5 million to \$16.5 million in April 2006, to \$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, it is entitled to full exemption from enterprise income tax for the two years starting from its first profitable year of operation with respect to the income attributable to operations funded by the increased capital and a 50% deduction in income taxes for the following three years, upon written approval from the tax authority. Since our capital increase from \$45.0 million to \$102.5 million was registered after March 16, 2007, we have received an approval from the PRC tax authority that income derived from this registered capital increase will receive preferential tax treatment until December 31, 2007. However, since the new Enterprise Income Tax Law was only recently enacted, there remains uncertainty as to whether we can maintain the preferential tax treatment for income derived from some of our registered capital increases.

In addition, although the approval letter we received from the PRC tax authority has indicated that income derived from 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 we have paid tax on income derived from such capital increase at the rate of 12.5% after January 1, 2008, which is 50% of the statutory tax rate. The tax authority may request us to make a supplementary tax payment on our income which have been paid at the rate of 12.5% and also request that we pay tax at the rate of 25% in the future.

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 Value Added Tax, or 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, as of July 1, 2007, the VAT refund is reduced to 5%, which materially affects our export of solar wafers. Imported raw materials that are used for manufacturing export products and are deposited in bonded warehouses are exempt from import VAT.

## **Waste Importation Regulations**

We frequently import reclaimable silicon raw materials. China has established a regime regulating the import of waste materials into China. The major laws and regulations include the Law of the People's Republic of China on Prevention of Environmental Pollution Caused by Solid Waste and the Provisional Measures on the Prevention of Environmental Pollution Regarding Import of Waste Materials. Under these laws and regulations, waste materials are categorized as "permitted," "restricted" or "prohibited." If certain imported material is recognized as waste material and is not categorized as "permitted" or "restricted," it generally will be deemed as "prohibited" for import. The prohibited waste materials are not allowed to be imported into China. The import of restricted waste material is subject to the approval of relevant authorities, including environmental protection authorities. In addition, the General Administration of Environmental Protection of the PRC, the Ministry of Commerce of the PRC, the National Development and Reform Commission, the China Customs General Administration, and the General Administration of Quality, Supervision and Quarantine of the PRC recently promulgated the following three categories: (i) Category of Importation Prohibited Solid Wastes; (ii) Category of Importation Restricted Solid Wastes That May Be Used As Raw Materials; and (iii) Category of Importation Permitted Solid Wastes That May Be Used As Raw Materials. The reclaimable silicon we imported does not fall into any of these categories.

According to the advice of our PRC counsel, Boss & Young, and our consultation with relevant governmental authorities, it is unclear whether reclaimable silicon we use will be regarded as waste materials and thus become subject to the waste importation regulations. Currently, relevant PRC local customs allow the import of reclaimable silicon. However, we were informed that new rules may be issued to clarify the classification of imported reclaimable silicon. It is uncertain when the new rules will be issued and we cannot predict how the reclaimable silicon we use will be categorized. If it is categorized as "restricted" or "prohibited" waste material, then we may be unable to import reclaimable silicon raw materials in sufficient quantities to support our production, or at all.

## **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 China without the prior approval of the 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 the 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.

The dividends paid by a subsidiary to its shareholder are deemed shareholder income and are taxable in China. 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 the SAFE, for settlement of current account transactions without the approval of the SAFE. Foreign exchange transactions under the capital account are still subject to limitations and require approvals from, or registration with, the 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 (2001).

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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.

**Notice 75.** On October 21, 2005, the 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 control our company are required to register with the SAFE in connection with their investments in us. If we use our equity interest to purchase the assets or equity interest of a PRC company owned by PRC residents in the future, such PRC residents will be subject to the registration procedures described in Notice 75.

### **New M&A Regulations and Overseas Listings**

On August 8, 2006, six PRC regulatory agencies, including the Ministry of Commerce, the State Assets Supervision and Administration Commission, the State Administration for Taxation, the State Administration for Industry and Commerce, CSRC and SAFE, jointly issued the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the New M&A Rule, which became effective on September 8, 2006. This New M&A Rule, among other things, includes provisions that purport to require that an offshore special purpose vehicle formed for purposes of overseas listing of equity interests in PRC companies and controlled directly or indirectly by PRC companies or individuals obtain the approval of CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange.

On September 21, 2006, CSRC published on its official website procedures regarding its approval of overseas listings by special purpose vehicles. The CSRC approval procedures require the filing of a number of documents with the CSRC and it would take several months to complete the approval process. The application of this new PRC regulation remains unclear with no consensus currently existing among leading PRC law firms regarding the scope of the applicability of the CSRC approval requirement.

Our PRC counsel, Boss & Young, has advised us that, based on their understanding of the current PRC laws and regulations as well as the procedures announced on September 21, 2006:

- CSRC currently has not issued any definitive rule or interpretation concerning whether offerings like ours under this prospectus are subject to this new procedure; and
- In spite of the above, given that we have completed our restructuring and established an offshore holding structure before September 8, 2006, the effective date of the new regulation, this regulation

does not require that an application be submitted to CSRC for its approval of the listing and trading of our ADSs on the New York Stock Exchange, unless we are clearly required to do so by possible later CSRC rules.

## **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 all of 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 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 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. No compulsory license, however, has been granted by the SIPO up to now. The patent holder may appeal such decision within three months from receiving notification by filing a suit in a 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 2001, with its implementation rules adopted in 2002, protects registered trademarks. The Trademark Office of the State Administration of Industry and Commerce, or SAIC, handles trademark registrations and grants trademark registrations for a term of ten years.

## MANAGEMENT

### Directors and Executive Officers

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

<u>Directors and Executive Officers</u>	<u>Age</u>	<u>Position/Title</u>
Martin Bloom	56	Chairman, Independent Director
Xianshou Li	39	Director and Chief Executive Officer
Yuncai Wu	40	Director and Vice President
Jing Wang	60	Independent Director
Binghua Huang <sup>(1)</sup>	65	Director and Chief Technology Officer
Charles Xiaoshu Bai	47	Chief Financial Officer
Cheng-Hsien Yeh	38	Chief Operating Officer
Panjian Li	44	Chief Strategy Officer

(1) Mr. Huang will retire as director and chief technology officer of our company in July 2008, but will remain with our company as an advisor.

### 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 chairman of the China UK Venture Capital Joint Working Group and special advisor for Asia of Argopolo Capital Partners, a international telecom and media convergence venture capital fund. He has also been a partner of Cambridge Accelerator Partners LLP, a venture fund since August 2004. 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. 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 the 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 has served as our vice president since November 2007. He was our chief operating officer from May 2006 to October 2007. Mr. Wu has been a director of Zhejiang Yunhuan Solar Energy 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.

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*Mr. Binghua Huang* has been our director and chief technology officer since November 2006 and he served as our independent director from June 2006 to November 2006. From 1997 to 2006, he worked as a senior engineer at the China Academy of Science & Technology Development, Zhejiang branch, and specialized in research on solar power technology and polysilicon manufacturing technologies. Mr. Huang has also conducted metal smelting reduction research for over 30 years in Canada and China. He has led research projects in both monocrystalline and multicrystalline technologies, and implementation of such technologies, including his role as the head of the technology team to set up the first multicrystalline manufacturing line in China. Mr. Huang received his bachelor's degree in metallurgy from Wuhan Steel College in 1964 and his master's degree in metallurgical engineering from Beijing Science & Technology University in 1969.

### **Executive Officers**

*Mr. Charles Xiaoshu Bai* has been our chief financial officer since May 2006. 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 Business School in 1989.

*Mr. Cheng-Hsien Yeh* has been our chief operating officer since October 2007. Prior to joining us, he was the general manager of Motech (Suzhou) New Energy Co., Ltd., a solar wafer manufacturer, from 1999 to 2007. From 1997 to 1999, Mr. Yeh served as the sales manager of Leoco (Suzhou) Electronics Co., Ltd., a connector manufacturer based in China. Mr. Yeh graduated with a bachelor's degree in electronic engineering from National Taiwan University of Science and Technology and he enrolled in China-Europe International Business School in 2007.

*Dr. Panjian Li* has been our chief strategy officer since April 2008 and was our vice president of business development since November 2006. Dr. Li is also chief executive officer of ReneSola America. Dr. Li worked with the International Society for Bioceramics as the research and development manager and president from 2002 to 2006 and as scientist from 1996 to 2002. Dr. Li received his bachelor's degree in metallurgy and his master's degree in ceramics from Zhejiang University in 1984 and 1986, respectively. 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.

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 a cause as above.

## **Board of Directors**

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.

## **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 Xianshou Li. 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 audit committee 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;
- 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 discharge the responsibility of the board in 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 Xianshou Li. Messrs. Martin Bloom and Jing Wang satisfy the



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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 our members 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
- 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 and 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 basis of the foregoing and the assumption that no director wishes to retire from office, Mr. Yuncai Wu will be subject to re-election in the first annual general meeting following this offering; Mr. Binghua Huang and Mr. Jing Wang are of the same seniority, and one of them will be subject to re-election in the second and third annual general meetings following this offering, respectively; Mr. Martin Bloom will be subject to re-election in the fourth annual general meeting following this offering; and Mr. Xianshou Li will be subject to re-election in the fifth annual general meeting following this offering.

### **Compensation of Directors and Executive Officers**

For the fiscal year ended December 31, 2007, an aggregate of approximately \$0.7 million in cash was paid to our senior executive officers and directors.

### **Share Incentive Plan**

Our board of directors has adopted a 2007 share incentive plan in September 2007, which is intended to attract and retain the best available personnel for positions of substantial responsibility, provide additional incentive to employees, directors and consultants and promote the success of our business. We have reserved 7,500,000 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

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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 ordinary 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 ordinary 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 ordinary 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 ordinary 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 the date of this prospectus, our board of directors has granted certain of our directors, officers and employees options for 4,265,000 ordinary shares in our company, excluding options forfeited pursuant to the terms of our 2007 share incentive plan. 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 generally vest over a five-year period following a specified grant date. We have two types of vesting schedules. Some of our options vest on a monthly basis over a five-year period. Other options vest on a yearly basis. For the options that vest on a yearly basis, twenty percent of the options granted vest at the first anniversary of the grant date and the remaining eighty percent shall vest at 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.

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

<b>Name</b>	<b>Ordinary Shares Underlying Outstanding Options</b>	<b>Exercise Price (£/Share)</b>	<b>Grant Date</b>	<b>Expiration Date</b>
Xianshou Li	—	—	—	—
Yuncai Wu	—	—	—	—
Charles Xiaoshu Bai	1,250,000	£2.985 or \$6.069	October 9, 2007	October 9, 2013
Martin Bloom	—	—	—	—
Jing Wang	—	—	—	—
Binghua Huang	—	—	—	—
Panjian Li	1,250,000	£2.985 or \$6.069	October 9, 2007	October 9, 2013
Cheng-Hsien Yeh	500,000	£3.600 or \$7.365	October 18, 2007	October 18, 2013
Directors and executive officers as a group	3,000,000			
Other individuals as a group	1,035,000	£2.985 or \$6.069	October 9, 2007	October 9, 2013
	30,000	£2.340 or \$4.679	March 25, 2008	March 25, 2013
	100,000	£4.610 or \$9.178	April 28, 2008	April 28, 2013
	100,000 <sup>(1)</sup>	£3.355 or \$6.900	November 30, 2007	November 30, 2013

(1) Represents 100,000 ordinary shares underlying options that were granted to Ms. Xiahe Lian, Mr. Xianshou Li's wife.

**PRINCIPAL AND SELLING SHAREHOLDERS**

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

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

Percentages of beneficial ownership of each listed person prior to the offering and of the shares being sold in this offering are based on 118,485,032 outstanding shares. Percentage of beneficial ownership of each listed person after the offering is based on outstanding shares immediately after the closing of this offering, assuming the underwriters do not exercise their over-allotment option.

Beneficial ownership is determined in accordance with the rules and regulations of the SEC. In computing the number of shares owned by a person and the percentage ownership of that person, we have included shares that the person has the right to acquire within 60 days, including through the exercise of any option, warrant or other right or the conversion of any other security. These shares, however, are not included in the computation of the percentage ownership of any other person.

	Shares Beneficially Owned Prior to This Offering		Shares Being Sold In This Offering		Shares Beneficially Owned after This Offering	
	Number	%	Number	%	Number	%
<b>Directors and Executive Officers:</b>						
Xianshou Li <sup>(1)</sup>	38,415,319	32.4	960,382	0.8	37,454,937	27.8
Yuncai Wu <sup>(2)</sup>	19,789,710	16.7	494,744	0.4	19,294,966	14.3
Charles Xiaoshu Bai <sup>(3)</sup>	460,833	0.4	120,000	0.1	340,833	0.3
Martin Bloom	—	—	—	—	—	—
Jing Wang	—	—	—	—	—	—
Binghua Huang <sup>(4)</sup>	20,000	0.0	10,000	0.0	10,000	0.0
Cheng-Hsien Yeh <sup>(5)</sup>	44,031	0.0	20,000	0.0	24,031	0.0
Panjian Li <sup>(6)</sup>	207,500	0.2	96,000	0.1	111,500	0.1
All Directors and Executive Officers as a Group	58,937,393	49.6	1,701,126	1.4	57,236,267	41.4
<b>Principal and Selling Shareholders:</b>						
Ruixin Holdings Limited <sup>(7)</sup>	38,415,319	32.4	960,382	0.8	37,454,937	27.8
Yuncai Holdings Limited <sup>(8)</sup>	19,789,710	16.7	494,744	0.4	19,294,966	14.3
Zhengmin Lian <sup>(9)</sup>	13,387,732	11.3	334,118	0.3	13,053,614	9.7
Xiangjun Dong <sup>(10)</sup>	10,477,355	8.8	261,486	0.2	10,215,869	7.6

(1) Consists of 38,415,319 shares held by Ruixin Holdings Limited, or Ruixin, a British Virgin Islands company wholly owned and controlled by Mr. Xianshou Li. Within the shares directly held by Ruixin, Ruixin holds the legal ownership and voting rights to, and Mr. Zhengmin Lian and Mr. Xiangjun Dong, who are directors of Zhejiang Yuhui, hold the beneficial interest and economic rights to, 13,387,732 shares and 1,164,150 shares, respectively. Mr. Li's business address is Chengzhong Road, ZhuGuang Town, Yuhuan County, Zhejiang Province, PRC.

(2) Consists of 19,789,710 shares held by Yuncai Holdings Limited, or Yuncai, a British Virgin Islands company wholly owned and controlled by Mr. Yuncai Wu. Within the shares directly held by Yuncai, Yuncai holds the legal ownership and voting rights to, and Mr. Xiangjun Dong holds the beneficial interest and economic rights to, 9,313,205 shares. Mr. Wu's business address is Suite 201, No. 32, Xianqian Road, Cheng Guan Cheng District, Zhejiang Province, PRC.

(3) Represents 273,333 shares held by Mr. Bai and 187,500 shares issuable upon exercise of options held by Mr. Bai within 60 days after the date of this offering. Mr. Bai's business address is No.8 Baoqun Road, Yaozhuang Industrial Park, Jiashan County, Zhejiang Province, 314117 China.

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- (4) Represents 20,000 shares held by Mr. Huang. Mr. Huang's business address is No. 8 Baoqun Road, Yaozhuang Industrial Park, Jiashan County, Zhejiang Province, 314117 China.
- (5) Represents 44,031 shares held by Mr. Yeh. Mr. Yeh's business address is No.8 Baoqun Road, Yaozhuang Industrial Park, Jiashan County, Zhejiang Province, 314117 China.
- (6) Represents 20,000 shares held by Mr. Li and 187,500 shares issuable upon exercise of options held by Mr. Li within 60 days after the date of this offering. Mr. Li's business address is No.8 Baoqun Road, Yaozhuang Industrial Park, Jiashan County, Zhejiang Province, 314117 China. In January 2008, we issued 40,000 shares to Mr. Li for no cash consideration in accordance with the terms of his employment agreement.
- (7) Ruixin is a company incorporated in the British Virgin Islands and its sole shareholder is Mr. Xianshou Li. The address for Ruxin Holdings Limited is Craigmuir Chambers, Road Town, Tortola, British Virgin Islands.
- (8) Yuncai is a company incorporated in the British Virgin Islands and its sole shareholder is Mr. Yuncai Wu. The address for Yuncai Holdings Limited is Craigmuir Chambers, Road Town, Tortola, British Virgin Islands.
- (9) Consists of 13,387,732 shares held by Ruixin. See "Related Party Transactions—Restructuring." Mr. Lian's business address is No.8 Baoqun Road, Yaozhuang Industrial Park, Jiashan County, Zhejiang Province, 314117 China.
- (10) Consists of 1,164,150 shares held by Ruixin and 9,313,205 shares held by Yuncai. See "Related Party Transactions—Restructuring." Mr. Dong's business address is No.8 Baoqun Road, Yaozhuang Industrial Park, Jiashan County, Zhejiang Province, 314117 China.

Our shares are traded both on the AIM in common shares and on New York Stock Exchange in ADSs, and brokers or other nominees may hold shares and ADSs of our ordinary shares in "street name" for customers who are the beneficial owners of the shares. As a result, we may not be aware of each person or group of affiliated persons who beneficially own more than 5% of our common stock.

As of June 5, 2008, 22,322,744 ADSs were held by the depositary. Due to that our shares are listed on AIM, we cannot ascertain the percentage of the issued and outstanding shares held by the record shareholders in the United States.

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

**RELATED PARTY TRANSACTIONS****Restructuring**

Zhejiang Yuhui, previously named Fengding Construction, was established as a limited liability company in China in August 2003. Prior to April 2005, Zhejiang Yuhui planned to engage in the manufacture and sale of moulds and machine components for making construction materials according to its authorized business scope, but did not engage in any operating activities other than the construction of factory premises. At that time, Zhejiang Yuhui was owned 15% by Mr. Yufei Ye, 20% by Mr. Guitong Pu, 40% by Mr. Ming Fei and 25% by Mr. Chenglin Qian. In April 2005, Zhejiang Yuhuan Solar Energy Source Co., Ltd., or Zhejiang Yuhuan, and Yuhuan County Solar Energy Source Co., Ltd., or YCSESC, two Chinese limited liability companies controlled by Mr. Xianshou Li, our chief executive officer and director, Mr. Yuncai Wu, our vice president and director, Mr. Zhengmin Lian and Mr. Xiangjun Dong, directors of Zhejiang Yuhui, acquired 60% and 15% equity interests in Zhejiang Yuhui for an aggregate of \$0.9 million and \$0.2 million, respectively. In November 2005, Newi-Solar GmbH, a German company, acquired the remaining 25% equity interest in Zhejiang Yuhui for \$0.4 million.

In November 2005, YCSESC transferred its 15% equity interest in Zhejiang Yuhui to Zhejiang Yuhuan for \$0.2 million. In April 2006, Newi-Solar GmbH transferred its 25% equity interest in Zhejiang Yuhui to Ruiyu Solar Energy Technology Co., Ltd., or Ruiyu, a Hong Kong company wholly owned by Ms. Xiahe Lian, the wife of Mr. Xianshou Li, for \$0.7 million. Therefore, in April 2006, Zhejiang Yuhuan and Ruiyu held 75% and 25% equity interests in Zhejiang Yuhui, respectively.

To facilitate our admission to AIM, ReneSola was incorporated under the laws of the British Virgin Islands in March 2006. In March 2006, ReneSola issued 44,000,021 and 22,666,678 shares to Mr. Xianshou Li and Mr. Yuncai Wu for \$0.66 and \$0.34, respectively. Based on professional advice they received in connection with the AIM admission, Mr. Li and Mr. Wu also entered into a trust agreement with Mr. Zhengmin Lian and Mr. Xiangjun Dong on May 2, 2006, through which Mr. Li and Mr. Wu held certain percentages of their shares in ReneSola in trust for Mr. Zhengmin Lian and Mr. Xiangjun Dong. The trust structure was primarily intended to simplify the relevant registration and filing procedures with respect to the shareholding structure of our company. However, the trust structure did not achieve its intended purpose. Accordingly, the beneficial interests in the shares as of the date of the trust agreement were as follows:

<u>Parties</u>	<u>Shares legally held in ReneSola</u>	<u>Beneficial interest with respect to ReneSola's issued share capital</u>	<u>Percentage of beneficial interest in ReneSola</u>	<u>Percentage of equity interest in Zhejiang Yuhuan</u>
Xianshou Li	44,000,021	27,333,346	41%	41%
Yuncai Wu	22,666,678	12,000,006	18%	18%
Zhengmin Lian	Nil	15,333,341	23%	23%
Xiangjun Dong	Nil	12,000,006	18%	18%

Under the trust agreement, the legal ownership and voting rights attaching to all of the shares are held by Mr. Li and Mr. Wu, while the beneficial interest and economic rights in those shares referred to in the above table against their respective names are held by Messrs. Lian and Dong.

In April 2006, as part of the reorganization in order to establish ReneSola as the holding company, ReneSola acquired the 75% and 25% equity interests in Zhejiang Yuhui from Zhejiang Yuhuan and Ruiyu for \$2.1 million and \$0.7 million, respectively. The \$2.8 million was financed through our placement of 33,333,333 shares in connection with our admission to AIM and was paid in August 2006. In accordance with established regulatory practice in China, Zhejiang Yuhuan, the PRC shareholder of Zhejiang Yuhui, was paid not less than Zhejiang Yuhuan's investment cost in Zhejiang Yuhui. However, the relevant parties intended for Zhejiang Yuhui and its

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employees to benefit from the payment. Therefore, the cash consideration of \$2.1 million received by Zhejiang Yuhuan was used to establish a fund for the benefit of Zhejiang Yuhui's employees, as the principal shareholders of Zhejiang Yuhuan are also principal shareholders of Zhejiang Yuhui. The parties intended to use the fund to acquire apartments from third parties or to construct housing for Zhejiang Yuhui's employees. Zhejiang Yuhuan entrusted Zhejiang Yuhui to manage and dispose of the fund, and the fund was remitted to Zhejiang Yuhui in September 2007. As of the date of this prospectus, the fund has not been used.

In May 2006, for nominal consideration, Messrs. Li and Wu transferred 4,400,002 and 2,266,668 shares, respectively, in ReneSola to Diverso Management Limited, a third party consulting firm that provided advisory services related to ReneSola's initial public offering on AIM. In August 2006, Mr. Li, Mr. Wu and Diverso Management Limited transferred the legal interests in 198,000, 102,000 and 33,333 shares in ReneSola, respectively, to Mr. Charles Xiaoshu Bai, ReneSola's chief financial officer for nil consideration. Mr. Bai's beneficial interest in 333,333 shares has vested as of the date of this prospectus. Mr. Bai received the shares for no consideration as part of his remuneration and incentive package.

In July 2006, Mr. Li transferred his 39,402,019 shares in ReneSola for nil consideration to Ruixin, a company incorporated in the British Virgin Islands controlled by himself, and Mr. Wu transferred his 20,298,010 shares in ReneSola for nil consideration, to Yuncai, a company incorporated in British Virgin Islands controlled by himself. Accordingly, immediately after our admission to AIM in August 2006, the beneficial interests in the shares of ReneSola held by Ruixin and Yuncai were as follows:

Parties	Beneficial interest with respect to Shares held through Ruixin	Beneficial interest with respect to Shares held through Yuncai	Beneficial interest with respect to ReneSola's issued share capital held by Ruixin and Yuncai	Percentage of beneficial interest in ReneSola's issued share capital held by Ruixin and Yuncai
Xianshou Li	24,477,012	—	24,477,012	24.5%
Yuncai Wu	—	10,746,005	10,746,005	10.7%
Zhengmin Lian	13,731,007	—	13,731,007	13.7%
Xiangjun Dong	1,194,000	9,552,005	10,746,005	10.7%
Total	39,402,019	20,298,010	59,700,029	59.7%

### Transactions with Certain Directors, Shareholders and Affiliates

#### *Cash Advances, Loans and Guarantees*

As of December 31, 2004, 2005 and 2006 and 2007, amounts due from related parties were approximately \$0.1 million, \$0.7 million, \$5.8 million and \$13.4 million, respectively. The amounts due from related parties included cash advances to Mr. Xianshou Li and Mr. Zhengmin Lian to purchase raw materials from suppliers. The advances were used to pay our suppliers for raw materials, with the unused portion of the advances repaid to us. Our cash advances to Mr. Yuncai Wu were used to pay our suppliers for testing equipment, with the unused portion either repaid to us or used to reimburse Mr. Wu's travel and other expenses. The raw materials and testing equipment purchased using the above cash advances were provided to us. The above parties did not receive any profit from these transactions. Amounts due from related parties also included cash advances to Desheng Energy, Jingke, Zhejiang Yuhuan, Newi-Solar GmbH, Ruiyu Solar and YCSESC. The cash advances to Desheng Energy and Jingke were used for purchase of raw materials. The cash advances to Zhejiang Yuhuan were used to meet its liquidity needs and make the down payment in connection with land use right transfer agreement between Fengding Construction and Zhejiang Yuhuan as mentioned below. The cash advances to Newi-Solar GmbH and YCSESC were used to meet their respective temporary liquidity needs. The cash advances to Ruiyu Solar were used to purchase raw materials from suppliers. These cash advances were unsecured, interest free and had no fixed repayment term, and have been fully repaid.

As of December 31, 2004, 2005 and 2006 and 2007, amounts due to related parties were approximately \$0.2 million, \$0.2 million, \$0.6 million and nil, respectively. The amounts due to related parties included unpaid loans

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due to YCSESC, Mr. Xianshou Li, Zhejiang Yuhuan, Mr. Zhengmin Lian and Mr. Dongwu Lou, respectively. These loans due to related parties, which were used to satisfy our short-term working capital needs, were unsecured, and had no fixed repayment term. All these loans were interest free and have been fully repaid, except for a loan due to Zhejiang Yuhuan in the amount of RMB1.7 million (\$0.2 million), which had an interest rate of 7.2% per annum and were repaid in November 2007.

Zhejiang Yuhui entered into short-term and long-term loans 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, 2007, we had an aggregate of \$38.2 million of outstanding borrowings that were guaranteed, directly or indirectly, by Mr. Xianshou Li and Ms. Xiahe Lian as follows:

- In April 2006, Mr. Xianshou Li and Ms. Xiahe Lian jointly provided a guarantee up to RMB30 million (\$3.8 million) for our borrowings from Bank of China, Jiashan Branch from April 2006 to April 2007.
- In May 2006, Mr. Xianshou Li provided a guarantee up to RMB10.07 million (\$1.3 million) for our borrowings from Industry and Commerce Bank of China, Jiashan Branch from May 2006 to November 2006.
- In August 2006, Mr. Xianshou Li and Ms. Xiahe Lian jointly provided a guarantee up to RMB85 million (\$10.9 million) for our borrowings from Bank of China, Jiashan Branch from August 2006 to August 2007.
- In February 2007, Mr. Xianshou Li and Ms. Xiahe Lian jointly provided a guarantee up to RMB260 million (\$34.6 million) for our borrowings from Bank of China, Jiashan Branch from February 2007 to February 2008.
- In November 2007, Mr. Xianshou Li and Ms. Xiahe Lian jointly provided a guarantee up to RMB790 million (\$105.4 million) for our borrowings from Bank of China, Jiashan Branch from November 2007 to November 2009.

### **Zhejiang Yuhuan**

In December 2004, Zhejiang Yuhui transferred land use rights to a property of 18,286.8 square meters to Zhejiang Yuhuan, in consideration of RMB2.3 million (\$0.3 million). Zhejiang Yuhuan constructed a building on the property. After the restructuring in April 2005, Zhejiang Yuhuan changed its business plan and decided not to operate in the building it constructed. Therefore, in October 2005, Zhejiang Yuhuan entered into an agreement to lease the building and the property to Zhejiang Yuhui for a period of two years from the completion of the buildings with a rent of approximately RMB2.7 million (\$0.4 million) per annum, and Zhejiang Yuhui made a prepayment of rent in the amount of RMB5.4 million (\$0.7 million) in December 2005. In May 2006, as Zhejiang Yuhui decided to make long-term use of the property and the building after it was completed, and Zhejiang Yuhui repurchased the property and the building from Zhejiang Yuhuan for consideration of RMB13 million (\$1.7 million). As disclosed above, Zhejiang Yuhui made cash advances to Zhejiang Yuhuan and YCSESC. The above pre-paid rent of RMB5.4 million (\$0.7 million), RMB1.3 million (\$0.2 million) payable by Zhejiang Yuhuan to Zhejiang Yuhui and RMB1.3 million (\$0.2 million) payable by YCSESC to Zhejiang Yuhui, subsequently used as an offset against the consideration payable for the purchase of the property and the building.

In April 2007, Zhejiang Yuhui leased 24 apartments from Zhejiang Yuhuan for an aggregate rent of RMB36,000 (\$5,000) per month. In October 2007, the parties entered into a written agreement to record the lease. These leased apartments were purchased by Zhejiang Yuhuan in December 2006 for an aggregate consideration of RMB4.6 million (\$0.6 million) and have been used as housing for Zhejiang Yuhui's employees.



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### ***Newi-Solar GmbH***

We sold modules to Newi-Solar GmbH, a German company who was a shareholder of Zhejiang Yuhui, in aggregate of \$1.0 million and \$0.8 million in 2005 and 2006, respectively. 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.

### ***YCSESC***

In November 2005, we purchased raw materials from YCSESC in the amount of \$38,000. In July 2006, we purchased raw materials from YCSESC in amount of \$4,000. In 2006, we sold solar cells and silicon raw materials to YCSESC in the total amount of \$31,000. These transactions were entered into on an arm's length basis between the parties, and we believe the pricing terms were comparable to terms that could have been obtained from independent third parties.

### ***Desheng Energy and Jingke***

In 2006 and 2007, we purchased \$14.1 million and \$33.8 million, respectively, of silicon raw materials from Desheng Energy, a company controlled by Messrs. Xiande Li and Xianhua Li, two brothers of Mr. Xianshou Li. In 2007, we purchased \$14.2 million of silicon raw materials from Jingke, which Mr. Xiande Li, the brother of Xianshou Li, is the general manager. As of December 31, 2007, our advances to Desheng Energy and Jingke for purchases of raw materials were \$9.5 million and \$3.9 million, respectively.

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***

In November 2006, we entered into employment agreements with Dr. Panjian Li, chief executive officer of ReneSola America, and Mr. Binghua Huang, our chief technology officer. Under the employment agreement between Dr. Panjian Li and us, during his employment with us, Dr. Li is entitled to 40,000 shares for no consideration each year for a period of five years, commencing January 2008. Under the employment agreement between Mr. Binghua Huang and us, Mr. Huang is entitled to 20,000 shares for no consideration each year for a period of three years, commencing January 2008. The above shares will only be issued to Mr. Huang and Dr. Li after each anniversary of their respective employment or upon the termination of their respective employment, as the case may be. If the employment was terminated for any reason, Mr. Huang or Dr. Li shall only be entitled to the number of shares calculated pro rata, according to the duration of their respective employment.

See also "Management—Employment Agreement" for details regarding employment agreements with our senior executive officers.

## DESCRIPTION OF SHARE CAPITAL

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.

As of the date of this prospectus, we have 250,000,000 authorized shares, including 118,485,032 shares issued and outstanding.

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.

### Shares

*General.* All of our outstanding ordinary shares are fully paid and non-assessable. Certificates representing the ordinary shares are issued in registered form. Our shareholders who are nonresidents 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. 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. The holders of our ordinary shares are entitled to such dividends as may be declared by our board of directors subject to the Companies Law.

*Voting Rights.* Each share is entitled to one vote on all matters upon which the shares are entitled to vote. We are required 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 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 or class or series of share 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

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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 share register.

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 New York Stock Exchange.

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
- (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 members 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 on the specified time are subject to forfeiture.

*Redemption of Shares.* The Law of British Virgin Islands provides that if permitted by the memorandum and articles of association, 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

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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 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 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 authorised capital is divided into different classes of shares, the rights attached to any class may only be varied, whether or not the Company is being wound up, 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 ordinary 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. See “Where You Can Find Additional Information.”

### **History of Securities Issuances**

The following is a summary of securities issuances by us during the past three years.

*Shares.* In March 2006, we issued 6,600 and 3,400 shares (without giving effect to the share split) to Mr. Xianshou Li and Mr. Yuncai Wu in consideration of \$0.66 and \$0.34, respectively.

*Share Split.* In July 2006, in anticipation of our public offering on AIM, we effected a 6,666.67-for-one share split.

In August 2006, we placed 33,333,333 shares at \$1.50 per share on AIM.

In January 2008, we issued 40,000 and 20,000 shares to Dr. Panjian Li and Mr. Binghua Huang, respectively, for no cash consideration.

In February 2008, we completed an initial public offering of 10,000,000 ADSs, each ADS representing two shares. On January 29, 2008, our ADSs are listed on the New York Stock Exchange under the symbol “SOL.”

### **Differences in Corporate Law**

The Companies Law of British Virgin Islands differs from laws applicable to United States corporations and their shareholders. Set forth below is a summary of the significant differences between the provisions of the Companies Law applicable to us and the laws applicable to companies incorporated in the United States and their shareholders.

#### *Protection for Minority Shareholders*

Under the laws of most U.S. jurisdictions, majority and controlling shareholders of a company generally have certain “fiduciary” responsibilities to the minority shareholders. Corporate actions taken by majority and controlling shareholders which are unreasonable and materially detrimental to the interest of minority shareholders may be declared null and void. Notwithstanding, the minority shareholders may have less protection for their rights under British Virgin Islands law than they would have under U.S. law.

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### *Powers of Directors*

Unlike with most U.S. jurisdictions, the directors of a British Virgin Islands company, subject in certain cases to court's approvals but without shareholders' approval, may implement the sale, transfer, exchange or disposition of any asset, property, part of the business, or securities of the company, if they determine it is in the best interests of the company, its creditors, or its shareholders, with the exception that shareholder approval is required for the disposition of over 50 per cent of the assets of the company.

### *Conflict of Interests*

Similar to the laws of most U.S. jurisdictions, when a director becomes aware of the fact that he has an interest in a transaction which the company is to enter into, he must disclose it to the board. However, with sufficient disclosure of interest in relation to that transaction, the director who is interested in a transaction entered into or to be entered into by the Company may (i) vote on a matter relating to the transaction; (ii) attend a meeting of directors at which a matter relating to the transaction arises and be included in the quorum; and (iii) sign a document on behalf of the company, or do any other thing in his capacity as a director, that relates to the transaction.

### *Written Consent and Cumulative Voting*

Similar to the laws of most U.S. jurisdictions, under the British Virgin Islands law, shareholders are permitted to approve matters by way of written resolution in place of a formal meeting. The British Virgin Islands law does not make a specific reference to cumulative voting, and our current memorandum and articles of association have no provision authorizing cumulative voting.

### *Independent Directors*

There is no requirement for a majority of the directors of the company to be independent as a matter of British Virgin Islands law.

### *Investigating Power and Suspension of Shareholder's Rights*

Regulation 25.3 of our articles of association grants us investigating power with respect to the ownership of our shares. This is done by sending a written notice, or the section 793 notice, to any shareholder or other person whom we have reasonable cause to believe has, or had, an "interest" (e.g. owns, controls or has certain rights over shares) in our relevant shares at some time during the three years immediately preceding the date of issue of the section 793 notice. A person who receives a section 793 notice must respond with the required information within 14 days following the date of service of the notice. Default in complying with the notice in relation to any shares, or the default shares, either on the part of the shareholder or on the part of some other interested person, will result in the rights of the shares being suspended after our board of directors has served a disenfranchisement notice on the holder of the default shares.

### *Redemption*

Our shares are not redeemable at the shareholders' option. We may redeem our shares only with the consent of the shareholders whose shares are to be redeemed, except that the consent from the shareholders is not needed under the circumstances of (i) the compulsory redemption with respect to fractional shares held by our shareholders in the circumstance of share division, and (ii) the compulsory redemption, at the request of the shareholders holding 90% of the votes of the outstanding shares entitled to vote, of the remaining issued shares.

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### *Takeover Provisions*

The memorandum and articles of association of our company does not alter the general provisions of British Virgin Islands law and therefore measures such as a poison pill would have to be in place before a takeover offer is in contemplation, as, if not, the directors could be seen as exercising their powers for an improper purpose in trying to introduce such a measure.

Furthermore, the creation of additional class of shares would require an amendment to the memorandum and articles of association of our company. This can only be done following a resolution of shareholders. If at anytime the shares of our company are divided into different classes, the variation of the rights of any such class (i.e. by the issue of a further class with preferred rights) will require the consent of 50 percent of the shares in the affected class. Therefore, the introduction of poison pill would require an amendment to the memorandum and articles of association of our company which may only be done by way of shareholder resolution.

### *Shareholder's Access to Corporate Records*

A shareholder is entitled, on giving written notice to the company, to inspect the company's (i) the memorandum and articles of association; (ii) the register of members; (iii) the register of directors; and (iv) minutes of meetings and resolutions of members and of those classes of members of which he is a member.

The directors may, if they are satisfied that it would be contrary to the company's interests to allow a member to inspect any document listed above (or any part thereof), refuse the member to inspect the document or limit the inspection of the document. The board may also authorise a member to review the companies account if requested.

### *Indemnification*

British Virgin Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the British Virgin Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime.

Under our memorandum and articles of association, we may indemnify our directors or any person who 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 against expenses (including legal fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such persons in connection with legal, administrative or investigative proceedings to which they are a party or are threatened to be made a party by reason of their acting as our directors or agents. To be entitled to indemnification, these persons must have acted honestly and in good faith and in the best interest of the company, and they must have had no reasonable cause to believe their conduct was unlawful.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling us under the foregoing provisions, we have been advised that in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

### *Mergers and Similar Arrangements*

Under the laws of the British Virgin Islands, two or more companies may merge or consolidate in accordance with Section 170 of the Companies Act. A merger means the merging of two or more constituent companies into one of the constituent companies, and a consolidation means the uniting of two or more constituent companies into a new company. In order to merge or consolidate, the directors of each constituent company must approve a written plan of merger or consolidation which must be authorized by a resolution of shareholders.

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While a director may vote on the plan even if he has a financial interest in the plan of merger or consolidation, in order for the resolution to be valid, the interest must have been disclosed to the board forthwith upon him becoming aware of such interest. The transaction will not be avoidable if the shareholders approve it.

Shareholders not otherwise entitled to vote on the merger or consolidation may still acquire the right to vote if the plan of merger or consolidation contains any provision which, if proposed as an amendment to the memorandum or articles of association, would entitle them to vote as a class or series on the proposed amendment. In any event, all shareholders must be given a copy of the plan of merger or consolidation irrespective of whether they are entitled to vote at the meeting or consent to the written resolution to approve the plan of merger or consolidation.

The shareholders of the constituent companies are not required to receive shares of the surviving or consolidated company but may receive debt obligations or other securities of the surviving or consolidated company, or other assets, or a combination thereof. Further, some or all of the shares of a class or series may be converted into a kind of asset while the other shares of the same class or series may receive a different kind of asset. As such, not all the shares of a class or series must receive the same kind of consideration.

After the plan of merger or consolidation has been approved by the directors and authorized by a resolution of the shareholders, articles of merger or consolidation are executed by each company and filed with the Registrar of Corporate Affairs in the British Virgin Islands.

A shareholder may dissent from a mandatory redemption of his shares, an arrangement (if permitted by the court), a merger (unless the shareholder was a shareholder of the surviving company prior to the merger and continues to hold the same or similar shares after the merger) and a consolidation. A shareholder properly exercising his dissent rights is entitled to payment of the fair value of their shares.

A shareholder dissenting from a merger or consolidation must object in writing to the merger or consolidation before the vote by the shareholders on the merger or consolidation, unless notice of the meeting was not given to the shareholder. If the merger or consolidation is approved by the shareholders, the company must within 20 days give notice of this fact to each shareholder who gave written objection, and to each shareholder who did not receive notice of the meeting. Such shareholders then have 20 days to give to the company their written election in the form specified by the Companies Act to dissent from the merger or consolidation, provided that in the case of a merger, the 20 days starts when the plan of merger is delivered to the shareholder.

Upon giving notice of his election to dissent, a shareholder ceases to have any rights of a shareholder except the right to be paid the fair value of his shares. As such, the merger or consolidation may proceed in the ordinary course notwithstanding the dissent.

Within seven days of the later of the delivery of the notice of election to dissent and the effective date of the merger or consolidation, the company must make a written offer to each dissenting shareholder to purchase his shares at a specified price that the company determines to be their fair value. The company and the shareholder then have 30 days to agree upon the price. If the company and a shareholder fail to agree on the price within the 30 days, then the company and the shareholder shall each designate an appraiser and these two appraisers shall designate a third appraiser. These three appraisers shall fix the fair value of the shares as of the close of business on the day before the shareholders approved the transaction without taking into account any change in value as a result of the transaction.

### *Shareholders' Suits*

Similar to the laws of most U.S. jurisdictions, British Virgin Islands law permits derivative actions against its directors. However, the circumstances under which such actions may be brought, and the procedures and defenses available may result in the rights of shareholders of a British Virgin Islands company being more limited than those of shareholders of a company incorporated and/or existing in the United States.

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We are not aware of any reported class action having been brought in a British Virgin Islands court. Reported derivative actions have been brought but unsuccessfully for technical reasons. The court of the British Virgin Islands may, on the application of a shareholder of a company, grant leave to that shareholder to bring proceedings in the name and on behalf of that company, or intervene in proceedings to which the company is a party for the purpose of continuing, defending or discontinuing the proceedings on behalf of the company. In determining whether to grant leave, the High Court of the British Virgin Islands must take into account (i) whether the shareholder is acting in good faith; (ii) whether the derivative action is in the interests of the company taking account of the views of the company's directors on commercial matters; (iii) whether the proceedings are likely to succeed; (iv) the costs of the proceedings in relation to the relief likely to be obtained; and (v) whether an alternative remedy to the derivative claim is available.

Leave to bring or intervene in proceedings may be granted only if the High Court of the British Virgin Islands is satisfied that (i) the company does not intend to bring, diligently continue or defend, or discontinue the proceedings, as the case may be; or (ii) it is in the interests of the company that the conduct of the proceedings should not be left to the directors or to the determination of the shareholders as a whole.



## DESCRIPTION OF AMERICAN DEPOSITARY SHARES

### American Depositary Shares

The Bank of New York, as depositary, will register and deliver American Depositary Shares, or ADSs. Each ADS will represent two shares deposited with the principal London office of The Bank of New York, as custodian for the depositary. Each ADS will also represent any other securities, cash or other property which may be held by the depositary. The depositary's corporate trust office at which the ADSs will be administered is located at 101 Barclay Street, New York, New York 10286. The Bank of New York's principal executive office is located at One Wall Street, New York, New York 10286.

You may hold ADSs either (A) directly (i) by having an American Depositary Receipt, which is a certificate evidencing a specific number of ADSs, registered in your name, or (ii) by holding ADSs in the Direct Registration System, or (B) indirectly through your broker or other financial institution. If you hold ADSs directly, you are an ADS holder. This description assumes you hold your ADSs directly. If you hold the ADSs indirectly, you must rely on the procedures of your broker or other financial institution to assert the rights of ADR holders described in this section. You should consult with your broker or financial institution to find out what those procedures are.

The Direct Registration System, or DRS, is a system administered by The Depository Trust Company, or DTC, pursuant to which the depositary may register the ownership of uncertificated ADSs, which ownership shall be evidenced by periodic statements issued by the depositary to the ADS holders entitled thereto.

As an ADS holder, we will not treat you as one of our shareholders and you will not have shareholder rights. British Virgin Islands law governs shareholder rights. The depositary will be the holder of the shares underlying your ADSs. As a holder of ADSs, you will have ADS holder rights. A deposit agreement among us, the depositary and you, as an ADS holder, and the beneficial owners of ADSs set out ADS holder rights as well as the rights and obligations of the depositary. New York law governs the deposit agreement and the ADSs.

The following is a summary of the material provisions of the deposit agreement. For more complete information, you should read the entire deposit agreement and the form of American Depositary Receipt. Directions on how to obtain copies of those documents are provided in the section headed "Where You Can Find Additional Information" in this prospectus.

### Dividends and Other Distributions

#### *How will you receive dividends and other distributions on the shares?*

The depositary has agreed to pay to you the cash dividends or other distributions it or the custodian receives on shares or other deposited securities, after deducting its fees and expenses. You will receive these distributions in proportion to the number of Shares your ADSs represent.

- **Cash.** The depositary will convert any cash dividend or other cash distribution we pay on the shares into U.S. dollars, if it can do so on a reasonable basis and can transfer the U.S. dollars to the United States. If that is not possible or if any government approval is needed and cannot be obtained within a reasonable period, the deposit agreement allows the depositary to distribute the foreign currency only to those ADR holders to whom it is possible to do so. It will hold the foreign currency it cannot convert for the account of the ADS holders who have not been paid. It will not invest the foreign currency and it will not be liable for any interest.

Before making a distribution, any withholding taxes, or other governmental charges that must be paid will be deducted. See the section of this prospectus headed "Taxation." It will distribute only whole U.S. dollars and cents and will round fractional cents to the nearest whole cent. *If the exchange rates fluctuate during a time when the depositary cannot convert the foreign currency, you may lose some or all of the value of the distribution.*

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- **Shares.** The depositary may distribute additional ADSs representing any shares we distribute as a dividend or free distribution. The depositary will only distribute whole ADSs. It will sell shares which would require it to deliver a fractional ADS and distribute the net proceeds in the same way as it does with cash. If the depositary does not distribute additional ADSs, the outstanding ADSs will also represent the new shares. The depositary may sell a portion of the distributed shares sufficient to pay its fees and expenses in connection with that distribution.
- **Rights to purchase additional shares.** If we offer holders of our securities any rights to subscribe for additional shares or any other rights, the depositary may make these rights available to you. If the depositary decides it is not legal and practical to make the rights available but that it is practical to sell the rights, the depositary will use reasonable efforts to sell the rights and distribute the proceeds in the same way as it does with cash. The depositary will allow rights that are not distributed or sold to lapse. *In that case, you will receive no value for them.*

If the depositary makes rights available to you, it will exercise the rights and purchase the shares on your behalf. The depositary will then deposit the shares and deliver ADSs to you. It will only exercise rights if you pay it the exercise price and any other charges the rights require you to pay.

U.S. securities laws may restrict transfers and cancellation of the ADSs represented by shares purchased upon exercise of rights. For example, you may not be able to trade these ADSs freely in the United States. In this case, the depositary may deliver restricted depositary shares that have the same terms as the ADSs described in this section except for changes needed to put the necessary restrictions in place.

- **Other Distributions.** The depositary will send to you anything else we distribute on deposited securities by any means it thinks is legal, fair and practical. If it cannot make the distribution in that way, the depositary has a choice. It may decide to sell what we distributed and distribute the net proceeds, in the same way as it does with cash. Or, it may decide to hold what we distributed, in which case ADSs will also represent the newly distributed property. However, the depositary is not required to distribute any securities (other than ADSs) to you unless it receives satisfactory evidence from us that it is legal to make that distribution. The depositary may sell a portion of the distributed securities or property sufficient to pay its fees and expenses in connection with that distribution.

The depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any ADS holders. We have no obligation to register ADSs, shares, rights or other securities under the Securities Act. We also have no obligation to take any other action to permit the distribution of ADSs, shares, rights or anything else to ADS holders. *This means that you may not receive the distributions we make on our shares or any value for them if it is illegal or impractical for us to make them available to you.*

## **Deposit, Withdrawal and Cancellation**

### ***How are ADSs issued?***

The depositary will deliver ADSs if you or your broker deposit shares or evidence of rights to receive shares with the custodian. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the depositary will register the appropriate number of ADSs in the names you request and will deliver the ADSs to or upon the order of the person or persons entitled thereto.

### ***How do ADS holders cancel an American Depositary Share?***

You may turn in your ADSs at the depositary's corporate trust office. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the depositary will deliver the shares and any other deposited securities underlying the ADSs to you or a person you designate at the office of the custodian. Or, at your request, risk and expense, the depositary will deliver the deposited securities at its corporate trust office, if feasible.

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### **How do ADS holders interchange between Certificated ADSs and Uncertificated ADSs?**

You may surrender your ADR to the depositary for the purpose of exchanging your ADR for uncertificated ADSs. The depositary will cancel that ADR and will send you a statement confirming that you are the owner of uncertificated ADSs. Alternatively, upon receipt by the depositary of a proper instruction from a holder of uncertificated ADSs requesting the exchange of uncertificated ADSs for certificated ADSs, the depositary will execute and deliver to you an ADR evidencing those ADSs.

### **Voting Rights**

#### **How do you vote?**

You may instruct the depositary how to vote the Deposited Securities. Otherwise, you won't be able to exercise your right to vote unless you withdraw the shares. However, you may not know about the meeting enough in advance to withdraw the shares.

If we ask for your instructions, the depositary will notify you of the upcoming vote and arrange to deliver our voting materials to you. The materials will (1) describe the matters to be voted on and (2) explain how you may instruct the depositary to vote the shares or other deposited securities underlying your ADSs as you direct. For instructions to be valid, the depositary must receive them on or before the date specified. The depositary will try, as far as practical, subject to the laws of the British Virgin Islands and of our Memorandum and Articles of Association, to vote or to have its agents vote the shares or other deposited securities as you instruct. The depositary will only vote or attempt to vote as you instruct.

We can not assure you that you will receive the voting materials in time to ensure that you can instruct the depositary to vote your shares. In addition, the depositary and its agents are not responsible for failing to carry out voting instructions or for the manner of carrying out voting instructions. *This means that you may not be able to exercise your right to vote and there may be nothing you can do if your shares are not voted as you requested.*

In order to give you a reasonable opportunity to instruct the Depositary as to the exercise of voting rights relating to Deposited Securities, if we request the Depositary to act, we will try to give the Depositary notice of any such meeting and details concerning the matters to be voted upon sufficiently in advance of the meeting date.

### **Fees and Expenses**

*Persons depositing or withdrawing shares or holders of ADSs must pay:*

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

\$0.02 (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

\$0.02 (or less) per ADSs per calendar year

Registration or transfer fees

Expenses of the depositary

*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 you
- Distribution of securities distributed to holders of deposited securities which are distributed by the depositary to ADS holders
- Depositary 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

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### Persons depositing or withdrawing shares must pay:

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:

- As necessary
- As necessary

### **Payment of Taxes**

You will be responsible for any taxes or other governmental charges payable on your ADSs or on the deposited securities represented by any of your ADSs. The depositary may refuse to register any transfer of your ADSs or allow you to withdraw the deposited securities represented by your ADSs until such taxes or other charges are paid. It may apply payments owed to you or sell deposited securities represented by your American Depositary Shares to pay any taxes owed and you will remain liable for any deficiency. If the depositary sells deposited securities, it will, if appropriate, reduce the number of ADSs to reflect the sale and pay to you any proceeds, or send to you any property, remaining after it has paid the taxes.

### **Reclassifications, Recapitalizations and Mergers**

#### If we:

- Change the nominal or par value of our shares
- Reclassify, split up or consolidate any of the deposited securities
- Distribute securities on the shares that are not distributed to you
- Recapitalize, reorganize, merge, liquidate, sell all or substantially all of our assets, or take any similar action

#### Then:

The cash, shares or other securities received by the depositary will become deposited securities. Each ADS will automatically represent its equal share of the new deposited securities.

The depositary may deliver new ADSs or ask you to surrender your outstanding ADSs in exchange for new ADSs identifying the new deposited securities.

### **Amendment and Termination**

#### ***How may the deposit agreement be amended?***

We may agree with the depositary to amend the deposit agreement and the ADSs without your consent for any reason. If an amendment adds or increases fees or charges, except for taxes and other governmental charges or expenses of the depositary for registration fees, facsimile costs, delivery charges or similar items, or prejudices a substantial right of ADS holders, it will not become effective for outstanding ADSs until 30 days after the depositary notifies ADS holders of the amendment. *At the time an amendment becomes effective, you are considered, by continuing to hold your ADS, to agree to the amendment and to be bound by the ADRs and the deposit agreement as amended.*

#### ***How may the deposit agreement be terminated?***

The depositary will terminate the deposit agreement at our direction by mailing notice of termination to the ADS holders then outstanding at least 30 days prior to the date fixed in such notice for such termination. The depositary may also terminate the deposit agreement by mailing notice of termination to us and the ADS holders then outstanding if at any time 60 days shall have expired after the depositary shall have delivered to the Company a written notice of its election to resign and a successor depositary shall not have been appointed and accepted its appointment.

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After termination, the depositary and its agents will do the following under the deposit agreement but nothing else: collect distributions on the deposited securities, sell rights and other property, and deliver shares and other deposited securities upon cancellation of ADSs. Six months after termination, the depositary may sell any remaining deposited securities by public or private sale. After that, the depositary will hold the money it received on the sale, as well as any other cash it is holding under the deposit agreement for the *pro rata* benefit of the ADS holders that have not surrendered their ADSs. It will not invest the money and has no liability for interest. The depositary's only obligations will be to account for the money and other cash. After termination our only obligations will be to indemnify the depositary and to pay fees and expenses of the depositary that we agreed to pay.

### **Limitations on Obligations and Liability**

#### ***Limits on our Obligations and the Obligations of the Depositary; Limits on Liability to Holders of ADSs***

The deposit agreement expressly limits our obligations and the obligations of the depositary. It also limits our liability and the liability of the depositary. We and the depositary:

- are only obligated to take the actions specifically set forth in the deposit agreement without negligence or bad faith;
- are not liable if either of us is prevented or delayed by law or circumstances beyond our control from performing our obligations under the deposit agreement;
- are not liable if either of us exercises discretion permitted under the deposit agreement;
- have no obligation to become involved in a lawsuit or other proceeding related to the ADSs or the deposit agreement on your behalf or on behalf of any other party;
- may rely upon the advice of, or information from, any person whom we believe in good faith to be competent to give such advice or information.

In the deposit agreement, we and the depositary agree to indemnify each other under certain circumstances.

### **Requirements for Depositary Actions**

Before the depositary will deliver or register a transfer of an ADS, make a distribution on an ADS, or permit withdrawal of shares, the depositary may require:

- payment of stock transfer or other taxes or other governmental charges and transfer or registration fees charged by third parties for the transfer of any shares or other deposited securities;
- satisfactory proof of the identity and genuineness of any signature or other information it deems necessary; and
- compliance with regulations it may establish, from time to time, consistent with the deposit agreement, including presentation of transfer documents.

The depositary may refuse to deliver ADSs or register transfers of ADSs generally when the transfer books of the depositary or our transfer books are closed or at any time if the depositary or we think it advisable to do so.

### **Your Right to Receive the Shares Underlying your ADSs**

You have the right to cancel your ADSs and withdraw the underlying shares at any time except:

- When temporary delays arise because: (i) the depositary has closed its transfer books or we have closed our transfer books; (ii) the transfer of shares is blocked to permit voting at a shareholders' meeting; or (iii) we are paying a dividend on our shares.

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- When you or other ADS holders seeking to withdraw shares owe money to pay fees, taxes and similar charges.
- When it is necessary to prohibit withdrawals in order to comply with any laws or governmental regulations that apply to ADSs or to the withdrawal of shares or other deposited securities.

This right of withdrawal may not be limited by any other provision of the deposit agreement.

### **Pre-release of ADSs**

The deposit agreement permits the depository to deliver ADSs before deposit of the underlying shares. This is called a pre-release of the ADSs. The depository may also deliver shares upon cancellation of pre-released ADSs (even if the ADSs are canceled before the pre-release transaction has been closed out). A pre-release is closed out as soon as the underlying shares are delivered to the depository. The depository may receive ADSs instead of shares to close out a pre-release. The depository may pre-release ADSs only under the following conditions: (1) before or at the time of the pre-release, the person to whom the pre-release is being made represents to the depository in writing that it or its customer owns the shares or ADSs to be deposited; (2) the pre-release is fully collateralized with cash or other collateral that the depository considers appropriate; and (3) the depository must be able to close out the pre-release on not more than five business days' notice. In addition, the depository will limit the number of ADSs that may be outstanding at any time as a result of pre-release, although the depository may disregard the limit from time to time, if it thinks it is appropriate to do so.

### **Direct Registration System**

In the deposit agreement, all parties to the deposit agreement acknowledge that the DRS and Profile Modification System, or Profile, will apply to uncertificated ADSs upon acceptance thereof to DRS by DTC. DRS is the system administered by DTC pursuant to which the depository may register the ownership of uncertificated American Depositary Shares, which ownership shall be evidenced by periodic statements issued by the depository to the ADS holders entitled thereto. Profile is a required feature of DRS which allows a DTC participant, claiming to act on behalf of an ADS holder, to direct the depository to register a transfer of those ADSs to DTC or its nominee and to deliver those ADSs to the DTC account of that DTC participant without receipt by the depository of prior authorization from the ADS holder to register such transfer.

In connection with and in accordance with the arrangements and procedures relating to DRS/Profile, the parties to the deposit agreement understand that the depository will not verify, determine or otherwise ascertain that the DTC participant which is claiming to be acting on behalf of an ADS holder in requesting registration of transfer and delivery described in the paragraph above has the actual authority to act on behalf of the ADS holder (notwithstanding any requirements under the Uniform Commercial Code). In the deposit agreement, the parties agree that the depository's reliance on and compliance with instructions received by the depository through the DRS/Profile System and in accordance with the deposit agreement, shall not constitute negligence or bad faith on the part of the depository.

## SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of this offering, we will have outstanding 31,322,744 ADSs, representing approximately 46.5% of our shares in issue (calculated using 22,322,744 ADSs outstanding as of June 5, 2008). All of the ADSs sold in this offering will be freely transferable by persons other than our “affiliates” without restriction or further registration under the Securities Act. Sales of substantial amounts of our ADSs in the public market could adversely affect prevailing market prices of our ADSs.

### Lock-Up Agreements

Each of our directors, executive officers and certain shareholders has agreed, subject to some exceptions, not to transfer or dispose of, directly or indirectly, any of our shares, in the form of ADSs or otherwise, or any securities convertible into or exchangeable or exercisable for our shares, in the form of ADSs or otherwise, for a period of 90 days after the date of this prospectus. After the expiration of the 90-day period, the shares or ADSs held by the selling shareholders, our directors, executive officers and shareholders may be sold subject to the restrictions under Rule 144 under the Securities Act or by means of registered public offerings.

The 90-day restricted period is subject to adjustment under certain circumstances. If (1) during the last 17 days of the 90-day restricted period, we issue an earnings release or material news or a material event relating to us occurs; or (2) prior to the expiration of the 90-day restricted period, we announce that we will release earnings results during the 16-day period beginning on the last day of the 90-day period, the restrictions will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event.

### Rule 144

In general, under Rule 144, a person (or persons whose shares are aggregated) who is not deemed to have been an affiliate of ours at any time during the three months preceding a sale, and who has beneficially owned restricted securities within the meaning of Rule 144 for at least six months (including any period of consecutive ownership of preceding non-affiliated holders) would be entitled to sell those shares, subject only to the availability of current public information about us. A non-affiliated person who has beneficially owned restricted securities within the meaning of Rule 144 for at least one year would be entitled to sell those shares without regard to the provisions of Rule 144.

In general, under Rule 144, our affiliates or persons selling shares on behalf of our affiliates are entitled to sell upon expiration of the lock-up agreements described above, a number of shares that does not exceed the greater of:

- 1% of the number of ordinary shares then outstanding, in the form of ADSs or otherwise, which will equal approximately 1,347,839 shares immediately after this offering (or 1,359,747 shares if the over-allotment option is exercised in full); or
- the average weekly trading volume of the ADSs representing our ordinary shares on the New York Stock Exchange during the four calendar weeks preceding the filing of a notice on Form 144 with respect to such sale.

Sales under Rule 144 by our affiliates or persons selling shares on behalf of our affiliates are also subject to certain manner of sale provisions and notice requirements and to the availability of current public information about us.

**Rule 701**

In general, under Rule 701 of the Securities Act as currently in effect, each of our employees, consultants or advisors who purchases our shares from us in connection with a compensatory stock plan or other written agreement executed prior to the completion of our initial public offering is eligible to resell such shares in reliance on Rule 144, but without compliance with some of the restrictions, including the holding period, contained in Rule 144. Beginning 90 days after the date of this prospectus, approximately 1,035,000 of our shares acquired or to be acquired through the exercise of options by holders who are not our affiliates will be eligible for resale as under Rule 701, subject to the vesting period of these options, and approximately 2,924,000 of our shares to be acquired or acquired through the exercise of options by our affiliates will be eligible for resale under Rule 701. The resales of shares by affiliates are subject to the vesting period of these options, as well as the volume, manner of sale and other limitations under Rule 144.



## 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 date of this prospectus, 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. 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. Based on the facts and subject to the limitations set forth herein, the statements of law or legal conclusions under the caption “—U.S. Federal Income Taxation” constitute the opinion of Latham & Watkins LLP, our special U.S. counsel, as to the material U.S. federal income tax consequences of an investment in the ADSs or shares.*

### **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 ordinary 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 ordinary shares. Dividends remitted to the holders of ordinary 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 summary applies only to U.S. Holders that hold the ADSs or shares as capital assets 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 prospectus and on U.S. Treasury regulations in effect or, in some cases, proposed, as of the date of this prospectus, 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.

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

- banks;
- financial institutions;
- insurance companies;
- regulated investment companies;
- real estate investment trusts;
- broker dealers;
- traders that elect to mark-to-market;
- 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 our voting stock;
- persons who acquired ADSs or shares pursuant to the exercise of any employee share option or otherwise as compensation; or
- persons holding ADSs or shares through partnerships or other pass-through entities.

**PROSPECTIVE PURCHASERS ARE URGED TO CONSULT THEIR TAX ADVISORS ABOUT 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 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 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 taxable 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.

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 will be complied with in accordance with their terms. If you hold ADSs, you should be treated as the holder of the underlying shares represented by those ADSs for U.S. federal income tax purposes, although this matter is not free from doubt because it is possible that in certain circumstances you will not have the ability to vote the shares underlying the ADSs. See “Description of American Depositary Shares—Voting Rights.” If you are not treated as the beneficial owner of the shares represented by the ADSs and, as a result, distributions received are not characterized as dividends, the lower capital gains rate applicable to qualified dividend income (discussed below) will not be available to you.

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The U.S. Treasury has expressed concerns that parties to whom ADSs are pre-released may be taking actions that are inconsistent with the claiming, by U.S. Holders of ADSs, of foreign tax credits for U.S. federal income tax purposes. Such actions would also be inconsistent with the claiming of the reduced rate of tax applicable to dividends received by certain non-corporate U.S. Holders, including individual U.S. Holders, as described 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 future actions that the U.S. Treasury or parties to whom ADSs are pre-released may take.

### ***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 made by us to you with respect to the ADSs or shares (including the amount of any taxes withheld therefrom) will generally be includable 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). The dividends 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 non-corporate U.S. Holders, including individual U.S. Holders, for taxable years beginning before January 1, 2011, dividends will be taxed at the lower capital gains rate applicable to qualified dividend income, provided that (1) the ADSs or shares are readily tradable on an established securities market in the United States, or we are eligible for the benefits of an approved qualifying income tax treaty with the United States that includes an exchange of information program, (2) we are not a passive foreign investment company (as discussed below) for either our taxable year in which the dividend is paid or the preceding taxable year, and (3) certain holding period requirements are met. Under U.S. Internal Revenue Service authority, 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 New York Stock Exchange, as are our ADSs (but not our shares). You should consult your tax advisors regarding the availability of the lower rate for dividends paid with respect to our ADSs or shares, including the effects of any change in law after the date of this prospectus.

Dividends will 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 rate divided by the highest rate of tax normally applicable to dividends. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, dividends distributed by us with respect to the ADSs or shares will constitute "passive category income" but could, in the case of certain U.S. Holders, constitute "general category income."

To the extent that the amount of the distribution exceeds our current and accumulated earnings and profits (as determined under U.S. federal income tax principles), such excess 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 exceeds such tax basis, as capital gain. 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 treated 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.

### ***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

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deductibility of capital losses is subject to limitations. Any such gain or loss that you recognize will generally be treated as U.S. source income or loss for foreign tax credit limitation purposes.

### ***Passive Foreign Investment Company***

Based on the current and anticipated valuation of our assets, including goodwill, and the composition of our income and assets, we do not expect to be a passive foreign investment company, or PFIC, for U.S. federal income tax purposes for our current taxable year ending December 31, 2008. Our actual PFIC status for the current taxable year will not be determinable until the close of such year and, accordingly, there is no guarantee that we will not be a PFIC for such year. Because PFIC status is a factual determination for each taxable year which cannot be made until the close of the taxable year, Latham & Watkins LLP, our special U.S. counsel, expresses no opinion with respect to our PFIC status.

A non-U.S. corporation is considered a PFIC for any taxable year if 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”).

We will be treated as owning our proportionate share of the assets and earning our proportionate share of the income of any other corporation in which we own, directly or indirectly, at least 25% (by value) of the stock.

We must make a separate determination each year as to whether we are a PFIC. As a result, our PFIC status may change. In particular, because the value of our assets for purposes of the asset test will generally be determined based on the market price of our ADSs and shares, our PFIC status will depend in large part on the market price of our ADSs and shares. Accordingly, fluctuations in the market price of the ADSs and shares may cause us to become a PFIC. In addition, the application of the PFIC rules is subject to uncertainty in several respects and the composition of our income and assets will be affected by how, and how quickly, we use the cash we raise in this offering. If we are a PFIC for any year during which you hold ADSs or shares, we will continue to be treated as a PFIC for all succeeding years during which you hold ADSs or shares. However, if we cease to be a PFIC, you may avoid some of the adverse effects of the PFIC regime by making a “deemed sale” election with respect to the ADSs or shares, as applicable.

If we are a PFIC for any taxable year during which you hold ADSs or shares, you will be subject to special tax rules with respect to any “excess distribution” that you receive and any gain you realize 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 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 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 year 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 that year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

The tax liability for amounts allocated to years prior to the year of disposition or “excess distribution” cannot be offset by any net operating losses for such years, and gains (but not losses) realized on the sale of the ADSs or shares cannot be treated as capital, even if you hold the ADSs or shares as capital assets.

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A U.S. Holder of “marketable stock” (as defined below) in a PFIC may make a mark-to-market election for such stock to elect out of the tax treatment discussed above. If you make a mark-to-market election for the ADSs or shares, you will include in income each year an amount equal to the excess, if any, of the fair market value of the ADSs or shares as of the close of your taxable year over your adjusted basis in such ADSs or shares. You are 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 are 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 gain on the actual sale or other disposition of the ADSs or shares, are treated as ordinary income. Ordinary loss treatment also applies to the deductible portion of any mark-to-market loss on the ADSs or shares, as well as to any loss realized on the actual sale or disposition of the ADSs or shares, to the extent that the amount of such loss does not exceed the net mark-to-market gains previously included for such ADSs or shares. Your basis in the ADSs or shares will be adjusted to reflect any such income or loss amounts. If you make a valid mark-to-market election, the tax rules that apply to distributions by corporations which are not PFICs would apply to distributions by us, except that the lower applicable capital gains rate for qualified dividend income discussed above under “—Taxation of Dividends and Other Distributions on the ADSs or Shares” generally would not apply.

The mark-to-market election is available only for “marketable stock”, which is stock that is traded in other 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. We expect that the ADSs will continue to be listed on the New York Stock Exchange; therefore, we expect that if the ADSs are regularly traded and you are a holder of ADSs, the mark-to-market election would be available to you were we to be or become a PFIC.

Alternatively, a U.S. Holder of stock in a PFIC may make a “qualified electing fund” election with respect to such PFIC to elect out of the tax treatment discussed above. A U.S. Holder who 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 such PFIC provides such U.S. Holder with certain information regarding its earnings and profits as required under applicable U.S. Treasury regulations. We do not currently intend to prepare or provide the information that would enable you to make a qualified electing fund election.

If you hold ADSs or shares in any year in which we are a PFIC, you will be required to file U.S. Internal Revenue Service Form 8621 regarding distributions received on the ADSs or shares and any gain realized on the disposition of the ADSs or shares.

You are urged to consult your tax advisors regarding the application of the PFIC rules to your investment in 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 who furnishes a correct taxpayer identification number and makes any other required certification on U.S. Internal Revenue Service Form W-9 or who is otherwise exempt from backup withholding. U.S. Holders who are required to establish their exempt status generally must provide such certification on U.S. Internal Revenue Service Form W-9. 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

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the backup withholding rules by timely filing the appropriate claim for refund with the U.S. Internal Revenue Service and furnishing any required information.

## UNDERWRITING

Subject to the terms and conditions of the underwriting agreement dated the date of this prospectus, the underwriters named below, through their representatives, Credit Suisse Securities (USA) LLC and Deutsche Bank Securities Inc. have severally agreed to purchase from us and the selling shareholders the following respective numbers of ADSs at a public offering price less the underwriting commission and discounts set forth on the cover page of this prospectus:

<u>Underwriters</u>	<u>Number of ADSs</u>
Credit Suisse Securities (USA) LLC	
Deutsche Bank Securities Inc.	
Piper Jaffray & Co.	
Lazard Capital Markets LLC	
Oppenheimer & Co. Inc.	
Total	9,000,000

All sales of ADSs in the United States will be made through U.S. registered broker-dealers.

The underwriting agreement provides that the obligations of the several underwriters to purchase the ADSs offered hereby are subject to certain conditions precedent and that the underwriters will purchase all the ADSs in the offering if any are purchased, other than those ADSs covered by the over-allotment option described below. The underwriting agreement also provides that if an underwriter defaults on its purchase commitment, the purchase commitments of non-defaulting underwriters may be increased or the offering may be terminated.

We and the selling shareholders have granted to the underwriters an option, exercisable in whole or in part at the discretion of the representatives, at any time, from time to time, on or before 30 days after the date of this prospectus, to purchase on a pro rata basis an aggregate of up to 595,437 additional ADSs from us and an aggregate of 754,563 additional ADSs from the selling shareholders at the public offering price, less the underwriting discounts and commissions set forth on the cover page of this prospectus. The option may be exercised only to cover any over-allotments of ADSs. We and the selling shareholders will be obligated, pursuant to the option, to sell these additional ADSs to the underwriters to the extent the option is exercised. To the extent that the underwriters exercise this option, each of the underwriters will become obligated, subject to conditions, to purchase approximately the same percentage of these additional ADSs as the number of ADSs to be purchased by it in the above table bears to the total number of ADSs offered by this prospectus. If any additional ADSs are purchased, the underwriters will offer the additional ADSs on the same terms as those on which the 9,000,000 ADSs are being offered.

We have been advised by the representatives of the underwriters that the underwriters propose to offer the ADSs initially to the public at the public offering price on the cover page of this prospectus and to selling group members at that price less a selling concession of \$ \_\_\_\_\_ per ADS. After the offering, the representatives may change the public offering price and other selling terms.

The following table summarizes the compensation we and the selling shareholders will pay:

	<u>Per ADS</u>	<u>Total</u>	
		<u>Without Over- Allotment</u>	<u>With Over- Allotment</u>
Underwriting discounts and commissions paid by us	\$	\$	\$
Underwriting discounts and commissions paid by the selling shareholders	\$	\$	\$

Total expenses for this offering are estimated to be approximately \$1.6 million, including SEC registration fees of \$9,822, Financial Industry Regulatory Authority filing fees of \$23,500, New York Stock Exchange listing fees of \$150,000, printing expenses of approximately \$100,000, legal fees of approximately \$500,000, accounting fees of approximately \$400,000, roadshow costs and expenses of approximately \$150,000, and miscellaneous expenses of approximately \$305,232 (including the reimbursement of up to \$200,000 of out-of-pocket expenses incurred by the underwriters). All amounts are estimated except for the fees relating to SEC registration, Financial Industry Regulatory Authority filing and New York Stock Exchange listing.

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We and the selling shareholders have agreed to pay all fees and expenses we and the selling shareholders incur in connection with this offering. All fees and expenses will be borne in proportion to the numbers of ADSs sold in the offering by us and the selling shareholders, respectively, unless otherwise agreed upon between us and any of the selling shareholders.

We, the selling shareholders and the underwriters have agreed to indemnify each other against certain liabilities, including liabilities under the Securities Act, or contribute to payments that we, the selling shareholders and/or the underwriters may be required to make in that respect.

We have agreed that we will not offer, sell, issue, contract to sell, pledge, or otherwise dispose of, directly or indirectly, or file with the SEC a registration statement under the Securities Act, relating to, any ADSs, ordinary shares or securities convertible into or exchangeable or exercisable for, or that represent the right to receive, our ADSs or ordinary shares, or enter into any swap, hedge or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of our ADSs or ordinary shares, or publicly disclose that we will or may enter into any transaction described above, without the prior written consent of the representatives of the underwriters for a period of 90 days after the date of this prospectus, whether any transaction described above is to be settled by delivery of ADSs, ordinary shares or such other securities, in cash or otherwise, except for issuances pursuant to (i) the sale of ADSs or ordinary shares to the underwriters, (ii) the conversion of RMB928,700,000 U.S. Dollar Settled 1% Convertible Bonds due 2012 and (iii) grants of employee stock options pursuant to our 2007 share incentive plan. However, in the event that either (1) during the last 17 days of the “lock-up” period, we release earnings results or material news or a material event relating to us occurs or (2) prior to the expiration of the “lock-up” period, we announce that we will release earnings results during the 16-day period beginning on the last day of the “lock-up” period, then in either case the expiration of the “lock-up” will be extended until the expiration of the 18-day period beginning on the date of the release of the earnings results or the occurrence of the material news or event, as applicable, unless the representatives of the underwriter waive, in writing, such an extension.

Each of our directors and executive officers and certain shareholders have agreed, pursuant to the contractual restrictions described under “Shares Eligible for Future Sale—Lock-up Agreements,” that they will not offer, sell, contract to sell, pledge or otherwise transfer or dispose of, directly or indirectly, any of our ADSs, ordinary shares or securities convertible into or exchangeable or exercisable for, or that represents the right to receive, ADSs or ordinary shares, or enter into any swap, hedge or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of our ADSs or ordinary shares, or publicly disclose that he, she or it will or may enter into any transaction described above, without the prior written consent of the representatives of the underwriters for a period of 90 days after the date of this prospectus, whether any transaction described above is to be settled by delivery of ADSs, ordinary shares or such other securities, in cash or otherwise. However, in the event that either (1) during the last 17 days of the “lock-up” period, we release earnings results or material news or a material event relating to us occurs or (2) prior to the expiration of the “lock-up” period, we announce that we will release earnings results during the 16-day period beginning on the last day of the “lock-up” period, then in either case the expiration of the “lock-up” will be extended until the expiration of the 18-day period beginning on the date of the release of the earnings results or the occurrence of the material news or event, as applicable, unless the representatives of the underwriters waive, in writing, such an extension. The representatives may release securities subject to the lock-ups at any time without public announcement. There are no agreements between the representatives and any of our directors and executive officers and principal shareholders releasing them from these lock-up agreements prior to the expiration of the “lock-up” period.

The representatives have informed us that the underwriters do not expect sales by the underwriters to any accounts of their respective customers over which any underwriter exercises discretionary authority in respect of transactions to purchase or sell in excess of 5% of the ADSs being offered.

From time to time, certain of the underwriters and their affiliates have provided, and will continue to provide, investment banking, commercial banking and other services to us and certain existing shareholders, for which they



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receive customary fees and commissions. Deutsche Bank AG, Hong Kong Branch served as the placing agent for our issue of RMB928,700,000 U.S. Dollar Settled 1% Convertible Bonds due 2012 in March 2007, for which Deutsche Bank AG, Hong Kong Branch received a fee as compensation.

Our ADSs are listed on the New York Stock Exchange under the symbol “SOL.” We will make an application for the shares to be issued in this offering to be admitted for trading on AIM. We expect the equity shares represented by the ADSs to be issued in this offering to be admitted to trading on AIM on the next AIM trading day immediately after the completion of this offering. We expect the shares represented by the ADSs issuable upon exercise of the over-allotment option to be admitted to trading on AIM on the next AIM trading day after the closing of the over-allotment option.

The public offering price of the ADSs being sold in this offering will be determined by reference to the closing price of our ADSs listed on the New York Stock Exchange on the pricing date. The public offering price will be provided on the cover page of this prospectus after taking into account prevailing market conditions and other factors, such as current market valuations of publicly traded companies that we and the underwriters believed to be reasonably comparable to us.

In connection with the offering, the underwriters may engage in stabilizing transactions, over-allotment transactions, syndicate covering transactions and penalty bids in accordance with Regulation M under the Securities Exchange Act of 1934, as amended.

- Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.
- Over-allotment involves sales by the underwriters of ADSs in excess of the number of ADSs the underwriters are obligated to purchase, which creates a syndicate short position. In a covered short position, the number of ADSs over-allotted by the underwriters is not greater than the number of ADSs that they may purchase in the over-allotment option. The underwriters may close out any covered short position by either exercising their over-allotment option and/or purchasing ADSs in the open market.
- Syndicate covering transactions involve purchases of the ADSs in the open market after the distribution has been completed in order to cover syndicate short positions. In determining the source of ADSs to close out the short position, the underwriters will consider, among other things, the price of ADSs available for purchase in the open market as compared to the price at which they may purchase ADSs through the over-allotment option.
- “Naked” short sales are any sales in excess of the over-allotment option. The underwriters must close out any naked short position by purchasing ADSs in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the ADSs in the open market after pricing that could adversely affect investors who purchase in the offering.
- Penalty bids permit the representatives to reclaim a selling concession from a syndicate member when the ADSs originally sold by the syndicate member are purchased by the stabilization manager or its agent in stabilizing or syndicate covering transactions to cover syndicate short positions.

These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of our ADSs or preventing or retarding a decline in the market price of the ADSs. As a result, the price of our ADSs may be higher than the price that might otherwise exist in the open market. These transactions may be effected on the New York Stock Exchange or otherwise and, if commenced, may be discontinued at any time. The underwriters are not under any obligation to engage in these activities.

A prospectus in electronic format may be made available on the Internet web sites maintained by one or more of the underwriters, or selling group members, if any, participating in this offering and one or more of the

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underwriters participating in this offering may distribute prospectuses electronically. Other than the prospectus in electronic format, the information on the web sites of, or any other web sites maintained by, any underwriter or a selling group member, if any, participating in this offering, is not part of the prospectus or the registration statement of which the prospectus forms a part. The representatives may agree to allocate a number of ADSs to underwriters and selling group members for sale to their online brokerage account holders. Internet distributions will be allocated by the underwriters and selling group members that will make Internet distributions on the same basis as other allocations.

Lazard Frères & Co. LLC referred this transaction to Lazard Capital Markets LLC and will receive a referral fee from Lazard Capital Markets LLC in connection herewith.

No action has been taken in any jurisdiction by us, by any selling shareholders or by any underwriter that would permit a public offering of the ADSs or the possession, circulation or distribution of this prospectus or any other material relating to us, the selling shareholders or the ADSs, in any jurisdiction where action for that purpose is required, other than in the United States. Accordingly, the ADSs may not be offered or sold, directly or indirectly, and neither this prospectus nor any other offering material or advertisements in connection with the ADSs may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of any such country or jurisdiction. Persons who receive this prospectus are advised by us and the underwriters to inform themselves about, and to observe any restrictions as to, the offering and the ADSs and the distribution of this prospectus.

**United Kingdom** No offer of ADSs has been made or will be made to the public in the United Kingdom within the meaning of Section 102B of the Financial Services and Markets Act 2000, as amended, or FSMA, except to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities or otherwise in circumstances which do not require the publication by us of a prospectus pursuant to the Prospectus Rules of the Financial Services Authority, or FSA. The underwriters: (i) have only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of FSMA) to persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 or in circumstances in which Section 21 of FSMA does not apply to us; and (ii) have complied with, and will comply with all applicable provisions of FSMA with respect to anything done by them in relation to the ADSs in, from or otherwise involving the United Kingdom.

**Hong Kong** The ADSs may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), or (ii) to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a “prospectus” within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), and no advertisement, invitation or document relating to the ADSs may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to ADSs which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder.

**Japan** The ADSs have not been and will not be registered under the Securities and Exchange Law of Japan, or the Securities and Exchange Law, and ADSs will not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to any exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

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**Singapore** This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the ADSs may not be circulated or distributed, nor may the ADSs be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

**European Economic Area** In relation to each member state of the European Economic Area which has implemented the Prospectus Directive, which we refer to as a Relevant Member State, with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, which we refer to as the Relevant Implementation Date, no offer of ADSs has been made and or will be made to the public in that Relevant Member State prior to the publication of a prospectus in relation to the ADSs which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that, with effect from and including the Relevant Implementation Date, an offer of ADSs may be made to the public in that Relevant Member State at any time: (a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities; (b) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43,000,000 and (iii) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or (c) in any other circumstances which do not require the publication by us of a prospectus pursuant to Article 3 of the Prospectus Directive. For the purposes of this provision, the expression an “offer of ADSs to the public” in relation to any ADSs in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the ADSs to be offered so as to enable an investor to decide to purchase or subscribe the ADSs, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression “Prospectus Directive” means Directive 2003/71/ EC and includes any relevant implementing measure in each Relevant Member State.

**LEGAL MATTERS**

The validity of the ADSs and certain other legal matters as to U.S. federal and New York law in connection with this offering will be passed upon for us by Latham & Watkins LLP. Certain legal matters with respect to U.S. federal and New York law in connection with this offering will be passed upon for the underwriters by Shearman & Sterling LLP. The validity of the shares represented by the ADSs offered in this offering and certain other matters as to British Virgin Islands laws will be passed upon for us by Harney Westwood & Riegels. Legal matters as to PRC law will be passed upon for us by Boss & Young and for the underwriters by Haiwen & Partners. Latham & Watkins LLP may rely upon Harney Westwood & Riegels with respect to matters governed by British Virgin Islands law and Boss & Young with respect to matters governed by PRC law.

**EXPERTS**

The financial statements as of December 31, 2006 and 2007, and for each of the three years in the period ended December 31, 2007, included in this prospectus and the related financial statement schedule have been audited by Deloitte Touche Tohmatsu CPA Ltd., an independent registered public accounting firm, as stated in their report appearing herein. Such financial statements and financial statement schedule have been so included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The offices of Deloitte Touche Tohmatsu CPA Ltd. are located at 30th Floor, Bund Center, 222 Yan An Road East, Shanghai, China.

## WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the SEC a registration statement on Form F-1 (Registration No. 333-151315), including relevant exhibits and securities under the Securities Act with respect to underlying shares represented by the ADSs, to be sold in this offering. We have also filed with the SEC a related registration statement on F-6 (Registration No. 333-148559) to register the ADSs. This prospectus, which constitutes a part of the registration statement, does not contain all of the information contained in the registration statement. You should read the registration statement on Form F-1 and its exhibits and schedules for further information with respect to us and our ADSs.

We are subject to periodic reporting and other informational requirements of the Exchange Act as applicable to foreign private issuers. We are required to file reports, including annual reports on Form 20-F, and other information with the SEC. All information filed with the SEC can be inspected and copied at the public reference facilities maintained by the SEC at 100 F. Street, N.E., Washington, D.C. 20549. You can request copies of these documents, upon payment of a duplicating fee, by writing to the SEC. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference rooms. You may also obtain additional information over the Internet at the SEC's website at [www.sec.gov](http://www.sec.gov).

As a foreign private issuer, we are exempt from the rules of the Exchange Act prescribing the furnishing and content of proxy statements to shareholders, 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 will not be 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. However, we intend to furnish the depositary 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' meeting and other reports and communications that are made generally available to our shareholders. The depositary will make such notices, reports and communications available to holders of ADSs and, upon our written request, will mail to all record holders of ADSs the information contained in any notice of a shareholders' meeting received by the depositary from us.

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**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, 2006 and 2007, and the related consolidated statements of income, shareholders’ equity and comprehensive income, and cash flows for each of the three years in the period ended December 31, 2007 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 these 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. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, 2006 and 2007, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2007, 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.

Deloitte Touche Tohmatsu CPA Ltd.

Shanghai, China  
May 30, 2008



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

	As of December 31,	
	2006	2007
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 9,861,698	\$ 53,136,512
Accounts receivable, net of allowances for doubtful receivables of \$3,279 and \$149,949 on December 31, 2006 and 2007, respectively	693,483	8,754,768
Inventories	44,775,370	110,630,212
Advances to suppliers	16,951,713	53,727,486
Amounts due from related parties	5,765,715	13,381,852
Value added tax recoverable	5,017,075	116,799
Prepaid expenses and other current assets	2,978,367	13,006,537
Deferred tax assets	3,321,479	10,486,641
<b>Total current assets</b>	<b>89,364,900</b>	<b>263,240,807</b>
Property, plant and equipment, net	19,907,593	136,598,396
Prepaid land rent, net	4,254,279	7,502,601
Deferred tax assets	102,266	284,126
Deferred convertible bond issue costs	—	3,335,681
Advances for purchases of property, plant and equipment	14,956,525	29,647,736
<b>Total assets</b>	<b>\$ 128,585,563</b>	<b>\$ 440,609,347</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Short-term borrowings	\$ 14,674,862	\$ 71,691,426
Accounts payable	4,901,913	13,146,538
Advances from customers	34,452,482	59,625,711
Amounts due to related parties	605,735	—
Other current liabilities	1,346,911	13,912,136
<b>Total current liabilities</b>	<b>55,981,903</b>	<b>158,375,811</b>
Convertible bond payable	—	128,264,791
Long-term borrowings	—	17,797,000
Other long-term liabilities	62,928	1,246,180
<b>Total liabilities</b>	<b>56,044,831</b>	<b>305,683,782</b>
Commitments and contingencies (see note 17)		
Minority interest:	—	9,216,908
<b>Shareholders' equity</b>		
Common shares (no par value; 125,000,000 shares authorized; 100,000,032 and 100,000,032 shares issued and outstanding at December 31, 2006 and 2007, respectively)	36,265,997	36,265,997
Additional paid-in capital	11,764,631	14,826,696
Retained earnings	23,264,197	66,200,488
Accumulated other comprehensive income	1,245,907	8,415,476
<b>Total shareholders' equity</b>	<b>72,540,732</b>	<b>125,708,657</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 128,585,563</b>	<b>\$ 440,609,347</b>

See notes to consolidated financial statements.

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

	Years ended December 31,		
	2005	2006	2007
Net revenues:			
Product sales	\$ 5,087,962	\$ 78,515,256	\$ 231,282,256
Processing services	—	5,855,423	17,690,829
Total net revenue	<u>5,087,962</u>	<u>84,370,679</u>	<u>248,973,085</u>
Cost of revenues:			
Product sales	3,677,176	57,140,635	184,292,314
Processing services	—	2,504,945	11,184,756
Total cost of revenues	<u>3,677,176</u>	<u>59,645,580</u>	<u>195,477,070</u>
Gross profit	<u>1,410,786</u>	<u>24,725,099</u>	<u>53,496,015</u>
Operating expenses:			
Sales and marketing	210,037	335,135	584,834
General and administrative	356,289	2,284,472	8,753,983
Research and development	—	38,968	1,142,623
Other general expense (income)	242,990	(168,676)	(418,027)
Total operating expenses	<u>809,316</u>	<u>2,489,899</u>	<u>10,063,413</u>
Income from operations	<u>601,470</u>	<u>22,235,200</u>	<u>43,432,602</u>
Non-operating expenses (income):			
Interest income	(941)	(312,161)	(1,933,991)
Interest expenses	27,396	330,948	4,512,087
Foreign exchange loss (gain)	1,502	(363,785)	4,046,897
Total non-operating expenses (income)	<u>27,957</u>	<u>(344,998)</u>	<u>6,624,993</u>
Income before income tax and minority interest	573,513	22,580,198	36,807,609
Income tax benefit	617,352	2,720,601	6,155,828
Minority interest	—	—	27,146
Net income	<u>\$ 1,190,865</u>	<u>\$ 25,300,799</u>	<u>\$ 42,936,291</u>
Earnings per share			
Basic	<u>\$ 0.02</u>	<u>\$ 0.32</u>	<u>\$ 0.43</u>
Diluted	<u>\$ 0.02</u>	<u>\$ 0.32</u>	<u>\$ 0.43</u>
Weighted average number of shares used in computing earnings per share:			
Basic	<u>66,666,699</u>	<u>80,000,032</u>	<u>100,000,032</u>
Diluted	<u>66,666,699</u>	<u>80,122,052</u>	<u>108,221,480</u>

See notes to consolidated financial statements.

**RENESOLA LTD**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
**AND COMPREHENSIVE INCOME**  
(Amount expressed in U.S. dollars, except number of shares)

	Common Shares		Additional Paid-in Capital	Earnings (accumulated deficit)	Accumulated Other Comprehensive Income (loss)	Total	Total Comprehensive Income
	Shares	Amount					
Balance at January 1, 2005	66,666,699	\$ 1	\$ 457,600	\$ (18,779)	\$ (262)	\$ 438,560	
Capital contribution from shareholders	—	—	1,042,582	—	—	1,042,582	
Net income	—	—	—	1,190,865	—	1,190,865	\$ 1,190,865
Foreign exchange translation adjustment	—	—	—	—	30,508	30,508	30,508
Balance at December 31, 2005	66,666,699	1	1,500,182	1,172,086	30,246	2,702,515	1,221,373
Distribution in respect of reorganization (see note 1)	—	—	—	(2,878,000)	—	(2,878,000)	
Issuance of common shares pursuant to initial public offer	33,333,333	50,000,000	—	—	—	50,000,000	
Share issuance cost	—	(13,734,004)	—	—	—	(13,734,004)	
Contribution from shareholders for share issuance costs (see note 12)	—	—	10,000,004	—	—	10,000,004	
Share-based compensation	—	—	264,445	—	—	264,445	
Deemed distribution for transfer of asset (see note 16 )	—	—	—	(330,688)	—	(330,688)	
Net income	—	—	—	25,300,799	—	25,300,799	25,300,799
Foreign exchange translation adjustment	—	—	—	—	1,215,661	1,215,661	1,215,661
Balance at December 31, 2006	100,000,032	36,265,997	11,764,631	23,264,197	1,245,907	72,540,732	26,516,460
Share-based compensation	—	—	929,065	—	—	929,065	
Shareholders' contribution (see note 1)	—	—	2,133,000	—	—	2,133,000	
Net income	—	—	—	42,936,291	—	42,936,291	42,936,291
Foreign exchange translation adjustment	—	—	—	—	7,169,569	7,169,569	7,169,569
Balance at December 31, 2007	100,000,032	\$ 36,265,997	\$ 14,826,696	\$ 66,200,488	\$ 8,415,476	\$ 125,708,657	\$ 50,105,860

See notes to consolidated financial statements.

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

	Years ended December 31,		
	2005	2006	2007
Cash flows from operating activities:			
Net income	\$ 1,190,865	\$ 25,300,799	42,936,291
Adjustments for:			
Minority interest	—	—	27,146
Depreciation	45,013	732,859	4,170,400
Amortization of deferred convertible bond issue costs and premium	—	—	2,180,970
Allowances for doubtful receivables	131,373	65,808	469,477
Prepaid land rent expensed	—	31,485	147,275
Loss on disposal of plant and equipment	238,199	—	—
Loss on change in fair value of derivatives	—	—	524,672
Share-based compensation	—	264,445	929,065
Changes in operating assets and liabilities:			
Accounts receivable	(316,179)	(557,073)	(7,838,691)
Inventories	(3,215,221)	(40,591,047)	(60,436,604)
Advances to suppliers	(1,073,639)	(15,559,023)	(34,275,598)
Amounts due from related parties	(547,098)	(4,967,314)	(6,934,044)
Value added tax recoverable	(607,640)	(4,296,490)	5,039,949
Prepaid expenses and other current assets	(159,425)	(2,399,708)	(6,562,504)
Prepaid land rent	—	(4,036,096)	(2,985,672)
Accounts payable	1,218,170	3,195,094	7,597,985
Advances from customers	4,471,055	29,200,478	21,898,122
Other liabilities	323,737	837,481	7,872,905
Deferred taxes	(617,352)	(2,720,601)	(6,422,628)
Net cash provided by (used in) operating activities	<u>1,081,858</u>	<u>(15,498,903)</u>	<u>(31,661,484)</u>
Cash flows from investing activities:			
Purchases of property, plant and equipment	(2,186,044)	(17,606,865)	(101,398,281)
Advances for purchases of property, plant and equipment	(53,498)	(14,597,720)	(13,121,265)
Proceeds from disposal of property, plant and equipment	2,805	—	—
Cash provided to related parties	—	—	(4,995,449)
Cash collected from related parties	—	—	1,315,000
Net cash used in investing activities	<u>(2,236,737)</u>	<u>(32,204,585)</u>	<u>(118,199,895)</u>
Cash flows from financing activities:			
Net proceeds from short-term borrowings	452,809	13,747,048	70,895,165
Proceeds from issuance of common shares	—	50,000,000	—
Share issuance costs	—	(3,734,000)	—
Net proceeds from issuance of convertible bonds	—	—	115,770,501
Contribution from minority shareholders of subsidiaries	—	—	360,824
Proceeds from capital contribution	1,042,582	—	2,133,000
Distribution in respect of reorganization (see note 1)	—	(2,878,000)	—
Other distribution to shareholders	—	(330,688)	—
Cash received from related parties	187,482	1,269,661	110,703
Cash paid to related parties	(183,472)	(855,750)	(732,745)
Net cash provided by financing activities	<u>1,499,401</u>	<u>57,218,271</u>	<u>188,537,448</u>
Effect of exchange rate changes	20,043	(57,224)	4,598,745
Net increase in cash and cash equivalents	364,565	9,457,559	43,274,814
Cash and cash equivalents, beginning of year	39,574	404,139	9,861,698
Cash and cash equivalents, end of year	<u>\$ 404,139</u>	<u>\$ 9,861,698</u>	<u>\$ 53,136,512</u>
Supplemental schedule of non-cash transactions:			
Contribution from shareholders for share issuance costs	\$ —	\$ 10,000,004	\$ —
Payable for purchases of property, plant and equipment	—	\$ 163,093	\$ 8,349,031
Contribution from shareholders of variable interest entity in the form of property and equipment	\$ —	\$ —	\$ 9,303,486
Supplemental disclosure of cash flow information:			
Interest paid	\$ 27,396	\$ 464,081	\$ 3,569,048
Income tax paid	\$ —	\$ —	\$ —

see notes to consolidated financial statements.

**RENESOLA LTD**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2005, 2006 AND 2007**  
**(Amounts expressed in U.S. dollar unless otherwise stated)**

**1. ORGANIZATION AND NATURE OF OPERATIONS**

ReneSola, its subsidiaries and variable interest entity (collectively the “Company”) are engaged in the manufacture and sale of solar wafers and related products, which are integrated into photovoltaic cells, the principal component of crystalline solar panels.

The following table lists all subsidiaries and variable interest entity of the Company as of December 31, 2007:

<u>Subsidiaries</u>	<u>Date of incorporation</u>	<u>Place of incorporation</u>	<u>Percentage of ownership</u>
ReneSola Ltd (“ReneSola”)	March 17, 2006	the British Virgin Islands	100%
Zhejiang Yuhui Solar Energy Co Ltd. (“Zhejiang Yuhui”)	August 7, 2003	the People’s Republic of China (“PRC”)	100%
ReneSola America Inc. (“ReneSola America”)	November 12, 2006	the United States of America	100%
ReneSola Singapore Pte Ltd. (“ReneSola Singapore”)	March 28, 2007	Singapore	100%
ReneSola (Malaysia) SDN. BHD. (“ReneSola Malaysia”)	February 12, 2007	Malaysia	51%
Linzhou Zhongsheng Semiconductor Silicon Material Co., Ltd. (“Linzhou Zhongsheng”)	August 17, 2007	PRC	49%
Sichuan ReneSola Silicon Material Co., Ltd (“Sichuan ReneSola”)	August 25, 2007	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 operation in October 2007. Linzhou Zhongsheng and Sichuan ReneSola are expected to commence operation in January 2008 and first half of 2009, respectively.

In the periods presented, substantially all of the Company’s business was conducted through Zhejiang Yuhui.

**Reorganization**

In March 2006, ReneSola was incorporated in the British Virgin Islands. ReneSola was 66% owned by Mr. Xianshou Li, a director and chief executive officer, and 34% by Mr. Yuncai Wu, a director and chief operating officer.

As part of a restructuring process, in April 2006, all owners of Zhejiang Yuhui (the “Ultimate Owners”) sold 100% of their equity interests in Zhejiang Yuhui to ReneSola for \$2,878,000, of which \$2,133,000 were gifted back to Zhejiang Yuhui to be used to fund a bonus pool for the benefits of the employees of the Company. At the time of its incorporation, ReneSola was owned by the Ultimate Owners, through direct ownership or shareholder agreement, in the same proportion as their ownership interests in Zhejiang Yuhui. This restructuring process has been accounted for as a recapitalization, as ReneSola and Zhejiang Yuhui were under common control. Accordingly, the assets and liabilities were transferred at historical costs and the consideration paid by ReneSola

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has been recognized as distributions to shareholders. The consolidated financial statements have been presented as if ReneSola owned Zhejiang Yuhui throughout the periods presented.

### **Acquisitions of Subsidiary 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 has consolidated ReneSola Malaysia in its December 31, 2007 balance sheet. The equity interest not owned by ReneSola is reported as a non-controlling interest on the balance sheet as of December 31, 2007.

(b) In August 2007, ReneSola and Linzhou Zhongsheng Steel Co., Ltd. (“Zhongsheng Steel”) established Linzhou Zhongsheng Semiconductor (the “Joint Venture”), a joint venture to engage in virgin polysilicon production in Linzhou, Henan Province, China. Pursuant to the joint venture agreement, ReneSola and Zhongsheng Steel will invest approximately RMB102.9 million (\$13.7 million) in cash for a 49% equity interest in the Joint Venture and approximately RMB107.1 million (\$14.1 million) in the form of facilities, equipment and land use rights for the other 51% equity interest, respectively. As of December 31, 2007, ReneSola has contributed \$8.0 million in cash while Zhongsheng Steel contributed tangible assets in the amount of \$9.3 million. Under the joint venture agreement, ReneSola is obligated to purchase 90% of the Joint Venture’s output, at 97% of the market price, for a period of 30 years. Under the requirements of Financial Accounting Standard Board (“FASB”) Interpretation No. 46 (Revised), Consolidation of Variable Interest Entities (“FIN 46(R)”), ReneSola has consolidated the Joint Venture in its December 31, 2007 balance sheet, as the Joint Venture was deemed a variable interest entity with ReneSola as its primary beneficiary. The equity interest of the Joint Venture not owned by ReneSola is reported as a non-controlling interest on the balance sheet as of December 31, 2007.

## **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”).

### (b) Basis of consolidation

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

### (c) 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, and 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, inventory write-downs, valuation of deferred tax assets, accruals of warranty costs, useful lives of property, plant and equipment and valuation of share-based compensation.

### (d) 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.

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### (e) Inventories

Inventories are stated at the lower of cost or market. Cost is determined by the first-in-first-out method. Cost comprises 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.

The Company's scrap raw material inventory was \$2.3 million as of December 31, 2007. The market value of these materials is primarily based upon a limited number of sales transactions and reference to an independent website containing estimated values for comparable scrap raw materials.

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 those outsourcing arrangements in which title is not transferred, 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.

For those outsourcing arrangements, in which title (including risk of loss) transfers to the third-party manufacturer, the Company is constructively obligated, through raw materials sales arrangements and processed inventory purchase agreements which have been entered into simultaneously with the third-party manufacturer, to repurchase the processed inventory. In this case, the raw material inventory remains classified as raw material inventory while in the physical possession of the third-party manufacturer and cash received is classified as "advances from customers" on the balance sheet and not as revenue or deferred revenue. Cash payment for outsourcing arrangement which require prepayment for repurchase of the processed inventory is classified as "advances to suppliers" on the balance sheet. There is no right of offset under these arrangements and accordingly, "advances from customers" and "advances to suppliers" remain on the balance sheet until the processed inventory is settled.

### (f) Advances to suppliers

The Company makes advance payments to suppliers for raw material supplies which are offset against future purchases. The balance of advances usually covers the next three months' supply of raw materials required by the Company. The Company does not require collateral or other security against its advances to suppliers. The Company performs ongoing credit evaluation of the financial condition of its suppliers. For all periods presented, no allowance was made for any losses against advances to suppliers.

### (g) Property, plant and equipment

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

Buildings	40 years
Plant and machinery	10 years
Motor vehicles	5 years
Office equipment	5 years

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

### (h) Prepaid land rent (net)

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

### (i) 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. 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.

There was no impairment loss of long-lived assets in any of the years presented.

### (j) Deferred convertible bond issuance costs

The issuance costs of the Company's Convertible Bond due 2012 ("Convertible Bonds") in the amount of \$4,224,319 were deferred and are being amortized using the straight-line method, which approximates the effective interest rate method, over a period of three years from March 26, 2007, the date of issuance, to March 26, 2010, the earliest redemption date. The amortization expense for the year ended December 31, 2007 was \$1,099,532.

### (k) 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.

### (l) Revenue recognition

The Company sells solar wafers and related products. The Company also enters into agreements to process silicon materials into silicon ingots and wafers for customers. The Company recognizes revenues when products are delivered and title has passed to customers, the price to the buyer is fixed and determinable, and collectibility 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 \$7,582, \$6,809 and \$19,948 in the years ended December 31, 2005 and 2006 and 2007, 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 has to bear all costs and risks of loss or damage to the goods from that point. Under CIF, the Company must pay the costs, insurance and



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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.

The Company has begun to extend credit terms only 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 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.

### (m) 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, and contractor and processing fees.

### (n) Research and development

Research and development cost are expensed when incurred.

### (o) Warranty cost

The Company's solar modules are typically sold with 20-year warranties against specified declines in the initial minimum power generation capacity at the time of delivery. 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. 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 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.

In April 2006, the Company ceased the manufacture and sale of solar modules.

### (p) Foreign currency

The functional currency of ReneSola and its subsidiary in the PRC is Renminbi ("RMB"). The functional currency of ReneSola America is the United States Dollar ("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 shareholders' 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 RMB1,607,516 (\$205,862) and RMB307,202,278 (\$42,055,992) at December 31, 2006 and 2007, respectively.

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### (q) Fair value of financial instruments

Financial instruments of the Company comprise cash and cash equivalents, accounts receivable, amounts due from related parties, advances to suppliers, short-term borrowings, accounts and other payables, advances from customers and long-term borrowings. As of December 31, 2006 and 2007, carrying amounts of cash and cash equivalents, accounts receivable, amounts due to related parties, short-term borrowings, accounts and other payables approximate fair values due to the short-term maturity of these instruments. The carrying value of long-term borrowings approximates fair value as the average interest rate approximates the prevailing market rate.

### (r) Derivative financial instruments

The Company enters into derivative financial instruments such as foreign exchange forward contracts to manage its exposure to foreign currency risks. Derivative financial instruments are initially recognized in the balance sheet at fair value and subsequently re-measured to their fair value with changes in fair value included in determination of net income. Net loss on derivative financial instruments of \$nil, \$4,267 and \$475,518 was recognized as expense in the years ended December 31, 2005, 2006 and 2007, respectively.

As of December 31, 2006, the Company had three U.S. dollar foreign currency forward exchange contracts outstanding with a total notional amount of \$5,840,000. As of December 31, 2007, the Company has no outstanding foreign exchange forward contracts.

In 2007, certain of the Company's purchase contracts were denominated in a currency which was not the functional currency of either of the substantial parties to the contract. Accordingly, the contracts contain embedded foreign currency forward contracts subject to bifurcation in accordance with FAS No. 133 "Accounting for Derivative Instruments and Hedging Activities." The embedded foreign currency derivatives are separately accounted for and measured at fair value with changes in such value recorded to the statements of income and reflected in the statements of cash flows as an operating activity. Embedded foreign currency derivatives are presented as an asset or liability with the changes in their fair value recorded in foreign exchange gain or loss in the statements of income.

As of December 31, 2007, the Company recorded a liability of \$546,176 representing the fair value of these embedded foreign currency derivatives and recorded a loss in the same amount in non-operating expenses (income) in the consolidated statements of income.

### (s) Earnings per share

Basic earnings 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 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.

### (t) Share-based compensation

The Company measures the cost of employee services received in exchange for share-based compensation at the grant date fair value of the award. The Company recognizes compensation costs on a straight-line basis over the requisite service period, which is the vesting period.

### (u) Comprehensive income

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 and foreign currency translation adjustments.

(v) 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.

(w) Recently issued accounting pronouncements

In September 2006, the FASB issued Statement No.157, Fair Value Measurements (“SFAS 157”), which establishes a framework for measuring fair value and expands disclosures regarding fair value measurements. The changes to current practice resulting from the application of this Statement relate to the definition of fair value, methods used to measure fair value, and the expanded disclosures of fair value measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007, and interim period within those fiscal years. The adoption of SFAS 157 is not expected to have a material impact on the Company’s financial position or its results of operations.

In February 2007, the FASB issued Statement No.159, The Fair Value Option for Financial Assets and Financial Liabilities (“SFAS 159”). This Statement permits entities to choose to measure many financial instruments at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring different assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS 159 is effective for fiscal year beginning after November 15, 2007. The Company does not plan to elect the fair value option under SFAS 159. As a result, SFAS 159 does not have a material impact on the Company’s financial position or its results of operations.

In December 2007, the FASB issued Statement No. 141 (revised 2007) “Business Combinations” (“SFAS 141(R)”) to improve reporting and to create greater consistency in the accounting and financial reporting of business combinations. The standard requires the acquiring entity in a business combination to recognize all (and only) the assets acquired and liabilities assumed in the transaction; establishes the acquisition date fair value as the measurement objective for all assets acquired and liabilities assumed; and requires the acquirer to disclose to investors and other users all of the information they need to evaluate and understand the nature and financial effect of the business combination. SFAS 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008, with the exception of the accounting for valuation allowances on deferred taxes and acquired tax contingencies. SFAS 141(R) amends SFAS 109, “Accounting for Income Taxes,” such that adjustments made to valuation allowances on deferred taxes and acquired tax contingencies associated with acquisitions that closed prior to the effective date of SFAS 141(R) would also apply the provisions of SFAS 141(R). An entity may not apply it before that date. The Company is currently evaluating the potential effects on the consolidated financial statements.

In December 2007, the FASB issued Statement No. 160, Non-controlling Interests in Consolidated Financial Statements (“SFAS 160”) to improve the relevance, comparability, and transparency of financial information provided to investors by requiring all entities to report non-controlling interests in subsidiaries in the same way as required in the consolidated financial statements. Moreover, SFAS 160 eliminates the diversity that currently exists in accounting for transactions between an entity and non-controlling interests by requiring they be treated as equity transactions. SFAS 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Earlier adoption is prohibited. The Company is currently evaluating the impact of the adoption of SFAS 160 on its consolidated financial position, results of operations or cash flows.

In March 2008, the FASB issued Statement No. 161, Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133 (“SFAS 161”) to enhance disclosures about how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for

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and their effect on an entity's financial position, financial performance, and cash flows. SFAS 161 is effective for the Company on January 1, 2009. The Company is currently evaluating the impact that the adoption of SFAS 161 will have on its consolidated financial statements.

### 4. ALLOWANCES FOR DOUBTFUL RECEIVABLES

Allowances for doubtful receivables are comprised of allowances for account receivables and allowances for other receivables. An analysis of allowances for accounts receivables at December 31, 2006 and 2007 is as follows:

	At December 31,	
	2006	2007
Beginning of the year	\$ 10,145	\$ 3,279
Allowances made during the year	65,808	146,670
Accounts receivables written-off against allowances	(72,674)	—
Closing balance	<u>\$ 3,279</u>	<u>\$ 149,949</u>

An analysis of allowances for other receivables at December 31, 2006 and 2007 is as follows:

	At December 31,	
	2006	2007
Beginning of the year	\$ —	\$ —
Allowances made during the year	—	342,275
Other receivables written-off against allowances	—	—
Closing balance	<u>\$ —</u>	<u>\$ 342,275</u>

### 5. INVENTORIES

	At December 31,	
	2006	2007
Raw materials	\$ 31,981,420	\$ 51,519,418
Work-in-process	12,129,868	57,099,260
Finished goods	664,082	2,011,534
Total inventories	<u>\$ 44,775,370</u>	<u>\$ 110,630,212</u>

The amount of inventories for which title is not transferred to the third-party manufactures was \$1,046,529 and \$3,988,096 at December 31, 2006 and 2007, respectively. The amount of inventories for which title and risk of loss was transferred to the third-party manufacture was \$nil at December 31, 2006 and 2007.

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**6. PROPERTY, PLANT AND EQUIPMENT, NET**

Property, plant and equipment, net, comprise:

	At December 31,	
	2006	2007
Buildings	\$ 2,998,342	\$ 10,979,745
Leasehold improvement	—	171,692
Plant and machinery	16,021,014	78,191,049
Motor vehicles	230,853	798,663
Office equipment	431,191	1,591,100
	19,681,400	91,732,249
Less: Accumulated depreciation	(762,954)	(5,156,724)
	18,918,446	86,575,525
Construction in progress	989,147	50,022,871
Property, plant and equipment, net	<u>\$ 19,907,593</u>	<u>\$ 136,598,396</u>

Construction in progress represents new production facilities under construction. Depreciation expense for the years ended December 31, 2005 and 2006 and 2007 was \$45,013, \$732,859, \$4,170,400, respectively.

**7. INCOME TAX BENEFIT (EXPENSE)**

	Years ended December 31,		
	2005	2006	2007
Income (loss) before income tax			
PRC	\$ 573,513	\$ 22,968,516	\$ 44,019,117
Other jurisdictions	—	(388,318)	(7,211,508)
Total income before income tax	<u>\$ 573,513</u>	<u>\$ 22,580,198</u>	<u>\$ 36,807,609</u>
Current tax expense			
PRC	\$ —	\$ —	\$ 205,302
Other jurisdictions	—	—	61,498
Subtotal	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 266,800</u>
Deferred tax benefit (expense)			
PRC	\$ 617,352	\$ 2,714,401	\$ 6,472,170
Other jurisdictions	—	6,200	(49,542)
Subtotal	<u>\$ 617,352</u>	<u>\$ 2,720,601</u>	<u>\$ 6,422,628</u>
Total income tax benefit	<u>\$ 617,352</u>	<u>\$ 2,720,601</u>	<u>\$ 6,155,828</u>

ReneSola is a tax exempt company under the laws of British Virgin Islands. Under current laws of British Virgin Islands, the Company is not subject to income tax.

Zhejiang Yuhui is a Foreign Invested Enterprise (“FIE”). The statutory income tax rate in the PRC is 33%. As Zhejiang Yuhui is registered in the Coastal Economic Development Area of China, it is subject to an income tax rate of 26.4% (24% of state income tax plus 2.4% local income tax). As a manufacturing-oriented FIE, it is entitled to a tax exemption for two years starting from its first profitable year of operation (2005 to 2006), after utilizing any tax losses brought forward from prior years, and a reduced rate of 13.2% (12% of state income tax plus 1.2% local income tax) for the succeeding three years (from 2007 to 2009, please refer to the change under newly enacted Enterprise Income Tax law in subsequent paragraph).

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Zhejiang Yuhui increased its registered capital from \$1.5 million to \$16.5 million in April 2006, to \$28.5 million in September 2006 and then to \$102.5 million in August 2007. According to relevant PRC tax regulations, it is entitled to full exemption from enterprise income tax for the two years starting from its first profitable year of operation with respect to the income attributable to operations funded by the increased capital and a 50% deduction in income taxes for the following three years, upon written approval from the tax authority.

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 State 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 18%. ReneSola Malaysia is incorporated in Malaysia. The corporate income tax rate is 27%.

Sichuan ReneSola is incorporated in the PRC. The corporate income tax rate is 33%. Linzhou Zhongsheng is incorporated in PRC. The corporate income tax rate is 33%.

In July 2006, the FASB issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109 (“FIN 48”), which clarifies the accounting and disclosure for uncertainty in tax positions. FIN 48 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. This interpretation 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.

The Company adopted the provisions of FIN 48 effective January 1, 2007. Based on its FIN 48 analysis, the Company has made its assessment of the level of tax authority for each tax position (including the potential application of interest and penalties) based on the technical merits, and has measured the unrecognized tax benefits associated with the tax positions. As of January 1, 2007, the adoption of FIN 48 did not have an impact on the Company’s financial statements. As a result, there was no cumulative effect related to adopting FIN 48.

During the year ended December 31, 2007, the Company has recorded FIN 48 liabilities of \$205,302, which affects the effective income tax rate accordingly. It also recognized interest and/or penalties associated with the uncertain tax positions in the FIN 48 tax provision. As of December 31, 2007, the amount of interest and penalties related to the uncertain tax position is immaterial. The Company does not anticipate any significant increases or decreases to its liability for unrecognized tax benefits within the next 12 months.

The years 2003 to 2007 remain subject to examination by the PRC tax authorities.

The following is the tabular reconciliation of FIN 48 liabilities:

	Years ended December 31,	
	2006	2007
Unrecognized tax benefits—Opening balance	\$ —	\$ —
Gross increase—Current-period tax provisions	—	205,302
Unrecognized tax benefits—Ending balance	\$ —	\$ 205,302

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The principal components of deferred income tax assets and liabilities are as follows:

	At December 31,	
	2006	2007
<b>Deferred tax assets</b>		
Investment tax credits carryforwards	\$ 3,318,095	\$ 10,404,657
Property, plant and equipment	70,106	191,102
Others	35,544	175,008
<b>Total deferred tax assets</b>	<b>\$ 3,423,745</b>	<b>\$ 10,770,767</b>
<b>Analysis as:</b>		
Current	3,321,479	10,486,641
Non-current	102,266	284,126
	\$ 3,423,745	\$ 10,770,767
<b>Deferred tax liabilities</b>		
Property, plant and equipment	\$ —	\$ 379,939
Others	—	258,594
<b>Total deferred tax liabilities</b>	<b>\$ —</b>	<b>\$ 638,533</b>
<b>Analysis as:</b>		
Current	—	5,800
Non-current	—	632,733
	\$ —	\$ 638,533

Zhejiang Yuhui purchased equipment manufactured in the PRC in 2005, 2006 and 2007. In accordance with PRC tax regulations, Zhejiang Yuhui is entitled to receive income, or investment tax credits, equivalent to 40% of the purchased amount upon written approval from the competent tax authority. As of December 31, 2007, Zhejiang Yuhui had tax credit carried forward of \$10,404,657, which will expire in 2014.

As of December 31, 2006 and 2007, the Company has not recorded a valuation allowance to reduce its deferred tax assets because the Company believes that it is more likely than not that the deferred tax assets will be realized as it expects to generate sufficient taxable income in the future.

Reconciliation between the applicable statutory income tax rate and the Company's effective tax rate for the years ended December 31, 2005, 2006 and 2007 is as follows:

	Years ended December 31,		
	2005	2006	2007
PRC applicable income tax rate	26.4%	26.4%	26.4%
Non-deductible loss on disposal of plant and equipment	11.7%	—	—
Effect of tax holiday	(42.0)%	(29.7)%	(24.0)%
Investment tax credit	(104.6)%	(11.7)%	(17.9)%
Others	0.9%	2.9%	(1.2)%
<b>Effective income tax rate</b>	<b>(107.6)%</b>	<b>(12.1)%</b>	<b>(16.7)%</b>

The aggregate amount and per share effect of the tax holiday are as follows:

	Years ended December 31,		
	2005	2006	2007
Aggregate amount	\$ 240,875	\$ 6,706,319	\$ 8,829,536
Per share effect—basic	\$ 0.01	\$ 0.08	\$ 0.09
Per share effect—diluted	\$ 0.01	\$ 0.08	\$ 0.08

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In March 2007, the National People's Congress of China enacted a new Enterprise Income Tax Law (Tax Law) which became effective January 1, 2008. The Tax Law provides that enterprises established under the laws of foreign countries or regions and whose "de facto management bodies" are located within the PRC will be considered as PRC resident enterprises, and are subject to the PRC enterprise income tax at the rate of 25% of worldwide income. However, the Tax Law does not define the term "de facto management bodies." Substantially all of the Company's management is currently located in China. If they remain located in China after January 1, 2008, the offshore companies may be considered PRC resident enterprises and, therefore, be subject to the PRC enterprise income tax at the rate of 25% on worldwide income effective January 1, 2008.

Under the Tax Law, domestically-owned enterprises and foreign-invested enterprises (FIE) are subject to a uniform tax rate of 25%. While the Tax Law equalizes the tax rates for FIEs and domestically-owned companies, preferential tax treatment would continue to be given to companies in certain encouraged sectors and to entities classified as high-technology companies. The Tax Law also provides a transition period starting from its effective date for those enterprises which were established before the promulgation date of the new tax law and which are entitled to a preferential lower tax rate and tax holiday under the existing effective tax laws or regulations. The tax rate of such enterprises will transition to the uniform tax rate within a five-year transition period, and the tax holiday, which has been enjoyed by such enterprises before the effective date of the new tax law, may continue to be enjoyed until the end of the holiday. According to the Circular Guofa 2007 No. 39—Notice of the State Council Concerning Implementation of Transitional Rules for Enterprise Income Tax Incentives ("Circular 39") issued on December 26, 2007, the tax rate of 26.4% for Zhejiang Yuhui under the old tax law will be changed to the uniform tax rate of 25% immediately in 2008.

The Tax Law provides that a 10% withholding tax applies to China-sourced income derived by nonresident enterprises for PRC enterprise income tax purpose. Aggregate undistributed earnings of the Company's subsidiaries in the PRC that are available for distribution to the Company of approximately US\$48.0 million at December 31, 2007 are considered to be permanently reinvested under APB opinion No. 23, and accordingly, no provision has been made for Chinese dividend withholding taxes that would be payable upon the distribution of those amounts to the Company.

## 8. BORROWINGS

Our bank borrowings consist of the following:

	At December 31,	
	2006	2007
Short-term	\$ 14,674,862	\$ 71,691,426
Long-term, current portion	—	—
Subtotal	14,674,862	71,691,426
Long-term	—	17,797,000
	<u>\$ 14,674,862</u>	<u>\$ 89,488,426</u>

In the years ended December 31, 2006 and 2007, the maximum bank credit facilities granted to the Company were \$15,611,239 and \$184,815,048, respectively, of which, \$14,674,862 and \$89,488,426 were drawn down and \$936,377 and \$95,326,622 were available as of December 31, 2006 and 2007, respectively.

### a) Short-term

Interest rates for all short-term borrowings are fixed with the exception of a borrowing of \$6,500,000, which has a variable interest rate of LIBOR plus 1.6%. The weighted average interest rate of short term loans was 7.3%, 6.0%, 6.0% in the years ended December 31, 2005, 2006 and 2007, respectively. These borrowings do not contain any financial covenants or restrictions. The borrowings are repayable within one year. As of December 31, 2006, the borrowings of \$11,519,371 were secured by property, plant and equipment with carrying amounts of \$11,614,196,



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inventories of \$14,727,163, and prepaid land rent of \$2,422,334. As of December 31, 2007, borrowings of \$31,291,329 were secured by property, plant and equipment with carrying amounts of \$34,264,863, inventories of \$35,175,247, and prepaid land rent of \$405,978. In addition, \$8,561,132 and \$27,270,128 of the borrowings were guaranteed by Mr. Xianshou Li, the Company's chief executive officer, and his family as of December 31, 2006 and 2007, respectively.

### b) Long-term

Interest rates were fixed for long-term borrowings. The weighted average interest rate of long-term borrowings was 6.6% in the year ended December 31, 2007. As of December 31, 2007, borrowings of \$10,952,000 were secured by property, plant and equipment with carrying amounts of \$33,202,001, and inventories of \$17,310,731. In addition, \$10,952,000 of the borrowings was guaranteed by Mr. Xianshou Li and his family as of December 31 2007. There are no financial covenants associated with the long-term borrowings.

Future principal repayment on the long-term bank loans are as follows:

2008	\$	—
2009		13,142,400
2010		4,654,600
2011 and after		—
	\$	<u>17,797,000</u>

### c) Interest expenses

Interest expense incurred for the years ended December 31, 2005, 2006 and 2007 was \$27,396, \$464,081 and \$3,569,048, respectively, of which \$nil, \$133,133, and \$2,187,529 has been capitalized in the cost of property, plant and equipment.

## 9. OTHER CURRENT LIABILITIES

The Company's other current liabilities is summarized below:

	At December 31,	
	2006	2007
Accrued payroll and staff welfare	\$ 716,106	\$ 1,368,570
Income tax payable	23,852	263,637
Payable for purchase of property, plant and equipment	163,093	8,349,031
Other payables	443,860	3,930,898
	<u>\$ 1,346,911</u>	<u>\$ 13,912,136</u>

## 10. CONVERTIBLE BOND

On March 26, 2007, the Company issued RMB928,700,000 of U.S. Dollar-Settled 1% 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").

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*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
- (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 based on the application of SFAS 133, "Accounting for Derivative Instruments and Hedging Activities", and related interpretations.

As of December 31, 2007, the carrying value of the Convertible Bonds was \$128,264,791. The Early Redemption Amount of \$4,158,936 (103.47%) is being amortized over a period of three years 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. The additional Redemption Amount of \$2,922,810 (105.9%) will be amortized from the earliest redemption date (March 26, 2010) through maturity (March 26, 2012) to the extent they are not redeemed at the early redemption date. For the year ended December 31, 2007, the Company recognized total finance cost on the Convertible Bonds of \$3,130,895.

## **11. COMMON SHARES**

On March 17, 2006, the Company issued 6,600 and 3,400 shares to Mr. Xianshou Li and Mr. Yuncai Wu for \$0.66 and \$0.34, respectively.

On July 24, 2006, the Board of Directors approved a share split on a 6,666.67 to 1 basis for all outstanding shares.

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On August 8, 2006, ReneSola issued 33,333,333 shares for cash consideration of \$1.50 per share in an initial public offer (“IPO”) on AIM for total proceeds of \$50,000,000. The Company incurred share issuance costs of \$13,734,004, of which \$10,000,004 was settled by issue of shares (see note 13) and \$3,734,000 was incurred in cash. The cash payment comprises fees directly attributable to the IPO on AIM for underwriting, audit, legal and other professional services of \$2,067,715, \$703,057, \$671,399 and \$291,829, respectively.

## 12. SHARE BASED COMPENSATION

### Share Award to Employees

Prior to 2006, the Company did not grant any share-based awards.

In August 2006, Mr. Xianshou Li, and certain other shareholders transferred 333,333 nonvested 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 immediately and 111,111 shares vested in August 2007. The remaining 111,111 will vest in May 2008. If Mr. Bai does not fulfill his service condition, any remaining shares will be forfeited and returned to the shareholders. The fair value of the nonvested shares was \$1.5 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 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 will 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>
Non-vested at January 1, 2007	482,222	\$ 2.80	\$ 4,021,672
Granted during 2007	—		
Vested	(111,111)		
Forfeited	—		
Non-vested at December 31, 2007	<u>371,111</u>	\$ 2.80	\$ 3,657,872

Compensation cost of \$264,445 and \$354,964 has been charged against income during the years ended December 31, 2006 and 2007, respectively, which has been recognized as general and administrative expense. At December 31, 2007, there was \$1,043,478 total unrecognized compensation cost, which is expected to be recognized over a weighted average period of 2.9 years. The total fair value of shares vested during the year ended December 31, 2006 and December 31, 2007 was \$166,667 and \$166,667, respectively.

### Share-based Award to Non-employees

In February 2006, Zhejiang Yuhui entered into an agreement with Diverso Management Limited (“Diverso”) for Diverso to render services as an advisor in connection with the Company’s initial public offer on AIM. In accordance with the terms of the agreement, Diverso was entitled to 10% of the initial public offer proceeds with an option to take 10% pre-IPO shares in settlement.

Diverso elected to take shares and the shareholders of the Company transferred 6,666,670 shares of their pre-IPO shares with a fair value of \$10,000,004. The fair value of the shares was determined based on the market value of \$1.50 as of the date of listing. This amount has been recognized as share issuance cost by an offset against proceeds received from the IPO.

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### 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. The Plan shall be administered by the Compensation Committee of the Board of Directors (the “Committee”).

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.

### Option to Employees

In October and November 2007, the Company granted 4,450,000 share options to directors, executive officers and other employees with exercise prices of £2.985 (\$6.069) to £3.600 (\$7.365). The Company has used the Black Scholes model to estimate the fair value of the options using the following assumptions:

	Year Ended December 31, 2007		
	Granted on October 9, 2007	Granted on October 18, 2007	Granted on November 30, 2007
Average risk-free rate of return	4.99%	5.06%	4.64%
Weighted average expected option life	4.27~4.5 years	4.5 years	4.5 years
Volatility rate	72.94%	72.39%	78.06%
Dividend yield	0%	0%	0%

A summary of the option activity is as follows:

	Number of Options	Weighted Average Exercise Prices	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Option Outstanding on January 1, 2007	—	—	N/A	N/A
Granted	4,450,000	\$ 6.25	4.78 years	\$ 15,778,473
Forfeited	—	—	N/A	N/A
Exercised	—	—	N/A	N/A
Option Outstanding on December 31, 2007	<u>4,450,000</u>	\$ 6.25	4.78 years	\$ 15,778,473
Option vested or expected to vest at December 31, 2007	<u>83,333</u>	\$ 6.07	4.77 years	\$ 310,723
Option exercisable at December 31, 2007	<u>83,333</u>	\$ 6.07	4.77 years	\$ 310,723

The weighted average fair value of options granted during the years ended December 31, 2007 was \$3.7991.

Compensation cost of \$574,101 has been charged against income during the year ended December 31, 2007. As of December 31, 2007, there was \$16,331,971 in total unrecognized compensation expense related to unvested share-based compensation arrangements granted under the Plans, which is expected to be recognized over a weighted-average period of 4.78 years.

### 13. EMPLOYEE BENEFITS

In accordance with the relevant rules and regulations in the PRC, employees of Zhejiang Yuhui are covered by retirement benefit plans established by the local government. These plans are defined contribution plans and Zhejiang Yuhui has contributed 20% of the basic salaries of its employees to such plans. Other than the contribution, there is no further obligation for payments to employees under these plans.

The total contribution was \$970, \$187,852, and \$598,072 for the years ended December 31, 2005, 2006 and 2007, respectively.

### 14. 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 \$1,714,479 and \$130,334,416 as of December 31, 2006 and 2007, respectively.

### 15. EARNINGS PER SHARE

Basic and diluted earnings per share have been calculated as follows:

	Years ended December 31,		
	2005	2006	2007
Net income	\$ 1,190,865	\$ 25,300,799	\$ 42,936,291
Finance cost of convertible bonds	—	—	3,130,895
Net income adjusted for dilutive securities	1,190,865	25,300,799	46,067,186
Weighted-average number of common shares outstanding—basic	66,666,699	80,000,032	100,000,032
Dilutive effect of nonvested shares	—	122,020	149,256
Dilutive effect of convertible bond	—	—	8,072,192
Weighted-average number of common shares outstanding—diluted	66,666,699	80,122,052	108,221,480
Basic earnings per share	\$ 0.02	\$ 0.32	\$ 0.43
Diluted earnings per share	\$ 0.02	\$ 0.32	\$ 0.43

Diluted earnings per share for the year ended December 31, 2007 excludes 1,522,562 share options as their inclusion would have been anti-dilutive.

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**16. 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,	
	2006	2007
Zhejiang Yuhuan <sup>(1)</sup>	\$ 27,161	\$ —
Jiangxi Jingke <sup>(2)</sup>	—	3,920,223
Desheng <sup>(2)</sup>	5,738,554	9,461,629
Total	\$ 5,765,715	\$ 13,381,852

(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 Jiangxi Jingke Energy Co., Ltd. (“Jiangxi Jingke”) from 2006 and 2007, respectively. Desheng was formerly named Shangrao Desheng Industrial Co., Ltd.

Amounts due to related parties is comprised of short-term advances from the following related parties:

	At December 31,	
	2006	2006
Zhejiang Yuhuan	\$605,735	\$ —
Total	\$605,735	\$ —

(b) Related party transactions

During the years ended December 31, 2005, 2006 and 2007, related party transactions were as follows:

	Years ended December 31,		
	2005	2006	2007
Sale of goods to Newi-Solar GmbH <sup>(3)</sup>	\$ 964,075	\$ 825,000	\$ —
Sale of land use right to Zhejiang Yuhuan	288,415	—	—
Sale of goods to YCSESC <sup>(4)</sup>	—	30,748	—
Purchase of ram materials from Desheng	—	14,148,683	33,764,241
Purchase of raw materials from Jiangxi Jingke	—	—	14,152,958
Processing service provided to Desheng	—	—	272,808
Purchase of raw materials from Ruiyu <sup>(5)</sup>	—	—	1,621,656
Purchase of ram materials from YCSESC	38,344	4,140	—
Loans from Zhejiang Yuhuan	—	—	110,703
Loans to Zhongsheng Steel	—	—	1,315,100
Rent from Zhejiang Yuhuan	—	—	42,609
Rent to Zhejiang Yuhuan	—	—	2,630
Purchase of office building from Zhejiang Yuhuan	—	1,295,978	—
Purchase of land use right from Zhejiang Yuhuan	—	334,949	—
Total	\$ 1,290,834	\$ 16,639,498	\$ 51,282,705

(3) Newi-Solar GmbH is a former shareholder of Zhejiang Yuhui.

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- (4) Mr. Xianshou Li served as the general manager of Yuhuan County Solar Energy Co., Ltd. (“YCSESC”) from 2002 to 2006.
- (5) Ruiyu Solar Energy Technology Co., Ltd. (“Ruiyu”) is a Hong Kong company wholly-owned by Ms. Xiahe Lian, the wife of Mr. Xianshou Li.

In May 2006, the Company purchased an office building and land use right (prepaid land rent) from Zhejiang Yuhuan for a consideration of \$1,295,978 and \$334,949, respectively. The transaction was a transfer of assets between entities under common control, and accordingly, the office building and the land use right have been recorded at their historical costs of \$1,008,183 and \$292,056, respectively. The excess of fair value over historical cost of \$330,688 has been recognized as a deemed distribution to the shareholders.

In April 2006, May 2006, August 2006 and February 2007, Mr. Xianshou Li and his family individually or jointly provided guarantees of up to RMB30 million (\$3.8 million), RMB10.1 million (\$1.3 million), RMB85 million (\$10.9 million) and RMB260 million (\$34.6 million), respectively, for short-term borrowings from various domestic banks.

In February 2007 and November 2007, Mr. Xianshou Li and his family individually or jointly provided guarantees of up to RMB260 million (\$35.6 million) and RMB 790,000,000 (\$108,151,000), respectively, for short-term borrowings from various domestic banks.

### 17. COMMITMENTS AND CONTINGENCIES

As of December 31, 2007, the Company had commitments outstanding for purchase of property, plant and equipment were \$103,289,497, of which \$87,099,410, \$14,572,742 and \$1,617,345 come due in 2008, 2009 and 2010, respectively.

During 2007, the Company entered into multiple long-term supply contracts. Under these contracts, the Company agreed to purchase approximately 14,890 metric tons of silicon raw materials from 2008 to 2013 with prices to be determined or negotiated in future periods.

### 18. SEGMENT REPORTING

The Company operates in a single reportable business segment which comprises the manufacture and sale of solar wafers and related products. The chief operating decision maker is the chief executive officer of the Company.

The following table summarizes the Company’s revenues generated from each product:

	Years ended December 31,		
	2005	2006	2007
Solar wafers	\$ 21,290	\$ 56,219,065	\$ 226,551,933
Service revenue from tolling arrangement	—	5,855,423	17,690,829
Solar modules	3,918,711	2,176,052	—
Ingots	802,826	13,764,391	1,255,204
Solar cells	345,135	2,840,013	—
Other materials	—	3,515,735	3,475,119
Total	<u>\$ 5,087,962</u>	<u>\$ 84,370,679</u>	<u>\$ 248,973,085</u>

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The following table summarizes the Company's revenues generated from different geographic locations:

	Years ended December 31,		
	2005	2006	2007
Asia:			
Mainland China	\$ 1,364,965	\$ 56,591,411	\$ 155,015,367
Taiwan	—	14,705,505	71,680,746
Korea	—	6,942,451	8,184,505
India	—	1,542,523	6,837,083
Other Asian countries	21,225	—	406,078
Asia Total	1,386,190	79,781,890	242,123,779
Germany	3,337,902	1,989,815	56,813
America		675,390	6,743,784
Others	363,870	1,923,584	48,709
Total	\$ 5,087,962	\$ 84,370,679	\$ 248,973,085

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,		
	2005	2006	2007
Customer A	\$964,075	*	\$ —
Customer B	709,819	\$10,535,442	—
Customer C	611,914	—	—
Customer D	—	15,668,985	80,934,059
Customer E	—	9,277,442	58,619,948
Customer F	—	*	30,800,918

\* Less than 10%

## **19. SUBSEQUENT EVENTS**

On January 29, 2008, the Company issued 18,425,000 shares, equivalents to 9,212,500 American Depositary Shares, in an initial public offering on the New York Stock Exchange for total net proceeds of \$109,025,181.

In March and May 2008, the Company granted 130,000 share options to certain employees, with exercise prices of £ 2.34 (\$4.6793) to £ 4.61(\$9.1776). These share options vest over a period of 5 years.



**SCHEDULE 1—RENESOLA LTD CONDENSED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2007**  
**(Amounts expressed in U.S. dollars)**

**RENESOLA LTD**  
**BALANCE SHEETS**

	<u>As of December 31,</u>	
	<u>2006</u>	<u>2007</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,364,754	\$ 2,558,422
Advances to suppliers	4,224,400	—
Amounts due from subsidiaries	—	28,812,233
Dividend receivable		22,246,265
Prepaid expenses	—	2,803,814
Total current assets	5,589,154	56,420,734
Investment in subsidiaries	68,233,532	197,210,359
Deferred convertible bond issue costs	—	3,335,681
<b>Total assets</b>	<b>\$ 73,822,686</b>	<b>\$ 256,966,774</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 26,102	\$ —
Amounts due to subsidiaries	975,300	107,538
Other current liabilities	280,552	2,672,072
Total current liabilities	1,281,954	2,779,610
Convertible bonds	—	128,264,791
Other liabilities	—	213,716
Total liabilities	1,281,954	131,258,117
Shareholders' equity:		
Issued capital	36,265,997	36,265,997
Additional paid in capital	11,764,631	14,826,696
Retained earnings	23,264,197	66,200,488
Accumulated other comprehensive loss	1,245,907	8,415,476
Total shareholders' equity	72,540,732	125,708,657
<b>Total liabilities and shareholders' equity</b>	<b>\$ 73,822,686</b>	<b>\$ 256,966,774</b>

**SCHEDULE 1—RENESOLA LTD CONDENSED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2005, 2006 and 2007**  
**(Amounts expressed in U.S. dollars except number of shares and per share data)**

**RENESOLA LTD**  
**STATEMENTS OF INCOME**

	Year ended December 31,		
	2005	2006	2007
Net revenues—Product sales	\$ —	\$ —	\$ 4,152,169
Cost of revenues—Product sales	—	—	4,272,648
Gross deficit	—	—	(120,479)
Operating expenses:			
Sales and marketing	—	—	98,043
General and administrative	—	1,334,774	2,526,175
Other general income	—	—	(79,722)
Total operating expenses	—	1,334,774	2,544,496
Loss from operations	—	(1,334,774)	(2,664,975)
Non operating income:			
Interest income	—	239,779	1,588,800
Equity in earnings of subsidiaries	1,190,865	25,646,029	50,298,040
Interest expense	—	—	(3,130,895)
Foreign exchange gain (loss)	—	749,765	(2,949,377)
Total non-operating income	1,190,865	26,635,573	45,806,568
Income before income tax	1,190,865	25,300,799	43,141,593
Income tax expense	—	—	(205,302)
Net income	<u>\$ 1,190,865</u>	<u>\$ 25,300,799</u>	<u>\$ 42,936,291</u>

**SCHEDULE 1—RENESOLA LTD CONDENSED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2005, 2006 and 2007**  
**(Amounts expressed in U.S. dollars)**

**RENESOLA LTD**  
**STATEMENTS OF CASH FLOWS**

	Year ended December 31,		
	2005	2006	2007
<b>Cash flows from operating activities:</b>			
Net income	\$ 1,190,865	\$ 25,300,799	\$ 42,936,291
Equity in earnings of subsidiaries	(1,190,865)	(25,646,029)	(50,298,040)
<b>Adjustments for:</b>			
Amortization of deferred convertible bond issue costs and premium	—	—	2,180,970
Share-based compensation	—	264,445	929,065
<b>Changes in operating assets and liabilities:</b>			
Advances to suppliers	—	(4,224,400)	4,235,438
Amount due from subsidiaries	—	—	(28,705,332)
Prepaid expenses and other current assets	—	—	(2,693,423)
Accounts payable	—	26,102	(26,804)
Amount due to subsidiaries	—	975,300	(935,068)
Other liabilities	—	280,553	2,484,064
Net cash (used in) operating activities	—	(3,023,230)	(29,892,839)
<b>Cash flows from investing activities:</b>			
Investment in subsidiaries	—	(39,000,016)	(88,499,985)
Net cash used in investing activities	—	(39,000,016)	(88,499,985)
<b>Cash flows from financing activities:</b>			
Proceeds from issuance of common shares	—	50,000,000	—
Share issuance costs	—	(3,734,000)	—
Net proceeds from bond issued	—	—	115,770,501
Distribution in respect of reorganization	—	(2,878,000)	—
Net cash provided by financing activities	—	43,388,000	115,770,501
Effect of exchange rate changes	—	—	3,815,991
Net increase in cash and cash equivalents	—	1,364,754	1,193,668
Cash and cash equivalents, beginning of year	—	—	1,364,754
Cash and cash equivalents, end of year	<u>\$ —</u>	<u>\$ 1,364,754</u>	<u>\$ 2,558,422</u>
<b>Supplemental schedule of non-cash investing and financing activities:</b>			
Dividend receivable from subsidiary	\$ —	\$ —	\$ 22,246,265

**SCHEDULE 1—RENESOLA LTD CONDENSED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2005, 2006 and 2007**  
**(Amounts expressed in U.S. dollars, unless otherwise stated)**

**Note to Schedule 1**

1) Schedule 1 has been provided pursuant to the requirements of Rule 12-04(a) and 4-08(e)(3) 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 and unconsolidated subsidiaries together exceed 25 percent of consolidated net assets as of the end of the most recently completed fiscal year. As of December 31, 2007, \$130,334,416 was not available for distribution and as such, the condensed financial information of ReneSola Ltd has been presented for the period from March 17, 2006 (the date of incorporation) to December 31, 2006 and for the year ended December 31, 2007.

2) Zhejiang Yuhui, ReneSola's predecessor company, commenced operations in July 2005. In April 2006, ReneSola undertook a restructuring process in anticipation of an initial public offering wherein Zhejiang Yuhui became a subsidiary of ReneSola. This transaction was accounted for as a recapitalization as ReneSola and Zhejiang Yuhui were under common control.

\* \* \* \* \*



**ReneSola**



**9,000,000 American Depositary Shares**



# **ReneSola Ltd**

**Representing 18,000,000 Shares**

**Credit Suisse**

**Piper Jaffray**

**Deutsche Bank Securities**

**Lazard Capital Markets**

**Oppenheimer & Co.**

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**PART II**  
**INFORMATION NOT REQUIRED IN PROSPECTUS**

**ITEM 6. INDEMNIFICATION OF DIRECTORS AND OFFICERS.**

British Virgin Islands law does not limit the extent to which a company's article of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the British Virgin Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences or committing a crime. Our Articles of Association provide for indemnification of officers and directors for losses, damages, costs and expenses incurred in their capacities as such, except through their own willful neglect or default.

Pursuant to indemnification agreements, the form of which is to be filed as Exhibit 10.2 to this registration statement, we agree to indemnify our directors and officers against certain liabilities and expenses incurred by such persons in connection with claims made by reason of their being such a director or officer.

The Underwriting Agreement, the form of which is to be filed as Exhibit 1.1 to this registration statement, will also provide for indemnification of us and our officers and directors.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers or persons controlling us pursuant to the foregoing provisions, we have been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

**ITEM 7. RECENT SALES OF UNREGISTERED SECURITIES.**

During the past three years, we have issued the following securities (including options to acquire our shares). We believe that each of the following issuances was exempt from registration under the Securities Act in reliance on Regulation D under the Securities Act or pursuant to Section 4(2) of the Securities Act regarding transactions not involving a public offering or in reliance on Regulation S under the Securities Act regarding sales by an issuer in offshore transactions.

<u>Purchaser</u>	<u>Date of Sale or Issuance</u>	<u>Type and Number of Securities</u>	<u>Consideration (\$)</u>	<u>Underwriting Discount and Commission</u>
Xianshou Li	March 17, 2006	6,600 ordinary shares	0.66	N/A
Yuncai Wu	March 17, 2006	3,400 ordinary shares	0.34	N/A
Panjian Li	January 14, 2008	40,000 ordinary shares	services	N/A
Binghua Huang	January 14, 2008	20,000 ordinary shares	services	N/A

See "Market Price Information" for a description of the placing of 33,333,333 shares on the AIM of the London Stock Exchange.

See "Management's Discussion and Analysis of Financial Conditions and Results of Operations—Liquidity and Capital Resources" for a description of RMB928,700,000 U.S. Dollar Settled 1% Convertible Bonds due 2012.

See "Management—Share Incentive Plan" for a description of all options granted by the Company in October 2007.

**ITEM 8. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.**

(a) Exhibits

See Exhibit Index beginning on page II-5 of this registration statement.

(b) Financial Statement Schedules

Schedules have been omitted because the information required to be set forth therein is not applicable or is shown in the Consolidated Financial Statements or the Notes thereto.

**ITEM 9. UNDERTAKINGS.**

The undersigned registrant hereby undertakes to provide to the underwriter at the closing specified in the underwriting agreements, certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the provisions described in Item 6, or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant under Rule 424(b)(1) or (4) or 297(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) For the purpose of determining liability under the Securities Act of 1933 to any purchaser, each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

(4) That, for the purpose of determining liability of the registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities: The undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to



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such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

- (i) Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;
- (ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;
- (iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and
- (iv) Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form F-1 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Jiashan, Zhejiang, People's Republic of China, on June 6, 2008.

**RENESOLA LTD**

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

Pursuant to the requirements of the Securities Act, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ *</u> Name: Martin Bloom	Chairman	June 6, 2008
<u>/s/ Xianshou Li</u> Name: Xianshou Li	Director and Chief Executive Officer (principal executive officer)	June 6, 2008
<u>/s/ Charles Xiaoshu Bai</u> Name: Charles Xiaoshu Bai	Chief Financial Officer (principal financial and accounting officer)	June 6, 2008
<u>/s/ *</u> Name: Yuncai Wu	Director	June 6, 2008
<u>/s/ *</u> Name: Jing Wang	Director	June 6, 2008
<u>/s/ *</u> Name: Binghua Huang	Director	June 6, 2008
<u>/s/ *</u> Name: Donald J. Puglisi Title: Managing Director, Puglisi & Associates	Authorized U.S. Representative	June 6, 2008

\*By: /s/ Xianshou Li  
Name: Xianshou Li  
Attorney-in-fact

**RENESOLA LTD**

**EXHIBIT INDEX**

<u>Exhibit Number</u>	<u>Description of Document</u>
1.1*	Form of Underwriting Agreement
3.1**	Memorandum and Articles of Association
4.1**	Registrant's Specimen American Depositary Receipt (included in Exhibit 4.3)
4.2**	Registrant's Specimen Certificate for Shares
4.3**	Form of Deposit Agreement among the Registrant, the depositary and holder of the American Depositary Receipts
4.4**	Deed of Agreement among Xianshou Li, Yuncai Wu and Diverso Management Limited dated as of May 31, 2006
4.5**	Deed of Agreement among Xianshou Li, Yuncai Wu, Diverso Management Limited and Charles Xiaoshu Bai dated as of August 3, 2006, amended as of March 7, 2007
4.6**	Lock-in Deed among the Registrant, Hanson Westhouse LLP, Xianshou Li and Ruixin Holdings Limited dated as of August 2, 2006
4.7**	Lock-in Deed among the Registrant, Hanson Westhouse LLP, Yuncai Wu and Yuncai Holdings Limited dated as of August 2, 2006
4.8**	Lock-in Deed among the Registrant, Hanson Westhouse LLP and Xiaoshu Bai dated as of August 2, 2006
4.9**	Lock-in Deed among the Registrant, Hanson Westhouse LLP and Diverso Management Limited dated as of August 2, 2006
4.10**	Restricted Share Subscription Agreement between the Registrant and Xiaoshu Bai
5.1**	Opinion of Harney Westwood & Riegels regarding the validity of the shares being registered
8.1**	Opinion of Harney Westwood & Riegels regarding certain British Virgin Islands tax matters
8.2**	Opinion of Latham & Watkins LLP regarding certain U.S. tax matters
10.1**	2007 Share Incentive Plan
10.2**	Form of Indemnification Agreement with the Registrant's directors
10.3**	Service Agreement among the Registrant, Zhejiang Yuhui and Xianshou Li
10.4**	Chief Finance Officer Service Agreement between Zhejiang Yuhui and Charles Xiaoshu Bai
10.5**	Service Agreement between the Registrant and Yuncai Wu
10.6**	Chief Technology Officer Service Agreement between the Registrant and Binghua Huang
10.7**	Employment Agreement among the Registrant, ReneSola America Inc. and Panjian Li
10.8**	Technology Consultant Service Agreement between the Registrant and Ying Tao
10.9**	Chief Operating Officer Service Agreement between the Registrant and Cheng-Hsien Yeh
10.10**	English Translation of Real Estate Transfer Agreement between Zhejiang Yuhuan and Zhejiang Yuhui dated as of May 8, 2006
10.11**	English Translation of Fund Entrusted Management Contract between Zhejiang Yuhuan Solar Energy Co., Ltd. and Zhejiang Yuhui dated as of August 24, 2006

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<u>Exhibit Number</u>	<u>Description of Document</u>
†10.12**	Sales Contract between Motech Industries Inc. and Zhejiang Yuhui dated as of November 17, 2006
10.13**	English Translation of Sales Contract between Suntech Power Co. Ltd. and Zhejiang Yuhui dated as of September 20, 2006
10.14**	English Translation of Form of Purchase Contract between Jingke Energy Co., Ltd. and Zhejiang Yuhui
10.15**	English Translation of Form of Purchase Contract between Desheng Energy Co., Ltd., formerly Shangrao Desheng Industrial Co., Ltd. and Zhejiang Yuhui
10.16**	English Translation of Form of Guarantee Contract among Bank of China, Xiahe Lian and Xianshou Li
10.17**	English Translation of Mortgage Contract between Industrial and Commercial Bank of China and Xianshou Li dated as of May 26, 2006
†10.18**	English Translation of Equipment Purchase and Sales Contract between Shanghai Hanhong Precision Machinery Co., Ltd. and Zhejiang Yuhui dated as of June 2, 2007
†10.19**	Form of Equipment Purchase Contract between Meyer Burger AG and Zhejiang Yunhui
10.20**	English Translation of Contract between Beijing Oriental Keyun Crystal Technologies Co., Ltd. and Zhejiang Yuhui dated as of June 2, 2006
10.21**	English Translation of Purchase Contract between Beijing Oriental Keyun Crystal Technologies Co., Ltd. and Zhejiang Yuhui dated as of November 16, 2006 and Confirmation for Effectiveness of Contract
10.22**	Form of Contract between ALD Vacuum Technologies GmbH and Zhejiang Yuhui
10.23**	English Translation of Loan Agreement between Zhejiang Yuhuan and Zhejiang Yuhui dated as of October 30, 2006
10.24**	English Translation of Agreement among YCSESC, Zhejiang Yuhuan and Zhejiang Yuhui dated as of May 31, 2006
10.25**	Sales Contract between Zhejiang Yuhui and Komex Inc. dated as of June 29, 2006
10.26**	Contract between HCT Shaping Systems SA and Zhejiang Yuhui dated as of May 23, 2007
10.27**	English translation of Share Trust Agreement among Xianshou Li, Yuncai Wu, Xiangjun Dong and Zhengmin Lian dated as of May 2, 2006 as well as Supplemental Agreement in July 2007
10.28**	Trust Deed between the Registrant and DB Trustees (Hong Kong) Limited dated as of March 26, 2007
10.29**	Paying and Conversion Agency Agreement among the Registrant, Deutsche Bank AG, Hong Kong Branch, Deutsche Bank Luxembourg S. A. and DB Trustees (Hong Kong) Limited dated as of March 26, 2007
10.30**	English Translation of Cooperation Agreement between the Registrant and Linzhou Zhongsheng Steel Co., Ltd. dated as of August 3, 2007
10.31**	English Translation of Equity Joint Venture Contract between Linzhou Zhongsheng Steel Co., Ltd. and the Registrant dated as of August 3, 2007
10.32**	English Translation of Purchase Contract between Suntech Power Co., Ltd. and Zhejiang Yuhui dated as of September 30, 2007

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<u>Exhibit Number</u>	<u>Description of Document</u>
10.33**	English Translation of Lease Agreement between Zhejiang Yuhuan and Zhejiang Yuhui dated as of October 5, 2007 (incorporated by reference to Exhibit 10.33 from our F-1 registration statement (File No. 333-148550), as amended, initially filed with the Commission on January 9, 2008)
10.34**	English Translation of Polysilicon Supply Contract between Sichuan Yongxiang Polysilicon Co., Ltd. and Zhejiang Yuhui dated as of October 16, 2007
10.35**	Equipment Supply and Purchase Contract between Sichuan ReneSola and Chemical Equipment Engineering Limited dated as of September 27, 2007
10.36**	English Translation of Equity Transfer Agreement between Ruiyu Solar Energy Technology Co., Ltd. and the Registrant dated as of April 20, 2006
10.37**	English Translation of Equity Transfer Agreement between Zhejiang Yuhuan and the Registrant dated as of April 20, 2006 (incorporated by reference to Exhibit 10.37 from our F-1 registration statement (File No. 333-148550), as amended, initially filed with the Commission on January 9, 2008)
10.38**	English Translation of Purchase Contract between Desheng Energy, formerly Shangrao Desheng Industrial Co., Ltd. and Zhejiang Yuhui dated as of July 9, 2007
10.39**	English Translation of Polysilicon Supply Contract between Daqo New Material Co., Ltd. and Zhejiang Yuhui dated as of October 31, 2007
10.40**	English Translation of Supply and Purchase Contract between Jingao Solar Co., Ltd. and Zhejiang Yuhui dated as of December 13, 2007
10.41**	English Translation of Loan Contract between Bank of China and Zhejiang Yuhui dated as of January 2, 2008
10.42**	Contract between ALD Vacuum Technologies GmbH and Zhejiang Yuhui dated as of January 22, 2008
10.43**	Equipment Supply and Purchase Contract between Sichuan ReneSola and Chemical Equipment Engineering Limited dated as of February 5, 2008
10.44**	English Translation of Supplemental Equipment Purchase and Sales Contract between Shanghai Hanhong Precision Machinery Co., Ltd. and Zhejiang Yuhui dated as of February 5, 2008
10.45**	English Translation of Liability Transfer Agreement between Desheng Energy, Jingke and Zhejiang Yuhui dated as of May 28, 2008
21.1**	Subsidiaries of the registrant
23.1*	Consent of Deloitte Touche & Tohmatsu, an Independent Registered Public Accounting Firm
23.2**	Consent of Harney Westwood & Riegels (included in Exhibit 5.1)
23.3**	Consent of Latham & Watkins LLP (included in Exhibit 8.2)
23.4*	Consent of Boss & Young
24.1**	Powers of Attorney (included on signature page)
99.1**	Code of Business Conduct and Ethics of the Registrant

† Confidential treatment has been granted with respect to portions of this exhibit and such confidential treatment portions have been deleted and replaced with “\*\*\*\*\*” and filed separately with the Securities and Exchange Commission pursuant to Rule 406 under the Securities Act of 1933.

\* Filed herewith.

\*\* Previously filed.

9,000,000 American Depositary Shares  
representing 18,000,000 Shares of no par value

**ReneSola Ltd**

**UNDERWRITING AGREEMENT**

, 2008

Credit Suisse Securities (USA) LLC  
Eleven Madison Avenue  
New York, New York 10010-3629

Deutsche Bank Securities Inc.  
60 Wall Street, 4<sup>th</sup> Floor  
New York, New York 10005

As Representatives of the Several Underwriters

Ladies and Gentleman:

ReneSola Ltd, a company incorporated in the British Virgin Islands limited by shares (“Company”), proposes to issue and sell to the several Underwriters named in Schedule A hereto (“Underwriters”), for whom you are acting as representatives (the “Representatives”), an aggregate of 8,149,437 American Depositary Shares (“ADSs”), each representing two of the Company’s shares of no par value (“Shares”), and the shareholders listed in Schedule B hereto (“Selling Shareholders”) propose severally to sell to the Underwriters an aggregate of 850,563 ADSs (together with the ADSs being sold by the Company, “Firm ADSs”). The respective amounts of the Firm ADSs to be so purchased by the several Underwriters are set forth opposite their names in Schedule A hereto, and the respective amounts of Firm ADSs and Option ADSs (as defined below) to be sold by the Selling Shareholders are set forth opposite to the names in Schedule B hereto. The Company and the Selling Shareholders propose to sell at the Underwriter’s Option an aggregate of up to 1,350,000 additional ADSs (“Option ADSs”) as set forth below.

As the Representatives, you have advised the Company and the Selling Shareholders (a) that you are authorized to enter into this Agreement on behalf of the several Underwriters, and (b) that the several Underwriters are willing, acting severally and not jointly, to purchase the numbers of Firm ADSs set forth opposite their respective names in Schedule A, plus their pro rata portion of the Option ADSs if you elect to exercise the over-allotment option in whole or in part for the accounts of the several Underwriters. The Firm ADSs and the Option ADSs (to the extent the aforementioned option is exercised) are herein collectively called the "Offered ADSs." The Shares represented by the Firm ADSs are hereinafter called the "Firm Shares," the Shares represented by the Option ADSs are hereinafter called the "Option Shares" and the Firm Shares and Option Shares are hereinafter collectively called the "Offered Shares." Unless the context otherwise requires, each reference to the Firm ADSs, the Option ADSs or the Offered ADSs herein also includes the Shares represented by such ADSs.

The ADSs purchased by the Underwriters will be evidenced by American Depositary Receipts ("ADRs") to be issued pursuant to a Deposit Agreement dated January 28 2008 (the "Deposit Agreement"), among the Company, The Bank of New York, as depository (the "Depository"), and all holders and owners from time to time of the ADSs.

In consideration of the mutual agreements contained herein and the interest of the parties in the transactions contemplated hereby, the parties hereto agree as follows:

1. Representations and Warranties of the Company and the Selling Shareholders.

(a) The Company represents and warrants to, and agrees with, each of the several Underwriters that:

(i) The Company has filed with the Commission a registration statement on Form F-1 (File No. 333-151315) covering the registration of the Offered Shares under the Act, including a related preliminary prospectus or prospectuses. At any particular time, this initial registration statement, in the form then on file with the Commission, including all information contained in the registration statement (if any) pursuant to Rule 462(b) and then deemed to be a part of the initial registration statement, and all 430A Information and all 430C Information, that in any case has not then been superseded or modified, shall be referred to as the "Initial Registration Statement." The Company may also have filed, or may file with the Commission, a Rule 462(b) registration statement covering the registration of Offered Shares. At any particular time, this Rule 462(b) registration statement, in the form then on file with the Commission, including the contents of the Initial Registration Statement incorporated by reference therein and including all 430A Information and all 430C Information, that in any case has not then been superseded or modified, shall be referred to as the "Additional Registration Statement."

As of the time of execution and delivery of this Agreement, the Initial Registration Statement has been declared effective under the Act and is not proposed to be amended. Any Additional Registration Statement has or will become effective upon filing with the Commission pursuant to Rule 462(b) and is not proposed to be amended. The Offered ADSs all have been or will be duly registered under the Act pursuant to the Initial Registration Statement and, if applicable, the Additional Registration Statement.

For purposes of this Agreement:

“430A Information,” with respect to any registration statement, means information included in a prospectus and retroactively deemed to be a part of such registration statement pursuant to Rule 430A(b).

“430C Information,” with respect to any registration statement, means information included in a prospectus then deemed to be a part of such registration statement pursuant to Rule 430C.

“Act” means the Securities Act of 1933, as amended.

“Applicable Time” means   pm (New York time) on the date of this Agreement.

“Closing Date” has the meaning defined in Section 2 hereof.

“Commission” means the Securities and Exchange Commission.

“Effective Time” with respect to the Initial Registration Statement or, if filed prior to the execution and delivery of this Agreement, the Additional Registration Statement means the date and time as of which such Registration Statement was declared effective by the Commission or has become effective upon filing pursuant to Rule 462(c). If an Additional Registration Statement has not been filed prior to the execution and delivery of this Agreement but the Company has advised the Representatives that it proposes to file one, “Effective Time” with respect to such Additional Registration Statement means the date and time as of which such Registration Statement is filed and becomes effective pursuant to Rule 462(b).

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Final Prospectus” means the Statutory Prospectus that discloses the public offering price, other 430A Information and other final terms of the Offered ADSs and otherwise satisfies Section 10(a) of the Act.

“General Use Issuer Free Writing Prospectus” means any Issuer Free Writing Prospectus that is intended for general distribution to prospective investors, as evidenced by its being so specified in Schedule C to this Agreement.

“Issuer Free Writing Prospectus” means any “issuer free writing prospectus,” as defined in Rule 433, relating to the Offered ADSs in the form filed or required to be filed with the Commission or, if not required to be filed, in the form retained in the Company’s records pursuant to Rule 433(g).

“Limited Use Issuer Free Writing Prospectus” means any Issuer Free Writing Prospectus that is not a General Use Issuer Free Writing Prospectus.

The Initial Registration Statement and the Additional Registration Statement are referred to collectively as the “Registration Statements” and individually as a “Registration Statement.” A “Registration Statement” with reference to a particular time means the Initial Registration Statement and any Additional Registration Statement as of such time. A “Registration Statement”



without reference to a time means such Registration Statement as of its Effective Time. For purposes of the foregoing definitions, 430A Information with respect to a Registration Statement shall be considered to be included in such Registration Statement as of the time specified in Rule 430A.

“Rules and Regulations” means the rules and regulations of the Commission.

“Securities Laws” means, collectively, the Sarbanes-Oxley Act of 2002 (“Sarbanes-Oxley”), the Act, the Exchange Act, the Rules and Regulations, the auditing principles, rules, standards and practices applicable to auditors of “issuers” (as defined in Sarbanes-Oxley) promulgated or approved by the Public Company Accounting Oversight Board and, as applicable, the rules of the New York Stock Exchange (“Exchange Rules”).

“Statutory Prospectus” with reference to a particular time means the prospectus included in a Registration Statement immediately prior to that time, including any 430A Information or 430C Information with respect to such Registration Statement. For purposes of the foregoing definition, 430A Information shall be considered to be included in the Statutory Prospectus as of the actual time that form of prospectus is filed with the Commission pursuant to Rule 424(b) or Rule 462(c) and not retroactively.

Unless otherwise specified, a reference to a “rule” is to the indicated rule under the Act.

(ii) (A) (x) At their respective Effective Times, (y) on the date of this Agreement and (z) on each Closing Date, each of the Initial Registration Statement and the Additional Registration Statement (if any) conformed and will conform in all material respects to the requirements of the Act, and (B) on its date, at the time of filing of the Final Prospectus pursuant to Rule 424(b) or (if no such filing is required) at the Effective Time of the Additional Registration Statement in which the Final Prospectus is included, and on each Closing Date, the Final Prospectus will conform in all material respects to the requirements of the Act and the Rules and Regulations and will not include any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading. The preceding sentence does not apply to statements in or omissions from any such document based upon written information furnished to the Company by any Underwriter through the Representatives specifically for use therein, it being understood and agreed that the only such information is that described as such in Section 7 (c) hereof.

(iii) A registration statement on Form F-6 (File No. 333-148559) in respect of the Offered ADSs has been filed with the Commission; such registration statement in the form heretofore delivered to the Representatives and, excluding exhibits, to the Representatives for each of the other Underwriters, has been declared effective by the Commission in such form; no other document with respect to such registration statement has heretofore been filed with the Commission; no stop order suspending the effectiveness of such registration statement has been issued and no proceeding for that purpose has been initiated or, to the Company’s best knowledge after due inquiry, threatened by the Commission (the various parts of such registration statement, including all exhibits thereto, each as amended at the time such part of the registration statement became effective, being hereinafter called the “ADS

Registration Statement”); and the ADS Registration Statement when it became effective conformed, and any further amendments thereto will conform, in all material respects to the requirements of the Act and the Rules and Regulations, and did not, as of the applicable effective date, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading.

(iv) A registration statement on Form 8-A (File No. 001-33911) in respect of the registration of the Offered Shares and the Offered ADSs under the Exchange Act, has been filed with the Commission; such registration statement in the form heretofore delivered to the Representatives and, excluding exhibits, to the Representatives for each of the other Underwriters, has been declared effective by the Commission in such form; no other document with respect to such registration statement has heretofore been filed with the Commission; no stop order suspending the effectiveness of such registration statement has been issued and no proceeding for that purpose has been initiated or, to the Company’s best knowledge after due inquiry, threatened by the Commission (the various parts of such registration statement, including all exhibits thereto, each as amended at the time such part of the registration statement became effective, being hereinafter called the “Form 8-A Registration Statement”); and the Form 8-A Registration Statement when it became effective conformed, and any further amendments thereto will conform, in all material respects to the requirements of the Exchange Act and the Rules and Regulations, and did not and will not, as of the applicable effective date, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading.

(v) (A) At the time of the initial filing of the Initial Registration Statement and (B) at the date of this Agreement, the Company was not and is not an “ineligible issuer,” as defined in Rule 405, including (x) the Company or any other subsidiary in the preceding three years not having been convicted of a felony or misdemeanor or having been made the subject of a judicial or administrative decree or order as described in Rule 405 and (y) the Company in the preceding three years not having been the subject of a bankruptcy petition or insolvency or similar proceeding, not having had a registration statement be the subject of a proceeding under Section 8 of the Act and not being the subject of a proceeding under Section 8A of the Act in connection with the offering of the Offered ADSs, all as described in Rule 405.

(vi) As of the Applicable Time, neither (i) the General Use Issuer Free Writing Prospectus(es) issued at or prior to the Applicable Time and the preliminary prospectus, dated , 2008 (which is the most recent Statutory Prospectus distributed to investors generally) and the other information, if any, stated in Schedule C to this Agreement to be included in the General Disclosure Package, all considered together (collectively, the “General Disclosure Package”), nor (ii) any individual Limited Use Issuer Free Writing Prospectus, when considered together with the General Disclosure Package, included any untrue statement of a material fact or omitted to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The preceding sentence does not apply to statements in or omissions from any Statutory Prospectus or any Issuer Free Writing Prospectus in reliance upon and in conformity with written information furnished to the Company by any Underwriter through the Representatives specifically for use therein, it being understood and agreed that the only such information furnished by any Underwriter consists of the information described as such in Section 7 (c) hereof.

(vii) Each Issuer Free Writing Prospectus, as of its issue date and at all subsequent times through the completion of the public offer and sale of the Offered ADSs or until any earlier date that the Company notified or notifies the Representatives as described in the next sentence, did not, does not and will not include any information that conflicted, conflicts or will conflict with the information then contained in the Registration Statement. If at any time following issuance of an Issuer Free Writing Prospectus there occurred or occurs an event or development as a result of which such Issuer Free Writing Prospectus conflicted or would conflict with the information then contained in the Registration Statement or as a result of which such Issuer Free Writing Prospectus, if republished immediately following such event or development, would include an untrue statement of a material fact or omitted or would omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, (A) the Company has promptly notified or will promptly notify the Representatives and (B) the Company has promptly amended or will promptly amend or supplement such Issuer Free Writing Prospectus to eliminate or correct such conflict, untrue statement or omission.

(viii) The Company has been duly incorporated and is a validly existing company limited by shares in good standing under the laws of the British Virgin Islands, with power and authority (corporate and other) to own its properties and conduct its business in a manner presently conducted and as described in the Registration Statement, General Disclosure Package and the Final Prospectus; and the Company is duly qualified to do business as a foreign corporation in good standing in all other jurisdictions in which its ownership or lease of property or the conduct of its business requires such qualification.

(ix) Each of the subsidiaries and the affiliated entity of the Company, as listed in Annex A hereto (the “Subsidiaries and the Affiliated Entity”), has been duly incorporated and is existing and in good standing (as applicable) under the laws of the jurisdiction of its incorporation, with power and authority (corporate and other) to own its properties and conduct its business as described in the Registration Statement, the General Disclosure Package and the Final Prospectus; and each of the Subsidiaries and the Affiliated Entity is duly qualified to do business as a foreign corporation in good standing in all other jurisdictions in which its ownership or lease of property or the conduct of its business requires such qualification, except such defaults that would not, individually or in the aggregate, (i) result in a material adverse effect on the condition (financial or otherwise), results of operations, business, properties or prospects of the Company, the Subsidiaries and the Affiliated Entity taken as a whole, or (ii) prevent the consummation of the transactions contemplated hereby (the occurrence of any such effect or any such prevention described in the foregoing clauses (i) and (ii) being referred to as a “Material Adverse Effect”); all of the issued and outstanding capital stock of each of the Subsidiaries and the Affiliated Entity has been duly authorized and validly issued and is fully paid and nonassessable; the capital stock of each Subsidiary and the Affiliated Entity owned by the Company, to the extent shown in Annex A hereto, directly or through subsidiaries, is owned free from liens, encumbrances and defects; and none of the capital stock of or equity interest in any Subsidiary and the Affiliated Entity was issued in violation of pre-emptive or similar rights of any security holder of such Subsidiary or the Affiliated Entity. The memorandum and article of association or other constitutive or organizational documents of each of the Company, the Subsidiaries and the Affiliated Entity comply with the requirement of applicable law in its respective jurisdiction of incorporation and are in full force and effect.

(x) The Offered Shares represented by the Offered ADSs and all other outstanding shares of capital stock of the Company have been duly authorized; the authorized equity capitalization of the Company is as set forth in the Registration Statement, the General Disclosure Package and the Final Prospectus; all outstanding shares of capital stock of the Company are, and, when the Offered ADSs have been delivered and paid for in accordance with this Agreement on each Closing Date, such Offered ADSs, including the Offered Shares represented thereby, will have been, validly issued, fully paid and nonassessable, will conform to the information in the Registration Statement and the General Disclosure Package and to the description of such Offered ADSs and the Offered Shares contained in the Final Prospectus; the shareholders of the Company have no preemptive rights with respect to the Shares; none of the outstanding shares of capital stock of the Company have been issued in violation of any preemptive or similar rights of any security holder; neither the filing of the Registration Statement or the ADS Registration Statement, nor the offering or sale of the Offered ADSs and the Offered Shares as contemplated by this Agreement gives rise to any rights, other than those which have been waived or satisfied, for or relating to the registration of any Shares. The form of certificates for the Shares conforms to the corporate law of the British Virgin Islands and to any requirements of memorandum and article of association or other constitutive or organizational documents of the Company. Subsequent to the respective dates as of which information is given in the Registration Statement, the General Disclosure Package and the Final Prospectus, except as otherwise specifically stated therein or in this Agreement, the Company has not: (A) issued any securities; or (B) declared or paid any dividend or made any other distribution on or in respect to its capital stock.

(xi) The Deposit Agreement has been duly authorized, executed and delivered by the Company and, when duly and validly authorized, executed and delivered by the Depositary, constitutes a legal, valid and binding agreement of the Company enforceable against the Company in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights; upon due issuance by the Depositary of ADRs evidencing the Offered ADSs against the deposit of the Offered Shares in respect thereof in accordance with the Deposit Agreement, such ADRs will be duly and validly issued and the holders thereof will be entitled to the rights specified therein and in the Deposit Agreement; and the Deposit Agreement and the ADRs conform in all material respects to the descriptions thereof contained in the Registration Statement, the General Disclosure Package as of the Applicable Time and the Final Prospectus.

(xii) There are no contracts, agreements or understandings between the Company and any person that would give rise to a valid claim against the Company or any Underwriter for a brokerage commission, finder's fee or other like payment in connection with this offering.

(xiii) There are no contracts, agreements or understandings between the Company and any person granting such person the right to require the Company to file a registration statement under the Act with respect to any securities of the Company owned or to

be owned by such person or to require the Company to include such securities in the securities registered pursuant to a Registration Statement or the ADS Registration Statement or in any securities being registered pursuant to any other registration statement filed by the Company under the Act.

(xiv) The Offered ADSs have been approved for listing on The New York Stock Exchange, subject to notice of issuance. All of the Company's Shares issued and outstanding have been duly admitted for trading on the Alternative Investment Market of the London Stock Exchange ("AIM"). Applications have been made by the Company to admit the Offered Shares represented by the Offered ADSs for trading on AIM.

(xv) No consent, approval, authorization, or order of, clearance by, or filing or registration with, any person (including any governmental agency or body or any court or any stock exchange) is required to be obtained or made by the Company for the consummation of the transactions contemplated by the Deposit Agreement or this Agreement in connection with the issuance and sale of the Offered ADSs by the Company, including the deposit of any Offered Shares represented by the Offered ADSs with the Depository and the issuance of the ADRs evidencing the ADSs and the listing of the ADSs on the New York Stock Exchange, except such as have been obtained or made and are in full force and effect and such as may be required under applicable state securities laws.

(xvi) Except as disclosed in the Registration Statement, the General Disclosure Package and the Final Prospectus, each of the Company, the Subsidiaries and the Affiliated Entity has good and marketable title to all real properties and all other properties and assets owned by them, in each case free from and clear of all liens, charge, encumbrances, defects, claims, options or restrictions that would materially affect the value thereof or materially interfere with the use made or to be made thereof by them; and the Company, the Subsidiaries and the Affiliated Entity hold any leased real or personal property under valid and enforceable leases with no terms or provisions that would materially interfere with the use made or to be made thereof by them.

(xvii) The execution, delivery and performance of the Deposit Agreement and this Agreement, the consummation of the transactions contemplated herein the fulfillment of the terms thereof and hereof, and the issuance and sale of the Offered ADSs, including the deposit of any Offered Shares represented by the ADSs with the Depository and the issuance of the ADRs evidencing the ADSs and the listing of the ADSs on the New York Stock Exchange, do not and will not result in a breach or violation of any of the terms and provisions of, or constitute a default or a Debt Repayment Triggering Event (as defined below) under, or result in the imposition of any lien charge or encumbrance upon any property or assets of the Company or any of the Subsidiaries and the Affiliated Entity, pursuant to, the charter or by-laws of the Company or any of the Subsidiaries or the Affiliated Entity, any statute, rule, regulation or order of any governmental agency or body or any court, domestic or foreign, having jurisdiction over the Company or any of the Subsidiaries or the Affiliated Entity or any of their properties, or any agreement or instrument to which the Company or any of the Subsidiaries or the Affiliated Entity is a party or by which the Company or any of the Subsidiaries or the Affiliated Entity is bound or to which any of the properties of the Company or any of the Subsidiaries or the Affiliated Entity is subject; a "Debt Repayment Triggering Event" means any event or condition that gives, or with the giving of notice or lapse of time would give, the

holder of any note, debenture, or other evidence of indebtedness (or any person acting on such holder's behalf) the right to require the repurchase, redemption or repayment of all or a portion of such indebtedness by the Company or any of the Subsidiaries or the Affiliated Entity.

(xviii) Neither the Company nor any of the Subsidiaries nor the Affiliated Entity is (or with the giving of notice or lapse of time would be in default) (A) in violation of its respective charter, by-laws or other organizational documents or (B) in violation of any law, order, rule or regulation judgment, order, writ or decree applicable to the Company, any of the Subsidiaries or the Affiliated Entity of any court, stock exchange or any government, regulatory body, administrative agency or other governmental body having jurisdiction, or (C) in default under any existing obligation, agreement, covenant or condition contained in any indenture, loan agreement, mortgage, lease or other agreement or instrument to which any of them is a party or by which any of them is bound or to which any of the properties of any of them is subject, and solely with respect to sub-clauses (B) and (C), except such defaults that would not, individually or in the aggregate, result in a Material Adverse Effect.

(xix) This Agreement has been duly authorized, executed and delivered by the Company.

(xx) Except as disclosed in the Registration Statement, the General Disclosure Package and the Final Prospectus, the Company and the Significant Subsidiaries (as defined below) possess, and are in compliance with the terms of, all adequate certificates, authorizations, franchises, licenses and permits (the "Licenses") necessary or material to the conduct of the business now conducted or proposed in the Registration Statement, the General Disclosure Package and the Final Prospectus to be conducted by them and have not received any notice of proceedings relating to the revocation or modification of any License that, if determined adversely to the Company, any of the Subsidiaries or the Affiliated Entity, would individually or in the aggregate have a Material Adverse Effect. "Significant Subsidiaries" means all Subsidiaries except Sichuan Silicon Material Co., Ltd.

(xxi) No labor dispute with the employees of the Company or any of the Subsidiaries or the Affiliated Entity exists or, to the knowledge of the Company, is imminent that could have a Material Adverse Effect.

(xxii) The Company and the Significant Subsidiaries own, possess or can acquire on reasonable terms sufficient trademarks, trade names, patent rights, copyrights, domain names, licenses, approvals, trade secrets, inventions, technology, know-how and other intellectual property and similar rights, including registrations and applications for registration thereof (collectively, "Intellectual Property Rights") necessary or material to the conduct of the business now conducted or proposed in the General Disclosure Package to be conducted by them, and the expected expiration of any such Intellectual Property Rights would not, individually or in the aggregate, have a Material Adverse Effect. Except as disclosed in the Registration Statement, the General Disclosure Package and the Final Prospectus, (i) there are no rights of third parties to any of the Intellectual Property Rights owned by the Company or the Significant Subsidiaries; (ii) there is no material infringement, misappropriation breach, default or other violation, or the occurrence of any event that with notice or the passage of time would constitute any of the foregoing, by the Company, the

Significant Subsidiaries or third parties of any of the Intellectual Property Rights of the Company or the Significant Subsidiaries; (iii) there is no pending or threatened action, suit, proceeding or claim by others challenging the Company's or any Significant Subsidiary's rights in or to, or the violation of any of the terms of, any of their Intellectual Property Rights, and the Company is unaware of any facts which would form a reasonable basis for any such claim; (iv) there is no pending or, to the best knowledge of the Company, threatened action, suit, proceeding or claim by others challenging the validity, enforceability or scope of any such Intellectual Property Rights, and the Company is unaware of any facts which would form a reasonable basis for any such claim; (v) there is no pending or, to the best knowledge of the Company, threatened action, suit, proceeding or claim by others that the Company or any Significant Subsidiary infringes, misappropriates or otherwise violates or conflicts with any Intellectual Property Rights or other proprietary rights of others and the Company is unaware of any other fact which would form a reasonable basis for any such claim; and (vi) to the best knowledge of the Company, none of the Intellectual Property Rights used by the Company or the Significant Subsidiaries in their businesses has been obtained or is being used by the Company or the Significant Subsidiaries in violation of any contractual obligation binding on the Company or any of the Significant Subsidiaries in violation of the rights of any persons.

(xxiii) Neither the Company nor any of the Subsidiaries nor the Affiliated Entity is in violation of any statute, rule, regulation, decision or order of any governmental agency or body or any court, domestic or foreign, relating to the use, disposal or release of hazardous or toxic substances or relating to the protection or restoration of the environment or human exposure to hazardous or toxic substances (collectively, "environmental laws"), owns or operates any real property contaminated with any substance that is subject to any environmental laws, is liable for any off-site disposal or contamination pursuant to any environmental laws, or is subject to any claim relating to any environmental laws, which violation, contamination, liability or claim would individually or in the aggregate have a Material Adverse Effect; and the Company is not aware of any pending investigation which might lead to such a claim.

(xxiv) Except as disclosed in the Registration Statement, the General Disclosure Package and the Final Prospectus, no stamp or other issuance or transfer taxes or duties and no capital gains, income, withholding or other taxes are payable by or on behalf of the Underwriters to the PRC or the British Virgin Islands or any political subdivision or taxing authority thereof or therein in connection with (A) the issuance of the Offered Shares, (B) the deposit by the Company of the Offered Shares with the Depositary, the issuance of the ADRs evidencing the Offered ADSs and the delivery of the Offered ADSs to or for the account of the Underwriters, (C) the sale and delivery of the Offered ADSs by the Underwriters to the initial purchasers as part of the Underwriters' distribution of the Offered ADSs as contemplated hereunder; or (D) the execution and delivery of this Agreement or the Deposit Agreement.

(xxv) Each of the Company, the Subsidiaries and the Affiliated Entity has filed on a timely basis all required tax returns, reports and filings or have been granted extensions thereof. Such returns, reports or filings are not the subject of any disputes with revenue or other authorities other than these disputes which if determined adversely to the Company the Subsidiary or the Affiliated Entity, would not have a Material Adverse Effect. The Company, each of the Subsidiaries and the Affiliated Entity, has paid all taxes (including any assessments, fines or penalties) required to be paid by them and has no knowledge of any tax deficiency which might be assessed against, except as would not have a Material Adverse Effect.

(xxvi) The statements in the Registration Statement, the General Disclosure Package and the Final Prospectus under the headings “Description of Share Capital” and “Description of American Depositary Shares” insofar as they purport to constitute a summary of the terms of the Shares and the ADSs, respectively, and under the headings “Risk Factors,” “Enforceability of Civil Liabilities,” “Regulation,” “Taxation” and “Underwriting” insofar as such statements summarize legal matters, agreements, documents or proceedings discussed therein, are accurate, complete and fair summaries of such matters described therein in all material respects.

(xxvii) The section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operation—Critical Accounting Policies” in the Registration Statement, the General Disclosure Package and Final Prospectus accurately and fully describes (A) accounting policies which the Company believes are the most important in the portrayal of the financial condition and results of operations of the Company its Subsidiaries and the Affiliated Entity on a consolidated basis and which require management’s most difficult, subjective or complex judgments (“critical accounting policies”); (B) judgments and uncertainties affecting the application of critical accounting policies; and (C) explanation of the likelihood that materially different amounts would be reported under different conditions or using different assumptions. The Company’s board of directors and senior management have reviewed and agreed with the selection, application and disclosure of critical accounting policies. The section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in the Registration Statement, the General Disclosure Package and the Final Prospectus accurately and fully describes (x) all material trends, demands, commitments, events, uncertainties and risks, and the potential effects thereof, that the Company believes would materially affect liquidity and are reasonably likely to occur; and (y) all material off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources of the Company, the Subsidiaries and the Affiliated Entity on a consolidated basis. Except as disclosed in the Registration Statement, the General Disclosure Package and the Final Prospectus, there are no outstanding guarantees or other contingent obligations of the Company, the Subsidiaries or the Affiliated Entity that could reasonably be expected to have a Material Adverse Effect. All governmental tax waivers from national and local governments of the PRC and other local and national PRC tax relief, concession and preferential treatment or obtained by the Company or the Subsidiaries or the Affiliated Entity are valid, binding and enforceable.

(xxviii) Neither the Company nor, to the Company’s knowledge, any of its affiliates, has taken, directly or indirectly, any action that is designed to or that has constituted or that would reasonably be expected to cause or result in the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Offered ADSs and neither the Company nor any affiliated purchaser (as such term is defined in Regulation M) of the Company has, either alone or with one or more other persons, bid for or purchased or will bid for or purchase, for any account in which the Company or any such affiliated purchaser has a beneficial interest, any Offered ADSs or Shares or any right to purchase such Offered ADSs or Shares during the applicable



Restricted Period as such term is defined in Regulation M, nor has the Company or any affiliated purchaser of the Company made or will make bids or purchases for the purpose of creating actual or apparent active trading in, or of raising the price of, the Offered ADSs or Shares which is designed to or which has constituted, or which might reasonably be expected to cause or result in, manipulation of the price of any security of the Company. The Company acknowledges that the Underwriters may engage in passive market making transactions in the Offered ADSs on the New York Stock Exchange in accordance with Regulation M under the Exchange Act.

(xxxix) Any third-party statistical, industry-related and market-related data included in a Registration Statement, or the General Disclosure Package or the Final Prospectus are based on or derived from sources that the Company believes to be reliable and accurate, and the Company has obtained the written consents to the use of such data from such sources to the extent required.

(xxx) The Company and the Significant Subsidiaries carry, or a covered by, insurance in such amounts and covering such risks as is adequate for the conduct of their respective businesses and the value of their respective properties, if applicable, and as is customary for companies engaged in similar businesses.

(xxxii) Neither the Company nor any of the Subsidiaries and the Affiliated Entity, to the knowledge of the Company, any director, officer, agent, employee or affiliate of the Company, any of the Subsidiaries or the Affiliated Entity is aware of or has taken any action, directly or indirectly, that would result in a violation by such persons of the Foreign Corrupt Practices Act of 1977, as amended, and the rules and regulations thereunder.

(xxxiii) No action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any of the Subsidiaries or the Affiliated Entity with respect to the money laundry statutes and applicable rules and regulations thereunder is pending or, to the Company's knowledge, threatened.

(xxxiv) Neither the Company nor, to the Company's knowledge, any director, officer, agent, employee or affiliate of the Company is currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department ("OFAC"); and the Company will not directly or indirectly use the proceeds of the offering, or lend, contribute or otherwise make available such proceeds to any Subsidiary and the Affiliated Entity, joint venture partner or other person or entity, for the purpose of financing the activities of any person currently subject to any U.S. sanctions administered by OFAC.

(xxxv) Except as set forth in the Registration Statement, the General Disclosure Package and the Final Prospectus, the Company maintains a system of internal controls, including, but not limited to, disclosure controls and procedures, internal controls over accounting matters and financial reporting, an internal audit function and legal and regulatory compliance controls (collectively, "Internal Controls") that comply with the Securities Laws and are sufficient to provide reasonable assurances that (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with U.S. General Accepted Accounting Principles and to maintain accountability

for assets, (iii) access to assets is permitted only in accordance with management's general or specific authorization, and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. The Company and the Significant Subsidiaries maintain and keep books, records and accounts which, in reasonable detail, accurately and fairly reflect their transactions and dispositions of assets. The Internal Controls are, or upon consummation of the offering of the Offered ADSs will be, overseen by the Audit Committee (the "Audit Committee") of the Board in accordance with Exchange Rules. Except as disclosed in the Registration Statement, the General Disclosure Package and the Final Prospectus, the Company is not aware of, and does not reasonably expect to publicly disclose or report to the Audit Committee or the Board, a significant deficiency, material weakness, change in Internal Controls or fraud involving management or other employees who have a significant role in Internal Controls (each, an "Internal Control Event"), any violation of, or failure to comply with, the Securities Laws, or any matter which, if determined adversely, would have a Material Adverse Effect.

(xxxv) A member of the Audit Committee has confirmed to the Chief Executive Officer or Chief Financial Officer that, except as set forth in the Registration Statement, the General Disclosure Package and the Final Prospectus, the Audit Committee is not reviewing or investigating, and neither the Company's independent auditors nor its internal auditors have recommended that the Audit Committee review or investigate, (i) adding to, deleting, changing the application of, or changing the Company's disclosure with respect to, any of the Company's material accounting policies; (ii) any matter which could result in a restatement of the Company's financial statements for any annual or interim period during the current or prior three fiscal years; or (iii) any Internal Control Event.

(xxxvi) There are no pending actions, suits or proceedings (including any inquiries or investigations by any court or governmental agency or body, domestic or foreign) against or affecting the Company, any of the Subsidiaries the Affiliated Entity or any of their respective properties that, if determined adversely to the Company, any of the Subsidiaries or the Affiliated Entity, would individually or in the aggregate have a Material Adverse Effect, or would materially and adversely affect the ability of the Company to perform its obligations under the Deposit Agreement or this Agreement, or which are otherwise material in the context of the sale of the Offered ADSs; and, to the Company's knowledge, no such actions, suits or proceedings (including any inquiries or investigations by any court or governmental agency or body, domestic or foreign) are threatened or contemplated.

(xxxvii) The consolidated financial statements included in each Registration Statement, the General Disclosure Package and the Final Prospectus present fairly the financial position of the Company and its consolidated subsidiaries and affiliated entity as of the dates shown and their results of operations and cash flows for the periods shown, and such financial statements have been prepared in conformity with the generally accepted accounting principles in the United States applied on a consistent basis; and the notes included in each Registration Statement and the General Disclosure Package present fairly the information required to be stated therein.

(xxxviii) Deloitte Touche Tohmatsu CPA Ltd., who certified the financial statements included in each Registration Statement, the General Disclosure Package and the Final Prospectus, is an independent registered independent public accounting firm as required by the Act and the Public Company Accounting Oversight Board.

(xxxix) Except as disclosed in the Registration Statement, the General Disclosure Package and the Final Prospectus, since the end of the period covered by the latest audited financial statements included in the General Disclosure Package (i) there has been no change, nor any development or event involving a prospective change, in the condition (financial or otherwise), results of operations, business, properties or prospects of the Company, the Subsidiaries and the Affiliated Entity, taken as a whole, that is material and adverse, (ii) there has been no dividend or distribution of any kind declared, paid or made by the Company on any class of its capital stock and (iii) there has been no material adverse change in the capital stock, short-term indebtedness, long-term indebtedness, net current assets or net assets of the Company, the Subsidiaries and the Affiliated Entity. The Company, the Subsidiaries and the Affiliated Entity have no material contingent obligations which are not disclosed in the Company's financial statements which are included in the General Disclosure Package.

(xl) The Company is not and, after giving effect to the offering and sale of the Offered ADSs and the application of the proceeds thereof as described in the General Disclosure Package and the Final Prospectus, will not be an "investment company" as defined in the Investment Company Act of 1940, as amended (the "Investment Company Act").

(xli) No "nationally recognized statistical rating organization" as such term is defined for purposes of Rule 436(g)(2) (i) has imposed (or has informed the Company that it is considering imposing) any condition (financial or otherwise) on the Company's retaining any rating assigned to the Company or any securities of the Company or (ii) has indicated to the Company that it is considering any of the actions described in Section 6(c)(ii) hereof.

(xlii) The Company was not a "passive foreign investment company" ("PFIC") as defined in Section 1297 of the United States Internal Revenue Code of 1986, as amended (the "Code"), for its most recently completed taxable year and, based on the Company's current projected income, assets and activities, the Company does not expect to be classified as a PFIC for the current taxable year or any subsequent taxable year. The Company has no plan or intention to take any action that would result in the Company becoming a PFIC in the future under current laws and regulations.

(xliii) Under current laws and regulations of the British Virgin Islands and any political subdivision thereof, all dividends and other distributions declared and payable on the Offered Shares may be paid by the Company to the holder thereof in United States dollars and all such payments made to holders thereof who are non-residents of the British Virgin Islands will not be subject to income, withholding or other taxes under laws and regulations of the British Virgin Islands or any political subdivision or taxing authority thereof or therein and will otherwise be free and clear of any other tax, duty, withholding or deduction in the British Virgin Islands or any political subdivision or taxing authority thereof or therein and without the necessity of obtaining any governmental authorization in the British Virgin Islands or any political subdivision or taxing authority thereof or therein.

(xliv) The application of the net proceeds from the offering of the Offered ADSs, as described in the Registration Statement, the General Disclosure Package and the Final Prospectus, will not contravene any provision of any current and applicable laws or the current constituent documents of the Company or any of the Subsidiaries or the Affiliated Entity or contravene the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement, note, lease or other agreement or instrument currently binding upon the Company, any of the Subsidiaries or the Affiliated Entity or any governmental authorization applicable to any of the Company, any of the Subsidiaries or the Affiliated Entity.

(xlv) Except as disclosed in the Registration Statement, the General Disclosure Package and the Final Prospectus, none of the Subsidiaries and the Affiliated Entity is currently prohibited, directly or indirectly, from paying any dividends to the Company or its other Subsidiaries, from making any other distribution on such Subsidiary and the Affiliated Entity's capital stock, from repaying to the Company or the other Subsidiaries any loans or advances to such Subsidiary and the Affiliated Entity from the Company or the other Subsidiaries or from transferring any of such Subsidiary and the Affiliated Entity's property or assets to the Company or any other Subsidiary or the Affiliated Entity of the Company. All dividends declared by a Subsidiary and the Affiliated Entity in the PRC may under the current laws and regulations of the PRC be freely transferred out of the PRC and may be paid in United States dollars, subject to the successful completion of PRC formalities required for such remittance, and all such dividends and other distributions will not be subject to withholding or other taxes under the laws and regulations of the PRC and are otherwise free and clear of any other tax, withholding or deduction in the PRC, and without the necessity of obtaining any governmental authorization in the PRC.

(xlvi) The Company has not, directly or indirectly, distributed and will not distribute any offering material in connection with the offering and sale of the Offered ADSs other than any preliminary prospectus dated , 2008, any Issuer Free Writing Prospectus, the Final Prospectus and other materials, if any, permitted under the Act and consistent with Section 5 below. The Company will file with the Commission all Issuer Free Writing Prospectuses in the time required under Rule 433(d) under the Act. The Company has satisfied or will satisfy the conditions in Rule 433 under the Act to avoid a requirement to file with the Commission any electronic road show.

(xlvii) Solely to the extent that Sarbanes-Oxley and the rules and regulations promulgated by the Commission and the New York Stock Exchange thereunder has been applicable to the Company, there is and has been no failure on the part of the Company to comply in all material respects with any provision of Sarbanes-Oxley and the rules and regulations promulgated by the Commission and the New York Stock Exchange thereunder.

(xlviii) Except as disclosed in the Registration Statement, the General Disclosure Package and the Final Prospectus, no director, officer or manager of the Company or any person affiliated with such person is a selling shareholder in the offering contemplated hereby.

(xlix) As of the filing of the Initial Registration Statement, there were no outstanding personal loans made, directly or indirectly, by the Company to any director or executive officer (including his/her spouse, infant children, any company or undertaking in which he/she holds a controlling interest) of the Company; and there are no material relationships or transactions between the

Company, any of the Subsidiaries or the Affiliated Entity on the one hand and their respective affiliates, officers and directors or their shareholders, customers or suppliers on the other hand which, although required to be disclosed, are not disclosed in Registration Statement, the General Disclosure Package and the Final Prospectus.

(I) There are no relationships or related-party transactions involving the Company, any of the Subsidiaries, the Affiliated Entity or any other person required to be described in the Registration Statement, the General Disclosure Package and the Prospectus which have not been described as required.

(li) To the Company's knowledge, there are no affiliations or associations between any member of the Financial Industry Regulatory Authority ("FINRA") and any of the Company's officers, directors or 5% or greater securityholders, except as set forth in the Registration Statement, the General Disclosure Package and the Final Prospectus.

(lii) The Company is a "foreign private issuer" within the meaning of Rule 405 of under the Act.

(liii) Each of this Agreement and the Deposit Agreement is in proper form to be enforceable against the Company in the British Virgin Islands in accordance with its terms; to ensure the legality, validity, enforceability or admissibility into evidence in the British Virgin Islands of this Agreement or the Deposit Agreement, it is not necessary that this Agreement or the Deposit Agreement be filed or recorded with any court or other authority in the British Virgin Islands or that any stamp or similar tax in the British Virgin Islands be paid on or in respect of this Agreement, the Deposit Agreement or any other documents to be furnished hereunder.

(liv) No holder of any of the Shares or the Offered ADSs after the consummation of the transactions contemplated by this Agreement or the Deposit Agreement is or will be subject to any personal liability in respect of any liability of the Company by virtue only of its holding of any such Shares or Offered ADSs; and except as set forth in the Registration Statement, the General Disclosure Package and the Final Prospectus, there are no limitations on the rights of holders of the Shares or the Offered ADSs to hold, vote or transfer their securities.

(lv) Under the laws of the British Virgin Islands, each holder of ADRs evidencing Offered ADSs issued pursuant to the Deposit Agreement shall be entitled, subject to the Deposit Agreement, to seek enforcement of its rights through the Depositary or its nominee registered as representative of the holders of the ADRs in a direct suit, action or proceeding against the Company.

(lvi) The Registration Statement, all Preliminary Prospectuses, the Final Prospectus, any Issuer Free Writing Prospectus and the ADS Registration Statement and the filing of the Registration Statement, all Preliminary Prospectuses, the Final Prospectus, any Issuer Free Writing Prospectus and the ADS Registration Statement with the Commission have been duly authorized by and on behalf of the Company, and the Registration Statement and the ADS Registration Statement have been duly executed pursuant to such authorization by and on behalf of the Company.

(lvii) The choice of laws of the State of New York as the governing law of this Agreement and the Deposit Agreement is a valid choice of law under the laws of the British Virgin Islands and the PRC and will be honored by courts in the British Virgin Islands and the PRC. The Company has the power to submit, and pursuant to Section 15 of this Agreement, has legally, validly, effectively and irrevocably submitted, to the personal jurisdiction of each United States federal court and New York state court located in the Borough of Manhattan, in The City of New York, New York, U.S.A. (each, a “New York Court”). The Company has the power to submit, and, pursuant to Section 7.07 of the Deposit Agreement, has legally, validly and effectively submitted, to the personal jurisdiction of each New York Court. The Company has the power to designate, appoint and authorize, and pursuant to Section 15 of this Agreement and Section 7.07 of the Deposit Agreement, has legally, validly, effectively and irrevocably designated, appointed an authorized agent for service of process in any action arising out of or relating to this Agreement, the Deposit Agreement or the Offered ADSs in any New York Court, and service of process effected on such authorized agent will be effective to confer valid personal jurisdiction over the Company as provided in Section 15 of this Agreement and Section 7.07 of the Deposit Agreement.

(lviii) The Company or any of their respective properties, assets or revenues does not have any right of immunity under British Virgin Islands, PRC or New York law, from any legal action, suit or proceeding, from the giving of any relief in any such legal action, suit or proceeding, from set-off or counterclaim, from the jurisdiction of any British Virgin Islands, PRC, New York or United States federal court, from service of process, attachment upon or prior to judgment, or attachment in aid of execution of judgment, or from execution of a judgment, or other legal process or proceeding for the giving of any relief or for the enforcement of a judgment, in any such court, with respect to its obligations, liabilities or any other matter under or arising out of or in connection with this Agreement or the Deposit Agreement; and, to the extent that the Company, or any of its properties, assets or revenues may have or may hereafter become entitled to any such right of immunity in any such court in which proceedings may at any time be commenced, each of the Company waives or will waive such right to the extent permitted by law and has consented to such relief and enforcement as provided in Section 15 of this Agreement and Section 7.07 of the Deposit Agreement.

(lix) Any final judgment for a fixed sum of money rendered by a New York Court having jurisdiction under its own domestic laws in respect of any suit, action or proceeding against the Company based upon this Agreement and the Deposit Agreement, or an arbitral award rendered against the Company based on the Deposit Agreement, as the case may be, would be recognized and enforced against the Company by British Virgin Islands courts without re-examining the merits of the case under the common law doctrine of obligation.

(lx) The Company is aware of and has been advised as to, the contents of the Rules on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors jointly promulgated by the Ministry of Commerce, the State Assets Supervision and Administration Commission, the State Tax Administration, the State Administration of Industry and Commerce, the China Securities Regulatory Commission (the “CSRC”) and the State Administration of Foreign Exchange of the PRC on August 8, 2006 and effective

as of September 8, 2006 (the “M&A Rules”), in particular the relevant provisions thereof which purport to require offshore special purpose vehicles, or SPVs, formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, to obtain the approval of the CSRC prior to the listing and trading of their securities on an overseas stock exchange; the Company has received legal advice specifically with respect to the M&A Rules from its PRC counsel and the Company understands such legal advice.

(Ixi) The statements set forth in the Registration Statement, the Disclosure Package and the Final Prospectus under the captions, “Risk factors—Risks Related to Doing Business in China—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 New York Stock Exchange, this offering could be delayed until we obtain approval,” and “Regulation—New M&A Regulations and Overseas Listings” are a fair and accurate summary of the matters described therein.

(Ixii) Each of the Company, the Subsidiaries and the Affiliated Entity that were incorporated outside of the PRC has taken, or is in the process of taking, all reasonable steps to comply with, and to ensure compliance by each of its shareholders and option holders that is, or is directly or indirectly owned or controlled by, a PRC resident or citizen with any applicable rules and regulations of the State Administration of Foreign Exchange (the “SAFE Regulations”), including, without limitation, requesting each shareholder and option holder that is, or is directly or indirectly owned or controlled by, a PRC resident or citizen to complete any registration and other procedures required under applicable SAFE Regulations.

(Ixiii) Each “forward-looking statement” (within the meaning of Section 27A of the Act or Section 21E of the Exchange Act) contained in the Registration Statement, each Preliminary Prospectus, the General Disclosure Package, the Final Prospectus and each Issuer Free Writing Prospectus, if any, has been made or reaffirmed with a reasonable basis and in good faith.

Any certificate signed by any officer of the Company and delivered to the Representatives or counsel for the Underwriters as required or contemplated by this Agreement shall constitute a representation and warranty hereunder by the Company, as to matters covered thereby, to each Underwriter.

(b) Each Selling Shareholder with respect to itself, severally and not jointly, represents and warrants to, and agrees with the several Underwriters that:

(i) Such Selling Shareholder that is a corporation has been duly organized and is validly existing as a company in good standing in its jurisdiction of formation, if applicable.

(ii) Such Selling Shareholder has and on each Closing Date hereinafter mentioned will have valid and unencumbered title to the Offered Shares represented by the Offered ADSs to be delivered by such Selling Shareholder on such Closing Date and full right, power and authority to enter into this Agreement and to sell, assign, transfer and deliver the Offered ADSs to be delivered by such Selling Shareholder on such Closing Date hereunder; and upon the delivery of and payment for the Offered ADSs hereunder on each Closing Date hereunder the several Underwriters will acquire valid and unencumbered title to the Offered ADSs to be delivered by such Selling Shareholder on such Closing Date.

(iii) No consent, approval, authorization, or order of, clearance by, or registration or filing with, any governmental agency or body or any court or any stock exchange is required to be obtained or made by such Selling Shareholder for the consummation of the transactions by such Selling Shareholder contemplated by this Agreement or the Custody Agreement (as defined below), in each case, in connection with the sale of the Offered ADSs to be delivered by such Selling Shareholder on each Closing Date hereunder, including the deposit of any Shares represented by the ADSs with the Depository, except such as have been obtained and made and are in full force and effect, and such as may be required under applicable state securities laws.

(iv) Except as disclosed in the Registration Statement, the General Disclosure Package and the Final Prospectus, no stamp or other issuance or transfer taxes or duties and no capital gains, income, withholding or other taxes are payable by or on behalf of the Underwriters to United States, the PRC, the British Virgin Islands, or any jurisdiction where such Selling Shareholder is resident, incorporated or established, as applicable, in each case, to any political subdivision or taxing authority thereof or therein in connection with the deposit by the such Selling Shareholder of the Offered Shares, the issuance of the ADRs evidencing the Offered ADS and the delivery of the Offered ADSs to or for the account of the Underwriters, the sale and delivery of the Offered ADSs by such Selling Shareholder and the execution and delivery of this Agreement, the Custody Agreement or the performance by such Selling Shareholder of its obligations under this Agreement or the Custody Agreement.

(v) The choice of laws of the State of New York as the governing law of this Agreement is a valid choice of law under the laws of the British Virgin Islands or any jurisdiction where such Selling Shareholder is resident, incorporated or established, as applicable, in each case, and are legal, valid and binding; such Selling Shareholder has the power to submit, and pursuant to Section 15 of this Agreement, has legally, validly, effectively and irrevocably submitted, to the personal jurisdiction of a New York Court, and the Company has the power to designate, appoint and authorize, and pursuant to Section 15 of this Agreement, has legally, validly, effectively and irrevocably designated, appointed an authorized agent for service of process in any action arising out of or relating to this Agreement, or the Offered ADSs in any New York Court, and service of process effected on such authorized agent will be effective to confer valid personal jurisdiction over the Company as provided in Section 15 of this Agreement.

(vi) Neither such Selling Shareholder nor any of its properties, assets or revenues has any right of immunity under the laws of British Virgin Islands, PRC, New York or any jurisdiction where such Selling Shareholder is resident, incorporated or established, as applicable, from any legal action, suit or proceeding, from the giving of any relief in any such legal action, suit or proceeding, from set-off or counterclaim, from the jurisdiction of any court of British Virgin Islands, PRC, New York or United States federal or any jurisdiction where such Selling Shareholder is resident, incorporated or established, as applicable, in each case, from service of process, attachment upon or prior to judgment, or attachment in aid of execution of judgment, or from execution of a judgment, or other legal process or proceeding for the giving of any relief or for the enforcement of a judgment, in any such court, with respect to



its obligations, liabilities or any other matter under or arising out of or in connection with this Agreement; and, to the extent that such Selling Shareholder or any of its properties, assets or revenues may have or may hereafter become entitled to any such right of immunity in any such court in which proceedings may at any time be commenced, such Selling Shareholder waives or will waive such right to the extent permitted by law and has consented to such relief and enforcement as provided in Section 15 of this Agreement.

(vii) The execution, delivery and performance of the Custody Agreement and this Agreement and the consummation of the transactions therein and herein in connection with the sale of the Offered ADSs to be delivered by such Selling Shareholders will not result in a breach or violation of any of the terms and provisions of, or constitute a default under, or result in the imposition of any lien, charge or encumbrance upon any property or assets of any Selling Shareholder pursuant to, any statute, any rule, regulation or order of any governmental agency or body or any court having jurisdiction over any Selling Shareholder or any of their properties or any agreement or instrument to which any Selling Shareholder is a party or by which any Selling Shareholder is bound or to which any of the properties of any Selling Shareholder is subject or the articles of association or other constituent documents of any Selling Shareholder that is a corporation or the constituent documents of any Selling Shareholder that is not a natural person or a corporation.

(viii) The Power of Attorney and related Custody Agreement with respect to each Selling Shareholder has been duly authorized, executed and delivered by such Selling Shareholder and constitute valid and legally binding obligations of each such Selling Shareholder enforceable in accordance with their terms, subject to bankruptcy, insolvency, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights.

(ix) Certificates in negotiable form representing all of the Offered Shares and Offered ADSs to be sold by such Selling Shareholder hereunder have been placed in custody under a Custody Agreement (the "Custody Agreement"), in the form heretofore furnished to the Representatives, duly executed and delivered by such Selling Shareholder to the Custodian (defined in Section 2 below).

(x) The Shares represented by the certificates held in custody for such Selling Shareholder under the Custody Agreement are subject to the interests of the Underwriters hereunder; the arrangements made by such Selling Shareholder for such custody; the obligations of the Selling Shareholders hereunder shall not be terminated by operation of law, whether by the death or incapacity of the Selling Shareholder or any executor or trustee, the termination of any estate or trust or by the occurrence of any other event; or if any such Selling Shareholder or any such executor or trustee should die or become incapacitated or if any such estate or trust should be terminated or if any other such event should occur, before the delivery of the Offered Shares and Offered ADSs hereunder, certificates representing the Offered Shares and Offered ADSs shall be delivered by or on behalf of the Selling Shareholders in accordance with the terms and conditions of this Agreement and of the Custody Agreement.

(xi) On its date, at the time of filing of the Final Prospectus pursuant to Rule 424(b) or (if no such filing is required) at the Effective Time of the Additional Registration Statement in which the Final Prospectus is included, and on each Closing Date, the

statements in Final Prospectus under the “Principal and Selling Shareholders” Section relating to such Selling Shareholder will not include any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading. As of the Applicable Time, neither the statements in the General Disclosure Package under “Principal and Selling Shareholders” relating to such Selling Shareholder, when considered together with the General Disclosure Package, included any untrue statement of a material fact or omitted to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(xii) Such Selling Shareholder has not, prior to the execution of this Agreement, offered or sold any Shares by means of any “free writing prospectus” (within the meaning of the Act), or used any “free writing prospectus” (within the meaning of the Act) in connection with the offer or sale of the Offered Shares and Offered ADSs, in each case other than the Statutory Prospectus at the Applicable Time.

(xiii) There are no affiliations or associations between any member of the FINRA and such Selling Shareholder or any affiliate of such Selling Shareholder, except as set forth in the Registration Statement, the General Disclosure Package and the Final Prospectus.

(xiv) The Shares represented by the Offered ADSs to be sold by such Selling Shareholder may be freely deposited by such Selling Shareholder with the Depository or with the Custodian as agent for the Depository in accordance with the Deposit Agreement against the issuance of ADRs evidencing ADSs representing such Shares so deposited by such Selling Shareholder. Except as disclosed in the General Disclosure Package and the Final Prospectus, the Firm ADSs and the Option ADSs, as well as the Shares represented by such securities, delivered at each Closing Date by such Selling Shareholder will be freely transferable by such Selling Shareholder.

(xv) The sale of the Offered ADSs by such Selling Shareholder pursuant to this Agreement is not prompted by any material information concerning the Company, any of the Subsidiaries or the Affiliated Entity that is not set forth the General Disclosure Package.

(xvi) Such Selling Shareholder has full right, power and authority to execute and deliver this Agreement and to perform its obligations under this Agreement. This Agreement has been duly authorized, executed and delivered by or on behalf of such Selling Shareholder.

(xvii) Except as disclosed in the Registration Statement, the General Disclosure Package and the Final Prospectus, there are no contracts, agreements or understandings between such Selling Shareholder and any person that would give rise to a valid claim against such Selling Shareholder or any Underwriter for a brokerage commission, finder’s fee or other like payment in connection with this offering.

(xviii) Such Selling Shareholder has not taken, directly or indirectly, any action that is designed to or that has constituted or that would reasonably be expected to cause or result in the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Offered ADSs and none of each Selling Shareholder nor any affiliated purchaser (as such term is

defined in Regulation M) of Such Selling Shareholder has, either alone or with one or more other persons, bid for or purchased or will bid for or purchase, for any account in which such Selling Shareholder or any such affiliated purchaser has a beneficial interest, any Offered ADSs or Shares or any right to purchase such Offered ADSs or Shares during the applicable Restricted Period as such term is defined in Regulation M, nor has any such Selling Shareholder or any affiliated purchaser of such Selling Shareholder made or will make bids or purchases for the purpose of creating actual or apparent active trading in, or of raising the price of, the Offered ADSs or Shares which is designed to or which has constituted, or which might reasonably be expected to cause or result in, manipulation of the price of any security of the Company.

(xix) Such Selling Shareholder has not distributed and will not distribute, prior to the later of the First Closing Date (as defined below) or any Option Closing Date (as defined below), if any, and the completion of the Underwriters' distribution of the Offered ADSs, any offering material in connection with the offering and sale of the Offered ADSs by the Selling Shareholders.

(xx) Such Selling Shareholder will not directly or indirectly use the proceeds of the offering, or lend, contribute or otherwise make available such proceeds to any person or entity, for the purpose of financing the activities of any person or entity currently subject to any U.S. sanctions administered by OFAC.

(c) Each of Mr. Xianshou Li and Mr. Yuncai Wu represents and warrants to, and agrees with the several Underwriters that:

(i) On its date, at the time of filing of the Final Prospectus pursuant to Rule 424(b) or (if no such filing is required) at the Effective Time of the Additional Registration Statement in which the Final Prospectus is included, and on each Closing Date, the Final Prospectus will not include any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading; and

(ii) As of the Applicable Time, neither (i) the General Disclosure Package, nor (ii) any individual Limited Use Issuer Free Writing Prospectus, when considered together with the General Disclosure Package, included any untrue statement of a material fact or omitted to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

The preceding sentence does not apply to statements in or omissions from any Statutory Prospectus or any Issuer Free Writing Prospectus in reliance upon and in conformity with written information furnished to the Company by any Underwriter through the Representatives specifically for use therein, it being understood and agreed that the only such information furnished by any Underwriter consists of the information described as such in Section 7(c) hereof.

Any certificate signed by any Selling Shareholder or by any officer of the Selling Shareholders behalf of such Selling Shareholder and delivered to the Representatives or counsel for the Underwriters as required or contemplated by this Agreement shall constitute a representation and warranty hereunder by such Selling Shareholder, as to matters covered thereby, to each Underwriter.

## 2. Purchase, Sale and Delivery of Offered ADSs.

On the basis of the representations, warranties and agreements herein contained and subject to the terms and conditions herein set forth, the Company and each Selling Shareholder agree, severally and not jointly, to sell to each Underwriter, and each Underwriter agrees, severally and not jointly, to purchase from the Company and each Selling Shareholder, at a purchase price of US\$ per ADS, the respective number of Firm ADSs (rounded up or down, as determined by the Representatives in their discretion, in order to avoid fractions) obtained by multiplying 8,149,437 Firm ADS in the case of the Company and the number of Firm ADSs set forth opposite the name of such Selling Shareholder in Schedule B hereto, in the case of a Selling Stockholder, in each case by a fraction the numerator of which is the number of Firm ADSs set forth opposite the name of such Underwriter in Schedule A hereto and the denominator of which is the total number of Firm ADSs.

Certificates in negotiable form for the Offered ADSs to be sold by the Selling Shareholders hereunder have been placed in custody, for delivery under this Agreement, under Custody Agreements made with the Company, as custodian ("Custodian"). Each Selling Shareholder agrees that the shares represented by the certificates held in custody for the Selling Shareholders under such Custody Agreements are subject to the interests of the Underwriters hereunder, that the arrangements made by the Selling Shareholders for such custody are to that extent irrevocable, and that the obligations of the Selling Shareholders hereunder shall not be terminated by operation of law, whether by the death of any individual Selling Shareholders or the occurrence of any other event, or in the case of a trust, by the death of any trustee or trustees or the termination of such trust. If any individual Selling Shareholder or any such trustee or trustees should die, or if any other such event should occur, or if any of such trusts should terminate, before the delivery of the Offered ADSs hereunder, certificates for such Offered ADSs shall be delivered by the Custodian in accordance with the terms and conditions of this Agreement as if such death or other event or termination had not occurred, regardless of whether or not the Custodian shall have received notice of such death or other event or termination.

The Company and the Custodian will deliver the Firm ADSs to, or as instructed by, the Representatives through the facilities of The Depository Trust Company ("DTC") for the accounts of the several Underwriters in a form reasonably acceptable to the Representatives against payment of the purchase price in U.S. dollars (same day) funds by official bank check or checks or wire transfer to an account at a bank acceptable to the Representatives drawn to the order of the Company or the Company, on behalf of the Selling Shareholders, as the case may be, at the office of Shearman & Sterling LLP, at 9:30 A.M., New York time, on , 2008, or at such other time not later than five full business days thereafter as the Representatives and the Company determine, such time being herein referred to as the "First Closing Date". For purposes of Rule 15c6-1 under the Securities Exchange Act of 1934, the First Closing Date (if later than the otherwise applicable settlement date) shall be the settlement date for payment of funds and delivery of securities for all the Offered ADSs sold pursuant to the offering. The ADRs evidencing the Firm ADSs so to be delivered will be in definitive form, in such denominations and registered in such names the Representatives request. The ADRs will be made available for checking at Shearman & Sterling LLP or such other place designated by the Representatives at least 24 hours prior to the First Closing Date.

In addition, upon written notice from the Representatives given to the Company and the Selling Shareholders from time to time not more than 30 days subsequent to the date of the Final Prospectus, the Underwriters may purchase all or less than all of the Option ADSs at the purchase price per ADS to be paid for the Firm ADSs. The Company and the Selling Shareholders agree, severally and not jointly, to sell to the Underwriters the respective numbers of Option ADSs obtained by multiplying the number of Option ADSs specified in such notice by a fraction the numerator of which is 595,437 in the case of the Company and the number of ADSs set forth opposite the names of such Selling Shareholders in Schedule B hereto under the caption "Number of Option ADSs to be Sold" in the case of the Selling Shareholders and the denominator of which is the total number of Option ADSs (subject to adjustment by the Representatives to eliminate fractions). Such Option ADSs shall be purchased from the Company and each Selling Shareholders for the account of each Underwriter in the same proportion as the number of Firm ADSs set forth opposite such Underwriter's name bears to the total number of Firm ADSs (subject to adjustment by the Representatives to eliminate fractions) and may be purchased by the Underwriters only for the purpose of covering over-allotments made in connection with the sale of the Firm ADSs. No Option ADSs shall be sold or delivered unless the Firm ADSs previously have been, or simultaneously are, sold and delivered. The right to purchase the Option ADSs or any portion thereof may be exercised from time to time and to the extent not previously exercised may be surrendered and terminated at any time upon notice by the Representatives to the Company and the Selling Shareholders.

Each time for the delivery of and payment for the Option ADSs, being herein referred to as an "Option Closing Date", which may be the First Closing Date (the First Closing Date and each Option Closing Date, if any, being sometimes referred to as a "Closing Date"), shall be determined by the Representatives but shall be not later than five full business days after written notice of election to purchase Option ADSs is given. The Company and the Custodian will deliver the Option Securities being purchased on each Option Closing Date to or as instructed by the Representatives for the accounts of the several Underwriters in a form reasonably acceptable to the Representatives, against payment of the purchase price therefore in U.S. dollars in same day funds by official bank check or checks or wire transfer to an account at a bank acceptable to the Representatives drawn to the order of the Company or the Company on behalf of the Selling Shareholders, at the office of Shearman & Sterling LLP. The ADRs evidencing the Option Securities in ADS form will be in definitive form, in such denominations and registration in such names as the Representatives request upon reasonable notice prior to such Option Closing Date. The ADRs will be made available for checking and packaging at Shearman & Sterling LLP or such other place designated by the Representatives at a reasonable time in advance of such Option Closing Date.

The documents to be delivered on a Closing Date by or on behalf of the parties hereto pursuant to this Agreement shall be delivered at the office of Shearman & Sterling LLP or other location designated by the Representatives 24 hours prior to such Closing Date or such other time designated by the Representatives.

3. Offering by Underwriters. It is understood that the several Underwriters propose to offer the Offered ADSs for sale to the public as set forth in the Final Prospectus.

4. Certain Agreements of the Company and the Selling Shareholders.

(i) The Company agrees with the several Underwriters that:

(a) Unless filed pursuant to Rule 462(c) as part of the Additional Registration Statement in accordance with the next sentence, the Company will file the Final Prospectus, in a form approved by the Representatives, with the Commission pursuant to and in accordance with subparagraph (1) (or, if applicable and if consented to by the Representatives, subparagraph (4)) of Rule 424(b) not later than the earlier of (A) the second business day following the execution and delivery of this Agreement or (B) the fifteenth business day after the Effective Time of the Initial Registration Statement. The Company will advise the Representatives promptly of any such filing pursuant to Rule 424(b) and provide satisfactory evidence to the Representatives of such timely filing. If an Additional Registration Statement is necessary to register a portion of the Offered ADSs under the Act but the Effective Time thereof has not occurred as of the execution and delivery of this Agreement, the Company will file the additional registration statement or, if filed, will file a post-effective amendment thereto with the Commission pursuant to and in accordance with Rule 462(b) on or prior to 10:00 P.M., New York time, on the date of this Agreement or, if earlier, on or prior to the time the Final Prospectus is finalized and distributed to any Underwriter, or will make such filing at such later date as shall have been consented to by the Representatives.

(b) The Company will promptly advise the Representatives of any proposal to amend or supplement at any time the Initial Registration Statement, any Additional Registration Statement or any Statutory Prospectus and will not effect such amendment or supplementation without the Representatives' consent, which consent shall not be unreasonably withheld; and the Company will also advise the Representatives promptly of (i) the effectiveness of any Additional Registration Statement (if its Effective Time is subsequent to the execution and delivery of this Agreement), (ii) any amendment or supplementation of a Registration Statement or any Statutory Prospectus, (iii) any request by the Commission or its staff for any amendment to any Registration Statement, for any supplement to any Statutory Prospectus or for any additional information, (iv) the institution by the Commission of any stop order proceedings in respect of a Registration Statement or the threatening of any proceeding for that purpose, and (v) the receipt by the Company of any notification with respect to the suspension of the qualification of the Offered ADSs in any jurisdiction or the institution or threatening of any proceedings for such purpose. The Company will use its best efforts to prevent the issuance of any such stop order or the suspension of any such qualification and, if issued, to obtain as soon as possible the withdrawal thereof.

(c) If, at any time when a prospectus relating to the Offered ADSs is (or but for the exemption in Rule 172 would be) required to be delivered under the Act by any Underwriter or dealer, any event occurs as a result of which the Final Prospectus as then amended or supplemented would include an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, or if it is necessary at any time to amend the Registration Statement or supplement the Final Prospectus to comply with the Act, the Company will promptly notify the

Representatives of such event and will promptly prepare and file with the Commission and furnish, at its own expense, to the Underwriters and the dealers and any other dealers upon request of the Representatives, an amendment or supplement which will correct such statement or omission or an amendment which will effect such compliance. Neither the Representatives' consent to, nor the Underwriters' delivery of, any such amendment or supplement shall constitute a waiver of any of the conditions set forth in Section 6 hereof.

(d) As soon as practicable, but not later than the Availability Date (as defined below), the Company will make generally available to its security holders an earnings statement covering a period of at least 12 months beginning after the Effective Date of the Initial Registration Statement (or, if later, the Effective Time of the Additional Registration Statement) which will satisfy the provisions of Section 11(a) of the Act and Rule 158 under the Act. For the purpose of the preceding sentence, Availability Date means the 45th day after the end of the fourth fiscal quarter following the fiscal quarter that includes such Effective Time, except that, if such fourth fiscal quarter is the last quarter of the Company's fiscal year, "Availability Date" means the 90th day after the end of such fourth fiscal quarter.

(e) The Company will furnish to the Representatives two copies of each Registration Statement and the ADS Registration Statement, each of which will be signed and will include all exhibits, each related Statutory Prospectus, and, so long as a prospectus relating to the Offered ADSs is (or but for the exemption in Rule 172 would be) required to be delivered under the Act, the Final Prospectus and all amendments and supplements to such documents, in each case in such quantities as the Representatives shall request. The Final Prospectus shall be so furnished on or prior to 3:00 P.M., New York time, on the business day following the execution and delivery of this Agreement. All other such documents shall be so furnished as soon as available. The Company and the Selling Shareholders will pay the expenses of printing and distributing to the Underwriters all such documents.

(f) The Company will arrange for the qualification of the Offered ADSs for sale under the laws of such jurisdictions as the Representatives designate and will continue such qualifications in effect so long as required for the distribution.

(g) During the period of five years hereafter, the Company will furnish to the Representatives and, upon request, to each of the other Underwriters, as soon as practicable after the end of each fiscal year, a copy of its annual report to shareholders for such year; and the Company will furnish to the Representatives as soon as available, a copy of each report and any definitive proxy statement of the Company filed with the Commission under the Exchange Act or mailed to shareholders. However, so long as the Company is subject to the reporting requirements of either Section 13 or Section 15(d) of the Exchange Act and is timely filing reports with the Commission on its Electronic Data Gathering, Analysis and Retrieval system ("EDGAR"), it is not required to furnish such reports or statements to the Underwriters.

(h) Prior to the First Closing Date, the Company will furnish to the Underwriters, as soon as they have been prepared by or are available to the Company, a copy of any unaudited interim financial statements of the Company for any period subsequent to the period covered by the most recent financial statements appearing in the Registration Statement, the General Disclosure Package and the Final Prospectus.

(i) The Company will use its best efforts to comply with Sarbanes-Oxley, and to use its best efforts to cause the Company's directors and officers, in their capacities as such, to comply in with Sarbanes-Oxley.

(j) The Company will maintain a transfer agent and, if necessary under the jurisdiction of incorporation of the Company, a registrar for the Shares of the Company.

(k) Prior to each Closing Date, the Company will not issue any press release or other communication directly or indirectly and will not hold any press conference with respect to the Company, any of the Subsidiaries or the Affiliated Entity, the financial condition, results of operations, business, properties, assets, or liabilities of the Company, any of the Subsidiaries or the Affiliated Entity, or the offering of the ADSs, without prior consent of the Representatives, which consent shall not be unreasonably withheld.

(l) Upon request of any Underwriter, the Company will furnish, or cause to be furnished, to such Underwriter an electronic version of the Company's trademarks, servicemarks and corporate logo for use on the website, if any, operated by such Underwriter for the purpose of facilitating the on-line offering of the Offered ADSs in connection with this offering; provided, however, that any such license is granted without any fee and may not be assigned or transferred to any person without the Company's consent other than affiliates of such Underwriter.

(m) The Company agrees not to attempt to avoid any judgment obtained by it or denied to it in a court of competent jurisdiction outside the British Virgin Islands.

(n) The Company and the each Selling Shareholder agree with the several Underwriters that the Company and such Selling Shareholder will pay all expenses incident to the performance of the obligations of the Company and such Selling Shareholder, as the case may be, under this Agreement, including but not limited to any filing fees and other expenses incurred in connection with qualification of the Offered ADSs and the Offered Shares represented thereby for sale under the laws of such jurisdictions as the Representatives designate and the preparation and printing of memoranda and prospectus wrapper relating thereto costs and expenses related to the review by the FINRA of the Offered ADSs (including filing fees and the fees and expenses of counsel for the Underwriters relating to such review), costs and expenses relating to investor presentations or any "road show" in connection with the offering and sale of the Offered ADSs including, without limitation, any travel expenses of the Company's officers and employees and any other expenses of the Company including the chartering of airplanes, fees and expenses incident to listing the Offered ADSs on the New York Stock Exchange, fees and expenses in connection with the registration of the Offered ADSs under the Exchange Act, any transfer taxes on the sale by the Selling Shareholders of the Offered ADSs to the Underwriters and expenses incurred in distributing preliminary prospectuses and the Final Prospectus (including any amendments and supplements thereto) to the Underwriters and for expenses incurred for preparing, printing and distributing any Issuer Free Writing Prospectuses to investors or prospective investors. If the transactions contemplated hereby, where both of the Representatives are acting as joint bookrunners and



joint lead managers, shall not be consummated, the Company shall reimburse each of the Representatives for reasonable out-of-pocket expenses up to a maximum of US\$ , including, without limitation, travel, lodging, communication, fees and disbursements of international, local and other counsels, reasonably incurred in connection with investigating, marketing and proposing to market the Offered ADSs or in contemplation of performing their obligations hereunder.

(o) The Company will use its best efforts to list the Offered ADSs on the New York Stock Exchange, maintain the listing of the Offered ADSs on the New York Stock Exchange and ensure that the whole of the Company's share capital are admitted to trading on AIM.

(p) The Company will use the net proceeds received by it in connection with this offering in the manner described in the "Use of Proceeds" section of the General Disclosure Package and the Final Prospectus.

(q) The Company shall not invest, or otherwise use the proceeds received by the Company from its sale of the Offered ADSs in such a manner (i) as would require the Company, any of the Subsidiaries or the Affiliated Entity to register as an investment company under the 1940 Act, and (ii) that would result in the Company being not in compliance with any applicable laws, rules and regulations of the State Administration of Foreign Exchange of the PRC.

(r) The Company will not take, directly or indirectly, any action designed to or that would constitute or that might reasonably be expected to cause or result in, stabilization or manipulation of the price of any securities of the Company to facilitate the sale or resale of the Offered ADSs.

(s) The Company will indemnify and hold harmless the Underwriters against any documentary, stamp or similar issue tax, including any interest and penalties, on the creation, issue and sale of the Offered ADSs to the Underwriters and on the execution and delivery of this Agreement or the Deposit Agreement. All payments to be made by the Company hereunder shall be made without withholding or deduction for or on account of any present or future taxes, duties or governmental charges whatsoever unless the Company is compelled by law to deduct or withhold such taxes, duties or charges. In that event, the Company shall pay such additional amounts as may be necessary in order that the net amounts received after such withholding or deduction shall equal the amounts that would have been received if no withholding or deduction had been made.

(t) For the period specified below (the "Lock-Up Period"), the Company will not, directly or indirectly, take any of the following actions with respect to its Shares or ADSs representing the Shares, or any securities convertible into or exchangeable or exercisable for any of its Shares, including ADSs representing the Shares ("Lock-Up Securities"): (i) offer, sell, issue, contract to sell, pledge or otherwise dispose of Lock-Up Securities, (ii) offer, sell, issue, contract to sell, contract to purchase or grant any option, right or warrant to purchase Lock-Up Securities, (iii) enter into any swap, hedge or any other agreement that transfers, in whole or in part, the economic consequences of ownership of Lock-Up Securities, (iv) establish or increase a put equivalent position or liquidate or decrease a call equivalent position in Lock-Up Securities within the meaning of Section 16 of the Exchange Act or (v) file with the Commission a registration statement under the Act relating to Lock-Up Securities, or publicly disclose the intention to take any such

action, without the prior written consent of the Representatives, except (A) issuances of Lock-Up Securities pursuant to this Agreement, the conversion of RMB928,700,000 U.S. Dollar settled 1% Convertible Bonds Due 2012, (B) grants of employee stock options pursuant to the terms of 2007 Share Incentive Plan or issuances of Lock-Up Securities pursuant to the exercise of such options. The initial Lock-Up Period will commence on the date hereof and continue for 90 days after the date hereof or such earlier date that the Representatives consent to in writing; provided, however, that if (1) during the last 17 days of the initial Lock-Up Period, the Company releases earnings results or material news or a material event relating to the Company occurs or (2) prior to the expiration of the initial Lock-Up Period, the Company announces that it will release earnings results during the 16-day period beginning on the last day of the initial Lock-Up Period, then in each case the Lock-Up Period will be extended until the expiration of the 18-day period beginning on the date of release of the earnings results or the occurrence of the materials news or material event, as applicable, unless the Representatives waive, in writing, such extension. The Company will provide the Representatives with notice of any announcement described in clause (2) of the preceding sentence that gives rise to an extension of the Lock-Up Period.

(u) The Company will comply with the terms of the Deposit Agreement so that the ADRs evidencing the ADSs will be executed by the Depository and delivered to the Underwriters, pursuant to this Agreement at the applicable Closing Date.

(ii) Each of the Selling Shareholders agrees with the several Underwriters that:

(a) If, at any time when a prospectus relating to the Offered ADSs is (or but for the exemption in Rule 172 would be) required to be delivered under the Act by any Underwriter or dealer, such Selling Shareholder will advise the Representatives promptly, and will confirm such advice in writing to the Representatives, of any change in the information relating to such Selling Shareholder in the Registration Statement, the Final Prospectus or any document comprising the General Disclosure Package.

(b) Each Selling Shareholder will not use any of the proceeds received by such Selling Shareholder from the sale of the Offered ADSs pursuant to this Agreement to fund any operations in, to finance any investments, projects or activities in, or to make any payments to, any country, or to make any payments to, or finance any activities with, any person, targeted by any of the economic sanctions promulgated by any Executive Order issued by the President of the United States or administered by the OFAC, or in any manner that is not in compliance with applicable laws, rules and regulations of any governmental agency having jurisdiction over such Selling Shareholders.

(c) Such Selling Shareholder will not take, directly or indirectly, any action designed to or that would constitute or that might reasonably be expected to cause or result in, stabilization or manipulation of the price of any securities of the Company to facilitate the sale or resale of the Offered ADSs.

(d) Such Selling Shareholder, severally and not jointly, will indemnify and hold harmless the Underwriters against any documentary, stamp or similar issue tax, including any interest and penalties, on the creation, issue and sale of the Offered ADSs to

the Underwriters by such Selling Shareholder and on the execution and delivery of this Agreement. All payments to be made by the Selling Shareholders hereunder shall be made without withholding or deduction for or on account of any present or future taxes, duties or governmental charges whatsoever unless a Selling Shareholders are compelled by law to deduct or withhold such taxes, duties or charges. In that event, a Selling Shareholders shall pay such additional amounts as may be necessary in order that the net amounts received after such withholding or deduction shall equal the amounts that would have been received if no withholding or deduction had been made.

(e) For the period specified below (the “Lock-Up Period”), each Selling Shareholder will not, directly or indirectly, take any of the following actions with respect to Lock-Up Securities: (i) offer, sell, issue, contract to sell, pledge or otherwise dispose of Lock-Up Securities, (ii) offer, sell, issue, contract to sell, contract to purchase or grant any option, right or warrant to purchase Lock-Up Securities, (iii) enter into any swap, hedge or any other agreement that transfers, in whole or in part, the economic consequences of ownership of Lock-Up Securities, (iv) establish or increase a put equivalent position or liquidate or decrease a call equivalent position in Lock-Up Securities within the meaning of Section 16 of the Exchange Act, (v) demand of the filing with the Commission of a registration statement under the Act or (vi) publicly disclose the intention to take any such action, without the prior written consent of the Representatives. The initial Lock-Up Period will commence on the date hereof and continue for 90 days after the date hereof or such earlier date that the Representatives consent to in writing; provided, however, that if (1) during the last 17 days of the initial Lock-Up Period, the Company releases earnings results or material news or a material event relating to the Company occurs or (2) prior to the expiration of the initial Lock-Up Period, the Company announces that it will release earnings results during the 16-day period beginning on the last day of the initial Lock-Up Period, then in each case the Lock-Up Period will be extended until the expiration of the 18-day period beginning on the date of release of the earnings results or the occurrence of the material news or material event, as applicable, unless the Representatives waive, in writing, such extension. A transfer of ADSs or Shares to a family member, any entity controlled by the family member, an affiliate of the Selling Shareholder or a trust may be made, provided the transferee agrees to be bound in writing by the terms of this Agreement prior to such transfer.

(f) Prior to each Closing Date, each Selling Shareholder will deposit Shares with the Depositary through the Custodian in accordance with the provisions of the Deposit Agreement and Custody Agreement, and will otherwise comply with the Deposit Agreement so that ADRs evidencing Offered ADSs will be executed (and, if applicable, countersigned) and issued by the Depositary against receipt of such Shares and delivered to the Underwriters at such Closing Date.

5. Free Writing Prospectuses. The Company and Selling Shareholders represent and agree severally and not jointly that, unless they obtain the prior consent of the Representatives, and each Underwriter represents and agrees that, unless it obtains the prior consent of the Company and the Representatives, it has not made and will not make any offer relating to the Offered ADSs that would constitute an Issuer Free Writing Prospectus, or that would otherwise constitute a “free writing prospectus,” as defined in Rule 405, required to be filed with the Commission. Any such free writing prospectus consented to by the Company and the Representatives is hereinafter referred to as a “Permitted Free Writing Prospectus.” The Company represents that it has treated and agrees that it will treat each

Permitted Free Writing Prospectus as an “issuer free writing prospectus,” as defined in Rule 433, and has complied and will comply with the requirements of Rules 164 and 433 applicable to any Permitted Free Writing Prospectus, including timely Commission filing where required, legending and record keeping. The Company represents that it has satisfied and agrees that it will satisfy the conditions in Rule 433 to avoid a requirement to file with the Commission any electronic road show.

6. Conditions of the Obligations of the Underwriters. The obligations of the several Underwriters to purchase and pay for the Firm ADSs on the First Closing Date and the Option Securities to be purchased on each Option Closing Date will be subject to the accuracy of the representations and warranties on the part of the Company and the Selling Shareholders herein (as though made on such Closing Date), to the accuracy of the statements of Company officers, each Selling Shareholder, as the case maybe, and the Depositary made pursuant to the provisions hereof, to the performance by the Company and the Selling Shareholders of their obligations hereunder and to the following additional conditions precedent:

(a) The Representatives shall have received letters, dated, respectively, the date hereof and at each Closing, of Deloitte Touche Tohmatsu CPA Ltd., confirming that they are registered public accounting firm and independent public accountants within the meaning of the Securities Laws and substantially in the form attached as Annex C hereto; provided in any letter dated a Closing Date, the specified date referred to in Annex C shall be a date no more than three days prior to such Closing Date.

(b) If the Effective Time of the Additional Registration Statement, if any, is not prior to the execution and delivery of this Agreement, such Effective Time shall have occurred not later than 10:00 P.M., New York time, on the date of this Agreement or, if earlier, the time the Final Prospectus is finalized and distributed to any Underwriter, or shall have occurred at such later date as shall have been consented to by the Representatives. The Final Prospectus shall have been filed with the Commission in accordance with the Rules and Regulations and Section 4(a) of this Agreement. The ADS Registration Statement shall have been declared effective not later than 10:00 P.M., New York time, on the date of this Agreement or such later date as shall have been consented to by the Representatives. Prior to such Closing Date, no stop order suspending the effectiveness of a Registration Statement or the ADS Registration Statement shall have been issued and no proceedings for that purpose shall have been instituted or, to the knowledge of the Company or the Representatives, shall be contemplated by the Commission.

(c) Subsequent to the execution and delivery of this Agreement, there shall not have occurred (i) any change, or any development or event involving a prospective change, in the condition (financial or otherwise), results of operations, business, properties or prospects or of the Company, the Subsidiaries and the Affiliated Entity taken as a whole which, in the judgment of the Representatives, is material and adverse and makes it impractical or inadvisable to market the Offered ADSs; (ii) any downgrading in the rating of any debt securities of the Company by any “nationally recognized statistical rating organization” (as defined for purposes of Rule 436(g)), or any public announcement that any such organization has under surveillance or review its rating of any debt securities of the Company (other than an announcement with positive implications of a possible upgrading, and no implication of a possible downgrading, of such rating); (iii) a change in U.S., the PRC, the British Virgin Islands, the United Kingdom or international financial, political or economic conditions or currency exchange rates, exchange controls, or taxation, including any transfer taxes,

duties, or withholding obligations the effect of which is such as to make it, in the judgment of the Representatives, impractical to market or to enforce contracts for the sale of the Offered ADSs, whether in the primary market or in respect of dealings in the secondary market; (iv) any suspension or material limitation of trading in securities generally on the New York Stock Exchange or the London Stock Exchange (including the Alternative Investment Market of the London Stock Exchange), or any setting of minimum prices for trading on such exchange; (v) any suspension of trading of any securities of the Company on any exchange or in the over-the-counter market; (vi) any banking moratorium declared by U.S. Federal, New York, PRC, the British Virgin Islands or the United Kingdom authorities; (vii) any major disruption of settlements of securities, payment or clearance services in the United States or the United Kingdom; (viii) any attack on, outbreak or escalation of hostilities or act of terrorism involving the United States, the British Virgin Islands, the United Kingdom or the PRC, any declaration of war by the U.S. Congress, the PRC, the United Kingdom or any other national or international calamity or emergency if, in the judgment of the Representatives, the effect of any such attack, outbreak, escalation, act, declaration, calamity or emergency is such as to make it impractical or inadvisable to market the Offered ADSs or to enforce contracts for the sale of the Offered ADSs.

(d) The Representatives shall have received an opinion, dated such Closing Date, of Latham & Watkins LLP, United States counsel for the Company, addressed to the Underwriters, substantially in the form set forth in Annex D hereto.

(e) The Representatives shall have received an opinion, dated such Closing Date, of Boss & Young, PRC counsel for the Company, addressed to the Underwriters, substantially in the form set forth in Annex E hereto.

(f) The Representatives shall have received an opinion dated such Closing Date, of Harney Westwood & Reigels, British Virgin Islands counsel for the Company, addressed to the Underwriters, substantially in the form set forth in Annex F hereto.

(g) The Representatives shall have received an opinion dated such Closing Date, of Pinsent Masons, United Kingdom counsel for the Company, addressed to the Underwriters, substantially in the form set forth in Annex G hereto.

(h) The Representatives shall have received the opinion dated such Closing date, of Latham & Watkins LLP, United States counsel for the Selling Shareholders, addressed to the Underwriters, substantially in the form set forth in Annex H hereto.

(i) The Representatives shall have received an opinion dated such Closing date, of Harney Westwood & Reigels, British Virgin Islands counsel for certain Selling Shareholders, addressed to the Underwriters, in the form and substance reasonably satisfactory to the Representations and as set forth in Annex I hereto.

(j) The Underwriters shall have received an opinion, dated such Closing Date, from Emmet, Marvin & Martin LLP, counsel for the Depositary, addressed to the Underwriters, substantially in the form set forth in Annex J hereto.

(k) The Representatives shall have received from Shearman & Sterling LLP, United States counsel for the Underwriters, such opinion or opinions, dated such Closing Date, addressed to the Underwriters, with respect to such matters as the Representatives may require, and the Selling Shareholders and the Company shall have furnished to such counsel such documents as they request for the purpose of enabling them to pass upon such matters. In rendering such opinion, Shearman & Sterling LLP may rely as to the incorporation of the Company and all other matters governed by British Virgin Islands laws upon the opinion of Harney Westwood & Riegels and as to all matters governed by the laws of the PRC upon the opinions of Boss & Young referred to above and the opinions of Haiwen & Partners referred to below.

(l) The Representatives shall have received from Haiwen & Partners, PRC counsel to the Underwriters, such opinion or opinions, dated such Closing Date, with respect to such matters as the Representatives may require, and the Selling Shareholders and the Company shall have furnished to such counsel such documents as they may reasonably request for the purpose of enabling them to pass upon such matters.

(m) The Depositary shall have furnished or caused to be furnished to the Underwriters a certificate satisfactory to the Representatives of one of its authorized officers with respect to the deposit with it of the Shares represented by the ADSs against issuance of the ADRs evidencing the ADSs, the execution, issuance, countersignature and delivery of the ADRs evidencing the ADSs pursuant to the Deposit Agreement and such other matters related thereto as the Representatives may reasonably request.

(n) The Company and the Depositary shall have executed and delivered the Deposit Agreement and the Deposit Agreement shall be in full force and effect and the Company and the Depositary shall have taken all action necessary to permit the deposit of the Shares and the issuance of the ADSs in accordance with the Deposit Agreement.

(o) The Representatives shall have received a certificate, dated such Closing Date, of the Chief Executive officer and the Chief Financial Officer of the Company in which such officers shall state that: the representations and warranties of the Company in this Agreement are true and correct; the Company has complied with all agreements and satisfied all conditions on its part to be performed or satisfied hereunder at or prior to such Closing Date; no stop order suspending the effectiveness of any Registration Statement or the ADS Registration Statement has been issued and no proceedings for that purpose have been instituted or, to the best of their knowledge and after reasonable investigation, are contemplated by the Commission, the Additional Registration Statement (if any) satisfying the requirements of subparagraphs (1) and (3) of Rule 462(b) was timely filed pursuant to Rule 462(b), including payment of the applicable filing fee in accordance with Rule 111(a) or (b) of Regulation S-T of the Commission; and, subsequent to the date of the most recent financial statements in the General Disclosure Package, there has been no material adverse change, nor any development or event involving a prospective material adverse change, in the condition (financial or otherwise), results of operations, business, properties or prospects of the Company, the Subsidiaries and the Affiliated Entity taken as a whole except as set forth in the General Disclosure Package or as described in such certificate.

(p) On or prior to the date of this Agreement, the Representatives shall have received lock-up letters from each of the directors and executive officers of the Company and the existing beneficial owners of the Shares listed on Annex B-I, in each case substantially in the form attached hereto as Annex B-II.

(q) The Representatives shall have received a certificate, dated such Closing Date, of an authorized representative of each Selling Shareholder in which such authorized representative shall state that: the representations and warranties of such Selling Shareholder in this Agreement are true and correct; and the Selling Shareholders have complied with all agreements and satisfied all conditions on their part to be performed or satisfied hereunder at or prior to such Closing Date.

(r) On the date hereof, the Selling Shareholder shall have furnished for review by the Representatives executed copies of the Power of Attorney and Custody Agreement.

(s) On or prior to the First Closing Date, the Representatives shall have received a letter of the Custodian stating that they will deliver to each Selling Shareholder a United States Treasury Department Form 1099 (or other applicable form or statement specified by the United States Treasury Department regulations in lieu thereof) on before January 31, 2009.

(t) To avoid a 28% backup withholding tax each Selling Shareholder will deliver to the Representatives a properly completed and executed United States Treasury Department Form W-9, W-8BEN (or other applicable form or statement specified by Treasury Department regulations in lieu thereof to establish an exemption from backup withholding).

(u) The ADSs shall have been listed and admitted and authorized for trading on The New York Stock Exchange.

(v) The Offered Shares represented by the Offered ADSs shall have been approved by AIM for admission for trading on AIM.

(w) On or prior to the First Closing Date, the Offered ADSs shall be eligible for clearance and settlement through the facilities of DTC.

The Selling Shareholders and the Company will furnish the Representatives with such conformed copies of such opinions, certificates, letters and documents as the Representatives reasonably request. The Representatives may in their sole discretion waive, on behalf of the Underwriters, compliance with any conditions to the obligations of the Underwriters hereunder, whether in respect of an Option Closing Date or otherwise.

#### 7. Indemnification and Contribution.

(a) The Company will indemnify and hold harmless each Underwriter, its partners, members, directors, officers, employees, agents, affiliates and each person, if any, who controls such Underwriter within the meaning of Section 15 of the Act or Section 20 of the Exchange Act (each an "Indemnified Party"), from and against any and all losses, claims, damages or liabilities, joint or several, to which such Indemnified Party may become subject, under the Act, the Exchange Act, other Federal or state statutory law or regulation or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based

upon any untrue statement or alleged untrue statement of any material fact contained in any part of any Registration Statement, the ADS Registration Statement or the Form 8-A Registration Statement, at any time, any Statutory Prospectus as of any time, the Final Prospectus or any Issuer Free Writing Prospectus, or arise out of or are based upon the omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse each Indemnified Party for any legal or other expenses reasonably incurred by such Indemnified Party in connection with investigating or defending against any loss, claim, damage, liability, action, litigation, investigation or proceeding whatsoever (whether or not such Indemnified Party is a party thereto), whether threatened or commenced, and in connection with the enforcement of this provision with respect to any of the above as such expenses are incurred; provided, however, that the Company will not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement in or omission or alleged omission from any of such documents in reliance upon and in conformity with written information furnished to the Company by any Underwriter through the Representatives specifically for use therein, it being understood and agreed that the only such information furnished by any Underwriter consists of the information described as such in subsection (c) below.

(b) The Selling Shareholders, Mr. Xianshou Li and Mr. Yuncai Wu, severally and not jointly, will indemnify and hold harmless each Underwriter, its partners, members, directors, officers, employees, agents, affiliates and each person, if any, who controls such Underwriter within the meaning of Section 15 of the Act or Section 20 of the Exchange Act (each, an "Indemnified Party"), from and against any and all losses, claims, damages or liabilities, joint or several, to which such Indemnified Party may become subject, under the Act, the Exchange Act, other Federal or state statutory law or regulation or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in any part of any Registration Statement at any time, any Statutory Prospectus as of any time, the Final Prospectus or any Issuer Free Writing Prospectus, or arise out of or are based upon the omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse each Indemnified Party for any legal or other expenses reasonably incurred by such Indemnified Party in connection with investigating or defending against any loss, claim, damage, liability, action, litigation, investigation or proceeding whatsoever (whether or not such Indemnified Party is a party thereto), whether threatened or commenced, and in connection with the enforcement of this provision with respect to the above as such expenses are incurred; provided, however, that each of the Selling Shareholders, Mr. Xianshou Li and Mr. Yuncai Wu will not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement in or omission or alleged omission from any of such documents in reliance upon and in conformity with written information furnished to the Company by any Underwriter through the Representatives specifically for use therein, it being understood and agreed that the only such information furnished by any Underwriter consists of the information described as such in subsection (c) below; provided, further, that a Selling Shareholder (excluding Mr. Xianshou Li and Mr. Yuncai Wu) will only be liable to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement in or omission or alleged omission from any of such documents based upon written information furnished to



the Company by such Selling Shareholder; and provided further that the liability of each indemnifying Selling Shareholder, Mr. Xianshou Li and Mr. Yuncai Wu, pursuant to this subsection shall not exceed the product of the number of shares of Offered ADSs sold by such indemnifying Selling Shareholder and the price per share of Offered ADSs set forth in Section 2 hereof.

(c) Each Underwriter agrees, severally and not jointly, to indemnify and hold harmless the Company, each of its directors and each of its officers who signs a Registration Statement and each person, if any, who controls the Company within the meaning of Section 15 of the Act or Section 20 of the Exchange Act, and each Selling Shareholder, Mr. Xianshou Li and Mr. Yuncai Wu, (each, an "Underwriter Indemnified Party") from and against any losses, claims, damages or liabilities to which such Underwriter Indemnified Party may become subject, under the Act, the Exchange Act, or other Federal or state statutory law or regulation or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in any Registration Statement, the ADS Registration Statement, at any time, any Statutory Prospectus at any time, the Final Prospectus or any Issuer Free Writing Prospectus or arise out of or are based upon the omission or the alleged omission of a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to the Company by such Underwriter through the Representatives specifically for use therein, and will reimburse any legal or other expenses reasonably incurred by such Underwriter Indemnified Party in connection with investigating or defending against any such loss, claim, damage, liability, action, litigation, investigation or proceeding whatsoever (whether or not such Underwriter Indemnified Party is a party thereto), whether threatened or commenced, based upon any such untrue statement or omission, or any such alleged untrue statement or omission as such expenses are incurred; it being understood and agreed that the only such information furnished by any Underwriter consists of (i) the following information in the Final Prospectus furnished on behalf of each Underwriter: the concession and reallowance figures appearing in the fifth paragraph under the caption "Underwriting" and the information contained in the twelfth paragraph under the caption "Underwriting"; and (ii) the following information in the Final Prospectus furnished on behalf of Deutsche Bank Securities Inc.: the information contained in second sentence of the thirteenth paragraph under the caption "Underwriting."

(d) Promptly after receipt by an indemnified party under this Section of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against an indemnifying party under subsection (a), (b) or (c) above, notify the indemnifying party of the commencement thereof; but the failure to notify the indemnifying party shall not relieve it from any liability that it may have under subsection (a), (b) or (c) above except to the extent that it has been materially prejudiced (through the forfeiture of substantive rights or defenses) by such failure; and provided further that the failure to notify the indemnifying party shall not relieve it from any liability that it may have to an indemnified party otherwise than under subsection (a), (b) or (c) above. In case any such action is brought against any indemnified party and it notifies an indemnifying party of the commencement thereof, the indemnifying party will be entitled to participate therein and, to the extent that it may wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel satisfactory to such indemnified party (who shall not, except with the

consent of the indemnified party, be counsel to the indemnifying party), and after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party will not be liable to such indemnified party under this Section for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable costs of investigation. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened action in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party unless such settlement (i) includes an unconditional release of such indemnified party from all liability on any claims that are the subject matter of such action; and (ii) does not include a statement as to, or an admission of, fault, culpability or a failure to act by or on behalf of an indemnified party.

(e) If the indemnification provided for in this Section is unavailable or insufficient to hold harmless an indemnified party under subsection (a), (b) or (c) above, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of the losses, claims, damages or liabilities referred to in subsection (a), (b) or (c) above (i) in such proportion as is appropriate to reflect the relative benefits received by the Company and the Selling Shareholders, Mr. Xianshou Li and Mr. Yuncai Wu on the one hand and the Underwriters on the other from the offering of the Offered ADSs or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company and the Selling Shareholders, Mr. Xianshou Li and Mr. Yuncai Wu on the one hand, and the Underwriters on the other in connection with the statements or omissions, which resulted in such losses, claims, damages or liabilities as well as any other relevant equitable considerations. The relative benefits received by the Company and the Selling Shareholders, Mr. Xianshou Li and Mr. Yuncai Wu on the one hand, and the Underwriters, on the other, shall be deemed to be in the same proportion as the total net proceeds from the offering of the Offered ADSs (before deducting expenses) received by the Company and the Selling Shareholders, Mr. Xianshou Li and Mr. Yuncai Wu bear to the total underwriting discounts and commissions received by the Underwriters. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company, the Selling Shareholders, Mr. Xianshou Li, Mr. Yuncai Wu or the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such untrue statement or omission. The amount paid by an indemnified party as a result of the losses, claims, damages or liabilities referred to in the first sentence of this subsection (e) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any action or claim which is the subject of this subsection (e). Notwithstanding the provisions of this subsection (e), no Underwriter shall be required to contribute any amount in excess of the amount of the underwriting discounts and commission applicable to the Offered ADSs purchased by such Underwriter. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations in this subsection (e) to contribute are several in proportion to their respective underwriting obligations and not joint. The Company, the Selling Shareholders and the Underwriters agree that it would not be just and equitable if contribution pursuant to this Section 7(e) were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to in this Section 7(e).

8. Default of Underwriters. If any Underwriter or Underwriters default in their obligations to purchase the Offered ADSs hereunder on any Closing Date and the aggregate number of Offered ADSs that such defaulting Underwriter or Underwriters agreed but failed to purchase does not exceed 10% of the total number of Offered ADSs that the Underwriters are obligated to purchase on such Closing Date, the Representatives may make arrangements satisfactory to the Company and the Selling Shareholders for the purchase of such Offered ADSs by other persons, including any of the Underwriters, but if no such arrangements are made by such Closing Date, the non-defaulting Underwriters shall be obligated severally, in proportion to their respective commitments hereunder, to purchase the Offered ADSs that such defaulting Underwriters agreed but failed to purchase on such Closing Date. If any Underwriter or Underwriters so default and the aggregate number of Offered ADSs with respect to which such default or defaults occur exceeds 10% of the total number of Offered ADSs that the Underwriters are obligated to purchase on such Closing Date and arrangements satisfactory to the Representatives, the Company and the Selling Shareholders for the purchase of such Offered ADSs by other persons are not made within 36 hours after such default, this Agreement will terminate without liability on the part of any non-defaulting Underwriter, the Company or the Selling Shareholders, except as provided in Section 9 (provided that if such default occurs with respect to the Option ADSs after the First Closing Date, this Agreement will not terminate as to the Firm ADSs or any Option ADSs purchased prior to such termination). As used in this Agreement, the term "Underwriter" includes any person substituted for an Underwriter under this Section. Nothing herein will relieve a defaulting Underwriter from liability for its default.

9. Survival of Certain Representations and Obligations. The respective indemnities, agreements, representations, warranties and other statements of the Selling Shareholders, of the Company or its officers and of the several Underwriters set forth in or made pursuant to this Agreement will remain in full force and effect, regardless of any investigation, or statement as to the results thereof, made by or on behalf of any Underwriter, any Selling Stockholder, the Company or any of their respective representatives, officers or directors or any controlling person, and will survive delivery of and payment for the Offered ADSs. If the purchase of the Offered ADSs by the Underwriters is not consummated for any reason other than solely because of the termination of this Agreement pursuant to Section 8 hereof, the Company and the Selling Shareholders will, jointly and severally, reimburse the Underwriters for all out-of-pocket expenses (including fees and disbursements of counsel) reasonably incurred by them in connection with the offering of the Offered ADSs, and the respective obligations of the Company, the Selling Shareholders and the Underwriters pursuant to Section 7 hereof shall remain in effect. In addition, if any Offered ADSs have been purchased hereunder, the representations and warranties in Section 1 and all obligations under Section 4 shall also remain in effect.

10. Notices. All communications hereunder will be in writing and,

(a) if sent to the Underwriters, will be mailed, delivered or telegraphed and confirmed to: Credit Suisse Securities (USA) LLC, Eleven Madison Avenue, New York, N.Y. 10010-3629, Attention: Transactions Advisory Group, and Deutsche Bank Securities Inc., 60 Wall Street, 4<sup>th</sup> Floor, New York, NY 10005, Attention: Syndicate Manager, Equity Capital Markets; or

(b) if sent to the Company, the Selling Shareholders, Mr. Xianshou Li, Mr. Yuncai Wu or any of them will be mailed, delivered or telegraphed and confirmed to it at ReneSola Ltd, No. 8 Baoqun Road, YaoZhuang, Jiashan, Zhejiang 314117, People's Republic of China, Attention: Mr. Charles Xiaoshu Bai;

provided, however, that any notice to an Underwriter pursuant to Section 7 will be mailed, delivered or telegraphed and confirmed to such Underwriter.

11. Successors. This Agreement will inure to the benefit of and be binding upon the parties hereto and their respective personal representatives and successors and the officers and directors and controlling persons referred to in Section 6, and no other person will have any right or obligation hereunder. No purchaser of the Offered ADSs from any Underwriter shall be deemed as a successor or assign merely because of such purchase.

12. Representation. The Representatives will act for the several Underwriters in connection with the transactions contemplated by this Agreement, and any action under this Agreement taken by the Representatives jointly will be binding upon all the Underwriters. The Attorney-in-Fact will act for the Selling Shareholders in connection with such transactions, and any action under or in respect of this Agreement taken by the Attorney-in-Fact will be binding upon all the Selling Shareholders.

13. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same Agreement.

14. Absence of Fiduciary Relationship. The Company and the Selling Shareholders acknowledge and agree that:

(a) The Representatives have been retained solely to act as underwriters in connection with the sale of the Offered ADSs and that no fiduciary, advisory or agency relationship between the Company or the Selling Shareholders, on the one hand, and the Representatives, on the other, has been created in respect of any of the transactions contemplated by this Agreement or the Final Prospectus, irrespective of whether the Representatives have advised or is advising the Company or the Selling Shareholders on other matters;

(b) The price of the Offered ADSs set forth in this Agreement was established by Company and the Selling Shareholders following discussions and arms-length negotiations with the Representatives and the Company and the Selling Shareholders are capable of evaluating and understanding and understand and accept the terms, risks and conditions of the transactions contemplated by this Agreement;

(c) The Company and the Selling Shareholders have been advised that the Representatives and their affiliates are engaged in a broad range of transactions which may involve interests that differ from those of the Company or the Selling Shareholders and that the Representatives have no obligation to disclose such interests and transactions to the Company or the Selling Shareholders by virtue of any fiduciary, advisory or agency relationship; and

(d) The Company and the Selling Shareholders waive, to the fullest extent permitted by law, any claims they may have against the Representatives for breach of fiduciary duty or alleged breach of fiduciary duty and agree that the Representatives shall have no liability (whether direct or indirect) to the Company or the Selling Shareholders in respect of such a fiduciary duty claim or to any person asserting a fiduciary duty claim on behalf of or in right of the Company, including shareholders, employees or creditors of the Company.

15. Applicable Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York, including, without limitation, Section 5-1401 of the New York General Obligations Law.

The Company and the Selling Shareholders hereby submit to the non-exclusive jurisdiction of the Federal and state courts in the Borough of Manhattan in The City of New York in any suit or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby. The Company and the Selling Shareholders irrevocably and unconditionally waive any objection to the laying of venue of any suit or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby in Federal and state courts in the Borough of Manhattan in the City of New York and irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such suit or proceeding in any such court has been brought in an inconvenient forum. The Company and the Selling Shareholders irrevocably appoint CT Corporation System, as their respective authorized agent in the Borough of Manhattan in The City of New York upon which process may be served in any such suit or proceeding, and agrees that service of process upon such agent, and written notice of said service to the Company by the person serving the same to the address provided in Section 10, shall be deemed in every respect effective service of process upon the Company or the Selling Shareholders, as the case may be, in any such suit or proceeding. The Company and the Selling Shareholders further agree to take any and all action as may be necessary to maintain such designation and appointment of such agent in full force and effect for a period of seven years from the date of this Agreement.

The obligation of the Company or any Selling Shareholder pursuant to this Agreement in respect of any sum due to any Underwriter shall, notwithstanding any judgment in a currency other than United States dollars, not be discharged until the first business day, following receipt by such Underwriter of any sum adjudged to be so due in such other currency, on which (and only to the extent that) such Underwriter may in accordance with normal banking procedures purchase United States dollars with such other currency; if the United States dollars so purchased are less than the sum originally due to such Underwriter hereunder, the Company and such Selling Shareholders agree, as a separate obligation and notwithstanding any such judgment, to indemnify such Underwriter against such loss. If the United States dollars so purchased are greater than the sum originally due to such Underwriter hereunder, such Underwriter agrees to pay to the Company or such Selling Shareholder an amount equal to the excess of the dollars so purchased over the sum originally due to such Underwriter hereunder.

If the foregoing is in accordance with the Representatives' understanding of our agreement, kindly sign and return to the Company one of the counterparts hereof, whereupon it will become a binding agreement among the Selling Shareholders, the Company and the several Underwriters in accordance with its terms.

Very truly yours,

RENESOLA LTD

By: \_\_\_\_\_

Name: Xianshou Li

Title: Director and Chief Executive Officer

XIANSHOU LI

\_\_\_\_\_  
As Attorney-In-Fact of the various  
Selling Shareholders attached hereto as  
Schedule B

XIANSHOU LI

By: \_\_\_\_\_

YUNCAI WU

By: \_\_\_\_\_

The foregoing Underwriting Agreement is hereby confirmed and accepted as of the date first above written.

CREDIT SUISSE SECURITIES (USA) LLC  
DEUTSCHE BANK SECURITIES INC.

CREDIT SUISSE SECURITIES (USA) LLC

By: \_\_\_\_\_  
Name:  
Title:

DEUTSCHE BANK SECURITIES INC.

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

Acting on behalf of themselves and as the  
Representatives of the several Underwriters named in  
Schedule A hereto.

SCHEDULE A

<u>Underwriter</u>	<u>Total Number of Firm ADS to be Purchased</u>
Credit Suisse Securities (USA) LLC	
Deutsche Bank Securities Inc.	
Piper Jaffray & Co.	
Lazard Capital Markets LLC	
Oppenheimer & Co. Inc.	
Total	<u>9,000,000</u>



SCHEDULE B

<u>Selling Shareholder</u>	<u>Number of Firm ADS to Be Sold</u>	<u>Number of Option ADS to Be Sold</u>
Ruixin Holdings Limited	480,191	480,191
Yuncai Holdings Limited	247,372	247,372
Charles Xiaoshu Bai	60,000	15,000
Panjian Li	48,000	12,000
Cheng-Hsien Yeh	10,000	—
Binghua Huang	5,000	—
Total	<u>850,563</u>	<u>754,563</u>

SCHEDULE B - 1

**SCHEDULE C**

**1. General Use Free Writing Prospectuses (included in the General Disclosure Package)**

Issuer Free Writing Prospectus filed by the Company with the Commission on \_\_\_\_\_, 2008

**2. Other Information Conveyed Orally Included in the General Disclosure Package**

Price per ADS to the public: US\$

ANNEX A

<u>Subsidiary</u>	<u>% of equity interest owned directly or indirectly by the Company</u>
ReneSola America Inc.	100%
ReneSola Singapore Pte. Ltd.	100%
Zhejiang Yuhui Solar Energy Source Co., Ltd.	100%
ReneSola (Malaysia) SDN. BHD	51%
Sichuan ReneSola Silicon Material Co., Ltd.	100%
<b>Affiliated Entity</b>	
Linzhou Zhongsheng Semiconductor Silicon Material Co., Ltd.	49%

Martin Bloom  
Xianshou Li  
Yuncai Wu  
Jing Wang  
Binghua Huang  
Charles Xiaoshu Bai  
Cheng-Hsien Yeh  
Panjian Li  
Ying Tao

Ruixin Holdings Limited  
Yuncai Holdings Limited  
Zhengmin Lian  
Xiangjun Dong

ANNEX B-II

Form of Lock-Up Agreement

\_\_\_\_\_, 2008

Credit Suisse Securities (USA) LLC  
Eleven Madison Avenue  
New York, N.Y. 10010-3629

Deutsche Bank Securities Inc.  
60 Wall Street  
New York, NY 10005

As Representatives of the Several Underwriters

Ladies and Gentlemen:

As an inducement to the Underwriters to execute the Underwriting Agreement, pursuant to which an offering will be made that is intended to result in the establishment of a public market for the American depository shares (“ADSs”) representing shares of no par value (“Shares”) of ReneSola Ltd, and any successor (by merger or otherwise) thereto, (the “Company”), the undersigned hereby agrees that during the period specified in the following paragraph (the “Lock-Up Period”), the undersigned will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any shares of ADSs or Shares or securities convertible into or exchangeable or exercisable for any shares of ADS or Shares, enter into a transaction which would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of ADSs or Shares, whether any such aforementioned transaction is to be settled by delivery of ADSs or Shares or such other securities, in cash or otherwise, or publicly disclose the intention to make any such offer, sale, pledge or disposition, or to enter into any such transaction, swap, hedge or other arrangement, without, in each case, the prior written consent of the Representatives. In addition, the undersigned agrees that, without the prior written consent of the Representatives, it will not, during the Lock-Up Period, make any demand for or exercise any right with respect to, the registration of any ADSs or Shares or any security convertible into or exercisable or exchangeable for the ADSs or Shares.

The initial Lock-Up Period will commence on the date of this Lock-Up Agreement and continue and include the date 90 days after the public offering date set forth on the final prospectus used to sell the ADSs representing the Shares (the “Public Offering Date”) pursuant to the Underwriting Agreement, to which you are or expected to become parties; provided, however, that if (1) during the last 17 days of the initial Lock-Up Period, the Company releases earnings results or material news or a material event relating to the Company occurs or (2) prior to the expiration of the initial Lock-Up Period, the Company announces that it will release earnings results during the 16-day period beginning on the last day of the initial Lock-Up Period, then in each case the Lock-Up Period will be extended until the expiration of the 18-day period beginning on the date of release of the earnings results or the occurrence of the material news or material event, as applicable, unless the Representatives waive, in writing, such extension.

The undersigned hereby acknowledges and agrees that written notice of any extension of the Lock-Up Period pursuant to the previous paragraph will be delivered by the Representatives to the Company (in accordance with Section 10 of the Underwriting Agreement) and that any such notice properly delivered will be deemed to have been given to, and received by, the undersigned. The undersigned further agrees that, prior to engaging in any transaction or taking any other action that is subject to the terms of this Lock-Up Agreement during the period from the date of this Lock-Up Agreement to and including the 34<sup>th</sup> day following the expiration of the initial Lock-Up Period, it will give notice thereof to the company and will not consummate such transaction or take any such action unless it has received written confirmation from the Company that the Lock-Up Period (as may have been extended pursuant to the previous paragraph) has expired.

Any ADSs or Shares received upon exercise of options granted to the undersigned will also be subject to this Agreement. Any ADSs or Shares acquired by the undersigned in the open market will not be subject to this Agreement. A transfer of ADSs or Shares to a family member, any entity controlled by the family member, an affiliate of the undersigned or a trust may be made, provided the transferee agrees to be bound in writing by the terms of this Agreement prior to such transfer.

In furtherance of the foregoing, the Company and its transfer agent and registrar are hereby authorized to decline to make any transfer of shares of the ADSs or Shares if such transfer would constitute a violation or breach of this Agreement.

This Agreement shall be binding on the undersigned and the successors, heirs, personal representatives and assigns of the undersigned. This Agreement shall lapse and become null and void if the Public Offering Date shall not have occurred on or before July 31, 2008. This agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

Very truly yours,

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*[Name of Shareholder]*

ANNEX C

Form of Comfort Letter to be delivered by Deloitte Touche Tohmatsu CPA Ltd,  
independent public accountants of the Company

1. We are an independent registered public accounting firm with respect to the Company within the meaning of the Act and the applicable rules and regulations thereunder adopted by the SEC and the Public Company Accounting Oversight Board (United States) (“PCAOB”).
2. In our opinion, the consolidated financial statements and financial statement schedule audited by us and included in the Registration Statements comply as to form in all material respects with the applicable accounting requirements of the Act and the related rules and regulations adopted by the SEC.
3. We have not audited any financial statements of the Company as of any date or for any period subsequent to December 31, 2007; although we have conducted an audit for the year ended December 31, 2007, the purpose (and therefore the scope) of the audit was to enable us to express our opinion on the consolidated financial statements as of December 31, 2007, and for the year then ended, but not on the financial statements for any interim period within that year. Therefore, we are unable to and do not express any opinion on the financial position, results of operations, or cash flows as of any date or for any period subsequent to December 31, 2007.
4. For purposes of this letter, we have read the 2008 minutes of meetings of the shareholders, the board of directors and the audit committee of the Company as set forth in the minute books at \_\_\_\_\_, 2008, officials of the Company having advised us that the minutes of all such meetings through that date were set forth therein; we have carried out other procedures to \_\_\_\_\_, 2008 as follows (our work did not extend from \_\_\_\_\_, 2008 to \_\_\_\_\_, 2008):
  - a. With respect to the three-month periods ended March 31, 2007 and 2008, we have:
    - (i) Performed the procedures specified by the PCAOB for a review of interim financial information as described in SAS 100, *Interim Financial Information*, on the unaudited condensed balance sheet as at March 31, 2008 and the unaudited condensed consolidated statements of income for the three-month periods ended March 31, 2007 and 2008.
    - (ii) Inquired of certain officials of the Company who have responsibility for financial and accounting matters whether the unaudited condensed consolidated financial information referred to in 4a(i) is stated on a basis substantially consistent with that of the audited consolidated financial statements included in the Registration Statements.

b. With respect to the period from April 1, 2008 to April 30, 2008, we have:

(i) Read the unaudited consolidated financial information of the Company for the month ended as of April 30 of both 2007 and 2008 furnished to us by the Company; such financial information is incomplete in that it omits the statements of cash flows and other disclosures, officials of the Company having advised us that no such financial statements as of any date or for any period subsequent to April 30, 2008 were available; and

(ii) Inquired of certain officials of the Company who have responsibility for financial and accounting matters whether the unaudited consolidated financial information referred to in 4b(i) are stated on a basis substantially consistent with that of the audited consolidated financial statements included in the Registration Statements.

The foregoing procedures do not constitute an audit conducted in accordance with the standards of the PCAOB. Also, they would not necessarily reveal matters of significance with respect to the comments in the following paragraph. Accordingly, we make no representations regarding the sufficiency of the foregoing procedures for your purposes.

5. Nothing came to our attention as a result of the foregoing procedures, however, that caused us to believe that:

a. (i) The unaudited amounts described in paragraph 4a(i) for the three-month periods ended March 31, 2007 and 2008 do not agree with the amounts set forth in the unaudited consolidated financial statements for those same periods.

(ii) The unaudited amounts referred to in 4a(i) were not determined on a basis substantially consistent with that of the corresponding amounts set forth in the audited consolidated statements of income. We note that the information does not include a statement of comprehensive income and does not include all the disclosures required by APB 28, *Interim Financial Reporting*.

b. (i) At April 30, 2008, there was any change in the capital stock, increase in long-term debt or short-term borrowings, or decrease in consolidated net current assets or shareholders' equity of the Company as compared with amounts shown in the March 31, 2008 unaudited condensed consolidated balance sheet referred to in 4a(i); or

(ii) For the period from April 1, 2008 to April 30, 2008, there were any decreases, as compared with the corresponding period in the preceding year, in consolidated net revenues or in the total or per-share amounts of income before extraordinary items or of net income except in all instances for changes, increases, or decreases that the Registration Statements discloses have occurred or may occur and except that the unaudited consolidated balance sheet as of April 30, 2008, which we were furnished by the Company, showed an increase from March 31, 2008, in consolidated long-term debt (comprised of convertible bond payable and long-term borrowings) and short-term borrowings, as follows (in thousands of dollars):

	<u>Long-term Debt</u>	<u>Short-term Borrowings</u>
March 31, 2008	\$ 168,083	\$ 88,968
April 30, 2008	\$ 178,113	\$ 108,566



6. As mentioned in paragraph 4b, Company officials have advised us that no consolidated financial statement as of any date or for any period subsequent to April 30, 2008 are available; accordingly, the procedures carried out by us with respect to changes in financial statement items after April 30, 2008 have, of necessity, been even more limited than those with respect to the periods referred to in paragraph 4. We have inquired of certain officials of the Company who have responsibility for financial and accounting matters whether: (a) at \_\_\_\_\_, 2008, there was any change in the capital stock, increase in long-term debt or short-term borrowings, or any decreases in consolidated net current assets or shareholders' equity of the Company as compared with amounts shown on the March 31, 2008 unaudited condensed consolidated balance sheet referred to in 4a(i) or (b) for the period from April 1, 2008 to \_\_\_\_\_, 2008, there were any decreases, as compared with the corresponding period in the preceding year, in consolidated net sales or in the total or per-share amounts of income before extraordinary items or of net income. On the basis of these inquiries and our reading of the minutes as described in 4, nothing came to our attention that caused us to believe that there was any such change, increase, or decrease, except in all instances for changes, increases, or decreases that the Registration Statements disclose have occurred or may occur and except as described in 5(b)(i) and in the following sentence. We have been informed by officials of the Company that there continues to be an increase in long-term debt and short-term borrowings in an amount not determinable at \_\_\_\_\_, 2008 that is estimated to be approximately the same amount as set forth in 5b.

7. With respect to the unaudited condensed consolidated financial information for the three-month periods ended March 31, 2006 and 2007, June 30, 2006 and 2007, September 30, 2006 and 2007 and December 31, 2006 and 2007 included in the "Management Discussion and Analysis of Financial Condition and Results of Operations" in the Registration Statements, we have (i) performed the procedures specified by the PCAOB for a review of interim financial information as described in SAS 100, *Interim Financial Information* and (ii) inquired of certain officials of the Company who have responsibility for financial and accounting matters whether the unaudited consolidated financial statements are stated on a basis substantially consistent with that of the audited consolidated financial statements included in the Registration Statements. Nothing came to our attention as a result of the foregoing procedures that caused us to believe that any material modifications should be made to the unaudited condensed consolidated financial information described above, included in the Registration Statements, for it to be in conformity with accounting principles generally accepted in the United States of America except that the information does not include all the disclosures required by APB 28, *Interim Financial Reporting*.

8. For purposes of this letter, we have also read the items identified by you on the attached copies of selected pages from the Registration Statement, and have performed the following procedures, which were applied as indicated with respect to the letters explained below:

- A Compared the amounts, descriptions of such amounts, numbers or percentages with the corresponding information shown in the Company's audited consolidated financial statements, including related notes for the respective periods, included in the Registration Statement, and found them to be in agreement (after giving effect to rounding where applicable).
- B Proved the arithmetic accuracy of the amounts, numbers or percentages based on information included in or derived from the Company's audited consolidated financial statements and related notes included in the Registration Statement (after giving effect to rounding where applicable).
- C Compared the amounts, description of such amounts, numbers or percentages to the corresponding information shown for the respective periods in the Company's unaudited consolidated financial statements referred to in paragraph 4a and included in the Registration Statement, and found them to be in agreement.
- D Proved the arithmetic accuracy of the amounts, numbers or percentages based on the information included in or derived from the Company's unaudited consolidated financial statements referred to in (C), (after giving effect to rounding where applicable).
- E Compared the amounts, description of such amounts, numbers, or percentages with corresponding information in the Company's general ledger or to the corresponding amounts, numbers or percentages in a schedule prepared by the Company's accounting personnel and found them to be in agreement ( giving effect to rounding where applicable ). Amounts, numbers or percentages appearing in such schedule were compared with accounting records of the Company and found to be in agreement.
- F Proved the arithmetic accuracy of the amount of net proceeds based on the number of shares to be sold and the assumed offering price per share as stated under the caption "USE OF PROCEEDS" after deduction of estimated underwriting and offering expenses. However, we make no comment as to the number of shares, the public offering price per share or the amount of the estimated net proceeds from the sale of common shares to be sold by the Company as contemplated by the Registration Statement, and we make no comment regarding the reasonableness of the "Use of Proceeds," or whether such use will actually take place.
- G Proved the arithmetic accuracy of the pro forma as adjusted numbers, which the Company has calculated by adjusting the actual numbers and amounts as of December 31, 2007 to reflect (i) the conversion of the Company's convertible notes into common shares, considering tickmark "N" below, and (ii) the issuance and sale of the common shares or ADSs after deducting underwriters' discounts and commissions and other estimated expenses of the global offering. However, we make no comment as to the reasonableness of the common shares represented by ADSs to be sold by the Company or whether such sale will take place or the amounts of the selling price, underwriters' discount and commissions and estimated expenses of the offering.

- H Proved the arithmetic accuracy of the as adjusted pro forma net tangible book value per common share and/or per ADS as of December 31, 2007, which the Company has calculated using the adjusted pro forma net tangible book value divided by outstanding shares. However, we make no comment as to the reasonableness of the common shares represented by ADSs to be sold by the Company or whether such sale will take place or the amounts of the selling price, underwriters' discount and commissions and estimated expenses of the offering.
- I Compare the amounts, description of amounts, numbers or percentages with corresponding information shown for the respective periods in the Company's unaudited consolidated financial statements not included in or incorporated by reference in the Registration Statement and found them to be in agreement.
- J Proved the arithmetic accuracy of the amounts, numbers or percentages based on the information included in or derived from the unaudited consolidated financial statements and related notes not included in the Registration Statement or incorporated by reference in the Registration Statement (after giving effect to rounding where applicable).
- K Recomputed the amount by including the ADS ratio of 1 ADS to 2 ordinary shares.
- L Proved the arithmetic accuracy of the amount based on the exchange rate for the United States dollar from the Federal Reserve Bank of New York noon buying rate as of December 31, 2007. We make no comment as to the exchange rate used.
- M Compared the amounts, description of such amounts, numbers or percentages to the corresponding information shown for the respective periods in the Company's unaudited consolidated financial statements referred to in paragraph 7 and included in the Registration Statement, and found them to be in agreement. Proved the arithmetic accuracy of the amounts, numbers or percentages based on the information included in or derived from the Company's unaudited consolidated financial statements referred to herein, (after giving effect to rounding where applicable).
- N Compared the number of shares to the corresponding information in a schedule prepared by the Company's accounting personnel and found them to be in agreement ( giving effect to rounding where applicable ) and proved the arithmetic accuracy of the number of shares into which the RMB928,700,000 U.S. Dollar Settled 1% Convertible Bonds due 2012 are convertible. However, we make no comment as to the reasonableness of (i) the number of shares to be converted into or whether such conversion will take place, and (ii) the following assumptions used in the calculation of the number of shares issuable upon the conversion of the Convertible Bonds:
  - A) the number of shares in issue immediately before the issue of such additional shares;

- B) the number of shares which the aggregate consideration receivable for the issue of such additional shares would purchase at such current market price per shares; and
- C) the number of shares in issue immediately after the issue of such new shares.

9. Our audit of the consolidated financial statements for the periods referred to in the introductory paragraph of this letter comprised audit tests and procedures deemed necessary for the purpose of the expressing an opinion on such financial statements taken as a whole. For none of the periods referred to therein, or any other period, did we perform audit tests for the purpose of expressing an opinion on individual balances of accounts or summaries of selected transactions such as those enumerated above, and, accordingly, we express no opinion thereon.

10. It should be understood that we make no representation regarding questions of legal interpretation or regarding the sufficiency for your purposes of the procedures enumerated in paragraph 8 above; also, such procedures would not necessarily reveal any material misstatement of the amounts or percentages discussed above. Further, we have addressed ourselves solely to the foregoing data as set forth in the Registration Statements and make no representation regarding the adequacy of disclosure or regarding whether any material facts have been omitted.

11. This letter is solely for the information of the addressees and to assist the underwriters in conducting and documenting their investigation of the affairs of the Company in connection with the offering of the securities covered by the Registration Statements, and it is not to be used, circulated, quoted, or otherwise referred to within or without the underwriting Company for any other purpose, including but not limited to the registration, purchase, or sale of securities, nor is it to be filed with or referred to in whole or in part in the Registration Statements or any other document, except that reference may be made to it in the underwriting agreement or in any list of closing documents pertaining to the offering of the securities covered by the Registration Statements.

ANNEX D

Form of Opinion of Latham & Watkins LLP,  
U.S. Counsel to the Company

1. The Underwriting Agreement has been duly executed and delivered by the Company in accordance with the laws of the State of New York.

2. The Deposit Agreement has been duly executed and delivered by the Company in accordance with the laws of the State of New York, and is the legally valid and binding agreement of the Company, enforceable against the Company in accordance with its terms.

3. Upon due execution and delivery by the Depository of ADRs evidencing the ADSs against the deposit of the Shares in respect thereof in accordance with the terms of the Deposit Agreement and payment therefor in accordance with the terms of the Underwriting Agreement, such ADRs will be duly and validly issued and will entitle the person or persons in whose name such ADRs are duly registered to the rights specified therein and in the Deposit Agreement.

4. The execution and delivery of the Underwriting Agreement and the Deposit Agreement by the Company, the deposit of the Shares by the Company with the Depository against issuance of the ADSs, and the sale of the ADSs by the Company to you and the other Underwriters pursuant to the Underwriting Agreement and the Deposit Agreement do not on the date hereof:

(i) result in the breach of or a default under any of the Specified Agreements which are expressly governed by the laws of the State of New York and to which the Company is a party;

(ii) violate any United States federal or New York statute, rule or regulation applicable to the Company; or

(iii) require any consents, approvals or authorizations to be obtained by the Company from, or any registrations, declarations or filings to be made by the Company with, any governmental authority under any United States federal or New York statute, rule or regulation applicable to the Company on or prior to the date hereof that have not been obtained or made.

5. The F-1 Registration Statement has become effective under the Act. With your consent, based solely on a telephonic confirmation by a member of the Staff of the Commission on , 2008, we confirm that no stop order suspending the effectiveness of either of the Registration Statements has been issued under the Act and no proceedings therefor have been initiated by the Commission. The Prospectus has been filed in accordance with Rule 424(b) under the Act.

6. The F-1 Registration Statement, at , 2008, including the information deemed to be a part thereof pursuant to Rule 430A under the Act, and the Prospectus, as of its date, each appeared on their face to be appropriately responsive in all material respects to the applicable form requirements for registration statements on Form F-1 under the Act and the rules and regulations of the Commission thereunder; it being understood, however, that we express no view with respect to Regulation S-T or the financial

statements, schedules, or other financial data included in, or omitted from, the F-1 Registration Statement or the Prospectus. The F-6 Registration Statement, at , appeared on its face to be appropriately responsive in all material respects to the applicable form requirements for registration statements on Form F-6 under the Act and the rules and regulations of the Commission thereunder. For purposes of this paragraph, we have assumed that the statements made in the Registration Statements and the Prospectus are correct and complete.

7. The statements in the Preliminary Prospectus and the Prospectus under the caption “Description of American Depositary Shares,” insofar as they purport to describe or summarize the terms of the ADSs and the Deposit Agreement, and under the captions “Shares Eligible for Future Sale” and “Underwriting” insofar as they purport to describe or summarize certain provisions of the documents or United States federal laws referred to therein, are accurate descriptions or summaries in all material respects.

8. The Company is not, and immediately after giving effect to the sale of the ADSs in accordance with the Underwriting Agreement and the application of the proceeds thereof as described in the Prospectus under the caption “Use of Proceeds,” will not be, required to be registered as an “investment company” within the meaning of the Investment Company Act of 1940, as amended.

9. Pursuant to Section 15 of the Underwriting Agreement and Sections 7.06, 7.07 and 7.09 of the Deposit Agreement, under the laws of the State of New York, the Company has validly (i) chosen New York law to govern its rights and duties under the Underwriting Agreement and the Deposit Agreement, (ii) submitted to the personal jurisdiction of state and federal courts located in the City and County of New York in connection with an action or proceeding arising out of or related to the Underwriting Agreement or the Deposit Agreement, (iii) with respect to the Underwriting Agreement to the extent permitted by law, waived any objection to the venue of a proceeding in any such court and (iv) appointed CT Corporation System as its authorized agent for the purpose described in Section 15 of the Underwriting Agreement and Section 7.07 of the Deposit Agreement. Service of process in the manner described in Section 15 of the Underwriting Agreement and Section 7.07 of the Deposit Agreement will be effective to confer valid personal jurisdiction over the Company in connection with an action or proceeding arising out of or related to the Underwriting Agreement or the Deposit Agreement in any such court.

10. To the best of our knowledge, there are no contracts or documents of a character required to be described in the Registration Statements or the Prospectus or to be filed as exhibits to the Registration Statements that are not described or filed.

11. Based on such facts and subject to the qualifications, assumptions and limitations set forth herein and in the Preliminary Prospectus and the Prospectus, we hereby confirm that the statements in the Preliminary Prospectus and the Prospectus under the caption “Taxation—United States Federal Income Taxation,” insofar as such statements purport to constitute summaries of United States federal income tax law and regulations or legal conclusions with respect thereto, constitute accurate summaries of the matters described therein in all material respects.

Based on our participation, review and reliance as described above, we advise you that no facts came to our attention that caused us to believe that:

- either the F-1 Registration Statement, at the time it became effective on \_\_\_\_\_, 2008, including the information deemed to be a part of the F-1 Registration Statement pursuant to Rule 430A under the Act, or the F-6 Registration Statement, at the time it became effective on \_\_\_\_\_, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading;
- the Preliminary Prospectus, as of 11:59 p.m., New York time on \_\_\_\_\_, 2008 (together with the Specified IFWPs), when taken together with the Pricing Information Annex, contained an untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; or
- the Prospectus, as of its date or as of the date hereof, contained or contains an untrue statement of a material fact or omitted or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

it being understood that we express no belief with respect to the financial statements, schedules, or other financial data included in, or omitted from, the Registration Statements, the Preliminary Prospectus, the Specified IFWPs, the Pricing Information Annex or the Prospectus.

## ANNEX E

### Form of Opinion of Boss & Young, PRC Counsel to the Company

1. Each of Zhejiang Yuhui Solar Energy Source Co. Ltd. and Sichuan ReneSola Silicon Material Co., Ltd. (each, a “PRC Subsidiary” and together, the “PRC Subsidiaries”) has been duly organized and is validly existing as a wholly foreign owned limited liability enterprise with legal person status under the PRC Laws.
2. Linzhou Zhongsheng Semiconductor Silicon Material Co., Ltd. (the “Affiliated Entity”) has been duly organized and is validly existing as a Sino-foreign equity joint venture with legal person status under the PRC Laws.
3. Each of the PRC Subsidiaries and the Affiliated Entity has the corporate power and authority to own, lease and operate its assets and to conduct its business in the manner presently conducted as described in the General Disclosure Package and the Final Prospectus.
4. The registered capital of each PRC Subsidiary and Affiliated Entity has been paid up in accordance with its articles of association, and the respective equity interests to the extent shown in Annex A to the Underwriting Agreement are owned directly or indirectly by the Company, free and clear of all liens, encumbrances, equities, mortgages, pledges, claims. The liability of the Company in respect of equity interests in each PRC Subsidiary and Affiliated Entity is limited to its investments therein. None of the outstanding equity interest in any PRC Subsidiary or Affiliated Entity was issued in violation of any preemptive rights, resale rights, rights of first refusal or similar rights of any of its security holder. No options, warrants or other rights to purchase, agreements or other obligations to issue or other rights to convert any obligation into shares of capital stock or ownership interests in any of the PRC Subsidiaries or Affiliated Entity are outstanding. Each PRC Subsidiary and Affiliated Entity has obtained all approvals, authorizations, consents and orders, and has made all filings, which are required under PRC Laws for the ownership of interest by the Company of its equity interest in the PRC Subsidiaries and Affiliated Entity.
5. The articles of association, the business licenses and other constitutive documents of the PRC Subsidiaries and Affiliated Entity comply with the requirements of the PRC Laws and are in full force and effect.
6. Except as otherwise described in the General Disclosure Package and the Final Prospectus, each PRC Subsidiary and Affiliated Entity possesses all necessary licenses, consents, approvals, orders, certificates, authorizations or permits of and from, and has made all filings with, all appropriate national, provincial, municipal local regulatory agencies or bodies in the PRC (“Approvals”) to conduct the business now operated by it as described in the General Disclosure Package and the Final Prospectus, and, to the best of our knowledge after due inquiry, none of the PRC Subsidiaries or Affiliated Entity has received any oral or written notice of proceedings relating to the suspension, revocation or modification of any such certificate, authority or permit.



7. No steps have been or are being taken and no order or resolution has been made or passed to appoint a receiver, liquidator or similar officer of, or to wind up or dissolve, any PRC Subsidiary or Affiliated Entity. No meeting has been convened and no order, petition or resolution has been passed for the winding-up, amalgamation, reconstruction, reorganization, administration, dissolution, liquidation, merger or consolidation or analogous procedure of any PRC Subsidiary or Affiliated Entity, no notice of appointment in respect of any PRC Subsidiary or Affiliated Entity of a liquidator, receiver, administrator, trustee, custodian or other similar officer has been served and no such steps are intended and no steps have been or are going to be taken for the suspension, revocation or cancellation of any of their respective business licenses or articles of association, as applicable as of the date of this Legal Opinion in respect of or by any PRC Subsidiary or Affiliated Entity.

8. Except as otherwise disclosed in the Disclosure Package and Final Prospectus, each PRC Subsidiary and Affiliated Entity has taken all necessary steps to comply with, and to ensure compliance by all of the Company's direct or indirect shareholders and option holders who are PRC residents with any applicable State Administration for Foreign Exchange (the "SAFE") Rules and Regulations including without limitation, requiring each shareholder and option holder that is, or is directly or indirectly owned or controlled by, a PRC resident to complete any registration and other procedures required under applicable SAFE Rules and Regulations.

9. According to "Provisions Regarding Mergers and Acquisitions of Domestic Enterprises by Foreign Investors" (the "New M&A Rule"), issued by the Ministry of Commerce, the State-owned Assets Supervision and Administration Commission, the State Administration of Taxation, the State Administration for Industry and Commerce, the China Securities Regulatory Commission ("CSRC"), and SAFE on August 8, 2006, offshore special purpose vehicles ("SPVs"), formed for listing purposes through acquisitions of PRC domestic companies and controlled by PRC individuals are required to obtain the approval of the CSRC prior to publicly listing their securities on an overseas stock exchange. The CSRC approval requirement applies to SPVs that acquired equity interests in PRC companies through share swaps and using cash. On September 21, 2006, pursuant to the New M&A Rule and other PRC Laws, the CSRC, in its official website, promulgated relevant guidance with respect to the issues of listing and trading of domestic enterprises securities on overseas stock exchanges, including a list of application materials with respect to the listing on overseas stock exchanges by SPVs. Based on our understanding of the current PRC Laws, including the New M&A Rule, the new regulation does not require that the Company obtain prior CSRC approval for the listing and trading of its ADSs on the New York Stock Exchange, because the Company had completed its reorganization under which the equity interests in the PRC Subsidiaries and Affiliated Entity were transferred to the Company prior to September 8, 2006, and has received all necessary approvals from PRC regulatory authorities for the acquisition prior to September 8, 2006, the effective date of the New M&A Rule.

10. Subject to the requirements that the Company's shareholders or ultimate equity investors of shareholders who are qualified PRC residents shall comply with foreign exchange administration registration procedures under the relevant PRC Laws, all dividends and other distributions declared and payable upon the equity interests in the PRC Subsidiaries and Affiliated Entity may under the current PRC Laws be paid to the Company in Renminbi that may be converted into U.S. dollars (such conversion would be subject to

certain procedures and the verification of the local SAFE office) and freely transferred out of the PRC after the required filing and registration procedures, and all such dividends and other distributions are not and, will not be subject to withholding or other taxes under the currently applicable PRC Laws and, except as disclosed in the General Disclosure Package and the Final Prospectus, are otherwise free and clear of any other tax, withholding or deduction in the PRC, and without the necessity of obtaining any governmental authorization in the PRC.

11. Each PRC Subsidiary and Affiliated Entity has full power, authority and legal right to enter into, execute, assume, deliver and perform its obligations under each of the contracts disclosed in the Registration Statement, to which it is a party (collectively, the “Disclosed Contracts”) and has duly authorized, executed and delivered each of the Disclosed Contracts, and such obligations constitute valid, legal and binding obligations enforceable against such PRC Subsidiary and Affiliated Entity in accordance with the terms of each of the Disclosed Contracts. To the best of our knowledge after due enquiry, each PRC Subsidiary and Affiliated Entity has not sent or received any communication regarding termination of, or intent not to renew, any of the Disclosed Contracts, and no such termination or non-renewal has been threatened by any PRC Subsidiary and Affiliated Entity or any other party to any such contract or agreement.

12. Each of the Disclosed Contracts and the transactions contemplated thereby are legal, valid, enforceable and admissible as evidence under the PRC Laws and is binding on the persons expressed to be parties thereto.

13. The execution and delivery by each PRC Subsidiary and Affiliated Entity of, and the performance by each PRC Subsidiary and the Affiliated Entity of its obligations under, the Disclosed Contracts will not contravene (A) any provision of the applicable PRC Laws, or any decree, judgment or order of any court of PRC; (B) the articles of association of any PRC Subsidiary or Affiliated Entity; or (C) any agreement or other instrument binding upon any PRC Subsidiary or Affiliated Entity, or any judgment, order or decree of any governmental body, agency or court in the PRC having jurisdiction over any PRC Subsidiary or Affiliated Entity, and no consent, approval, authorization or order of, or qualification with, any PRC governmental body or agency is required for the performance by any PRC Subsidiary or Affiliated Entity of its obligations and the transactions contemplated under the Disclosed Contracts.

14. The indemnification and contribution provisions set forth in Section 7 of the Underwriting Agreement and in the Deposit Agreement do not contravene the public interest or laws of the PRC.

15. The irrevocable submission of the Company to the jurisdiction of any New York Court, the waiver by the Company of any objection to the venue of a proceeding in a New York Court, the waiver and agreement not to plead an inconvenient forum, the waiver of sovereign immunity and the agreement of the Company that the Underwriting Agreement and the Deposit Agreement shall be construed in accordance with and governed by the laws of the State of New York are legal, valid and binding under the laws of the PRC and will be respected by PRC courts; service of process effected in the manner set forth in the Underwriting Agreement and the Deposit Agreement will be effective, insofar as PRC law is concerned, to confer valid personal jurisdiction over the Company; and

any judgment obtained in a New York Court or arbitration award arising out of or in relation to the obligations of the Company under the Underwriting Agreement or the Deposit Agreement will be recognized and enforceable in PRC courts subject to the conditions described under the caption "Enforceability of Civil Liabilities" in the General Disclosure Package and the Final Prospectus;

16. The choice of PRC laws as the governing law in each Disclosed Contract for which PRC law has been chosen is a valid choice of governing law and will be binding on the parties to the relevant Disclosed Contract. To our best knowledge after due inquiry, none of the PRC Subsidiaries or Affiliated Entity is in breach or default in the performance of any of the terms or provisions of such Disclosed Contract, and none of the Disclosed Contract has been amended or revoked or is liable to be set aside under any applicable PRC laws.

17. Each PRC Subsidiary and Affiliated Entity has taken all necessary corporate and other actions and fulfilled and done all conditions and things required by the PRC Laws for the entering into, execution, adoption, assumption, issue, delivery and the performance of their respective obligations under each of the Disclosed Contracts to which it is expressed to be a party, and the representatives of the relevant PRC Subsidiary and Affiliated Entity have been duly authorized to do so.

18. Each PRC Subsidiary and Affiliated Entity has all Approvals to (A) own, lease, license and use its properties, assets and conduct its business in the manner described in the General Disclosure Package and the Final Prospectus, (B) conduct its business as presently conducted, and (C) use the proceeds to be received by the Company from the offering contemplated by the General Disclosure Package and the Final Prospectus (including any transfer to and application of proceeds by an PRC Subsidiary). Such Approvals are in full force and effect and contain no restrictions or conditions not described in the General Disclosure Package and the Final Prospectus. No violation exists in respect of any such Approvals and no such Approvals are subject to suspension, revocation or withdrawal. Each PRC Subsidiary and Affiliated Entity is in compliance with the provisions of all such Approvals in all material respects and there are no circumstances existing which might lead to modification, suspension or revocation of any such Approvals.

19. None of the PRC Subsidiaries or Affiliated Entity is in breach or violation of or in default, as the case may be, (a) any provision of the applicable PRC Laws, or any decree, judgment or order of any court of PRC applicable to the Company or any PRC Subsidiary or Affiliated Entity, (b) any Approval granted by any PRC governmental or regulatory body, (c) its respective articles of association, business license or any other constitutive documents.

20. To our best knowledge after due inquiry, none of the PRC Subsidiaries or Affiliated Entity is in material default, and no event has occurred that, with notice or lapse of time or both, would constitute such a material default, in the due performance or observance of any term, covenant or condition contained in (a) any indenture, mortgage, deed of trust, loan agreement or other evidence of indebtedness governed by PRC Laws or (b) any license, lease, contract or other agreement or instrument governed by PRC Laws to which any PRC Subsidiary or Affiliated Entity is a party or by which any of them is bound or to which any of their respective properties or assets is subject except for any such default or violation that would not, individually or in the aggregate, have a Material Adverse Effect.

21. Except as otherwise described in the Final Prospectus, there are no material legal, governmental, administrative or arbitral proceedings before any court of the PRC or before or by any Governmental Agency of the PRC pending or, threatened to which any of the Company or the PRC Subsidiaries or Affiliated Entity is a party or to which any of the properties of the Company or the PRC Subsidiaries or Affiliated Entity is subject that are required to be described in the General Disclosure Package or the Final Prospectus and are not so described or of any statutes, regulations, contracts or other documents that are required to be described in the General Disclosure Package or the Final Prospectus or to be filed as exhibits to the Registration Statement that are not described or filed as required.

22. Except as disclosed in the General Disclosure Package and the Final Prospectus, each PRC Subsidiary and Affiliated Entity has good and marketable title to all real property owned by it and good title to all other properties owned by it, in each case, free and clear of all liens, encumbrances, equities, claims, options, restrictions and defects except security interests provided to obtain bank loans; and any real property and buildings held under lease by each PRC Subsidiary and Affiliated Entity are held by it under valid, subsisting and enforceable leases. To our best knowledge after due inquiry, none of the PRC Subsidiaries or Affiliated Entity owns, operates, manages or has any other right or interest in any other material real property of any kind, except as disclosed in the General Disclosure Package and the Final Prospectus.

23. Except as disclosed in the General Disclosure Package and the Final Prospectus, the PRC Subsidiaries and Affiliated Entity own or have valid licenses in full force and effect or otherwise have the legal right to use, or can acquire on reasonable terms, all material copyrights, patents, patent rights, inventions, know-how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures), trademarks, service marks and domain names currently employed by them in connection with the business currently operated by them, and none of the PRC Subsidiaries or Affiliated Entity has received any notice of infringement of or conflict with asserted rights of others with respect to any of the foregoing which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would result in any material adverse change in the condition, financial or otherwise, in the earnings, business or operation of the PRC Subsidiaries or Affiliated Entity, taken as a whole.

24. To the best of our knowledge after due inquiry, (A) The PRC Subsidiaries and Affiliated Entity own, or have obtained valid and enforceable licenses for, or other rights to use, the Intellectual Property as described in the General Disclosure Package and the Final Prospectus; (B) there are no third parties who have or will be able to establish rights to any Intellectual Property except for, and to the extent of, the ownership rights of the owners of the Intellectual Property which the General Disclosure Package and the Final Prospectus disclose as licensed to any PRC Subsidiary or Affiliated Entity; (C) there is no infringement by third parties of any Intellectual Property; (D) no Intellectual Property Right is subject to any outstanding decree, order, injunction, judgment or ruling restricting the use of such Intellectual Property Right; (E) the PRC Subsidiaries and Affiliated Entity have complied with the terms of each agreement pursuant to which Intellectual Property has been licensed to any of them and all such agreements are in full force and effect; and (F) no employee of the PRC Subsidiaries or Affiliated Entity is in violation of any term of any patent disclosure agreement, invention assignment agreement, non-competition agreement, non-solicitation agreement, non-disclosure agreement or

any restrictive covenant to or with a former employer where the basis of such violation relates to such employee's employment with the PRC Subsidiaries or Affiliated Entity or actions undertaken by the employee while employed with the PRC Subsidiaries or Affiliated Entity.

25. To the best of our knowledge after due inquiry, there are no outstanding guarantees or contingent payment obligations of the PRC Subsidiaries or Affiliated Entity in respect of indebtedness of third parties except as disclosed in the General Disclosure Package and the Final Prospectus.

26. Each of the PRC Subsidiaries and Affiliated Entity (A) is in compliance with any and all applicable PRC environmental protection laws, orders, rules or regulation ("PRC Environmental Laws"); (B) has obtained all permits, license or other approvals required of it under such applicable PRC environmental protection laws, orders, rules or regulations to conduct its businesses; (C) is in compliance with all terms and conditions of any such permit, licenses or approvals; except for the breaches which, individually or in the aggregate, will not have a material adverse effect on the shareholders' equity, results of operations or financial condition of the Company.

27. No PRC Subsidiary or Affiliated Entity is in violation of any PRC Laws relating to the release or threatened release of chemicals, pollutants, contaminants, wastes, toxic substances, hazardous substances ("Hazardous Materials") or to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials and to our best knowledge after due inquiry, there are no pending or threatened administrative, regulatory or judicial actions, suits, demands, demand letter, claims, liens, notices of non-compliance or violation, investigation or proceeding relating to any PRC Environmental Laws against any PRC Subsidiary or Affiliated Entity.

28. To the best of our knowledge after due inquiry, there is no pending or threatened PRC regulatory, administrative or other governmental initiative that, if implemented or adopted in the manner proposed or contemplated, would have a material adverse effect on the operations of any PRC Subsidiary or Affiliated Entity in the PRC in the manner presently conducted or as disclosed in the Final Prospectus.

29. No labor dispute, work stoppage, slow down or other conflict with the employees of any of the PRC Subsidiaries or Affiliated Entity exists or, to our best knowledge after due inquiry, is imminent or threatened and there is no action, suit, proceeding, inquiry or investigation before or brought by any court or governmental agency or body, except the dispute, or disturbance which would not, individually or in the aggregate, have a material adverse impact on the results of operations or financial condition of the PRC Subsidiaries or Affiliated Entity.

30. (A) The PRC tax laws and regulations applicable to the activities of the PRC Subsidiaries and Affiliated Entity in the PRC are assessed or apply to the PRC Subsidiaries and Affiliated Entity in substantially the same manner as are currently applicable to any company incorporated under the PRC Company Law, which is engaged in solar power industry in the PRC; (B) there are no material PRC fees or taxes that are or will become applicable to any of the PRC Subsidiaries or Affiliated Entity as a consequence of the

reorganization or the offering that have not been disclosed in the General Disclosure Package and the Final Prospectus; and (C) all returns, reports or filings which ought to have been made by or in respect of the PRC Subsidiaries and Affiliated Entity for taxation purposes as required by the PRC Laws have been made and all such returns are correct and on a proper basis in all material respects and are not the subject of any dispute with the relevant tax, revenue or other appropriate authorities except as may be being contested in good faith and by appropriate proceedings. All taxes and other assessments of a similar nature (whether imposed directly or through withholding) including any interest, additions to tax or penalties applicable thereto due or claimed to be due from such authorities have been paid in full; and to the best of our knowledge and after due inquiry the PRC Subsidiaries and Affiliated Entity have not committed any breach of the relevant PRC tax laws and regulations.

31. Each PRC Subsidiary and Affiliated Entity is not prohibited, directly or indirectly, from paying any dividends to the Company, from making any other distribution on its capital stock, from repaying to the Company any loans or advances to it from the Company or, from transferring any of its property or assets to the Company or any other subsidiaries of the Company subject to applicable statutory requirements.

32. Except as disclosed in the General Disclosure Package and the Final Prospectus, no approvals are currently required from any governmental department, agency or other authority in the PRC in order for any PRC Subsidiary or Affiliated Entity to pay dividends declared by such PRC Subsidiary or Affiliated Entity to its shareholders, including the Company.

33. Neither the Company nor any of the PRC Subsidiaries or Affiliated Entity has any financial obligation to the PRC government or National Council for Social Security Fund in connection with the Offering as contemplated by the General Disclosure Package and the Final Prospectus. Subject to applicable PRC statutory requirements, the PRC Subsidiaries and Affiliated Entity have no other material legal obligations to provide housing benefits or retirement benefits, death or disability benefits (or other actual or contingent employee benefits or perquisites) to any present or past employee, whether permanent or temporary, of the PRC Subsidiaries and Affiliated Entity.

34. The application of the net proceeds to be received by the Company from the offering as contemplated by the General Disclosure Package and the Final Prospectus will not contravene (A) any provision of applicable PRC Laws, (B) any articles of association, other constitutive documents or business licenses of any PRC Subsidiaries or Affiliated Entity, (C) any agreement or other instrument governed by PRC Laws which is binding upon the Company or any PRC Subsidiary or Affiliated Entity or (C) any judgment, order or decree of any governmental body, agency or court in the PRC having jurisdiction over the Company or any PRC Subsidiary or Affiliated Entity.

35. The issue and sale of the Shares and the ADSs by the Company and the Selling Shareholders and the execution and delivery by the Company of, and the performance by the Company of its obligations under, the Underwriting Agreement and the Deposit Agreement will not contravene (A) any provision of PRC Laws, (B) any provision of the articles of association, by-laws, business license or other constituent documents of any PRC Subsidiary or Affiliated Entity (C) any judgment, order or decree of any

governmental body, agency or court of the PRC having jurisdiction over any PRC Subsidiary or Affiliated Entity, or (D) to the best of our knowledge after due inquiry, any agreement or other instrument binding upon any PRC Subsidiary or Affiliated Entity that is material to the Company and such PRC Subsidiary or Affiliated Entity, taken as a whole. No consent, approval, authorization or order of, or qualification with, any PRC governmental body or agency is required for the performance by the Company of its obligations under the Underwriting Agreement or Deposit Agreement.

36. The entering into and performance or enforcement of the Underwriting Agreement or the Deposit Agreement in accordance with their respective terms will not subject any of the Underwriters or the Depositary to any requirement to be licensed or otherwise qualified to do business in the PRC, nor will any Underwriters or the Depositary be deemed to be resident, domiciled, carrying on business through an establishment or place in the PRC or in breach of any laws or regulations in the PRC by reason of the entering into, performance or enforcement of the Underwriting Agreement or the Deposit Agreement.

37. It is not necessary to ensure the legality, validity, enforceability or admissibility in evidence of the Underwriting Agreement and the Deposit Agreement that any such document be filed, recorded or enrolled with any governmental department, agency or other authority in the PRC.

38. There are no reporting obligations under PRC Laws on non-PRC holders of the Shares.

39. As a matter of PRC Law, neither the Company nor any holder of the Shares or ADSs will be subject to any personal liability, or be subject to a requirement to be licensed or otherwise qualified to do business or be deemed domiciled or resident in the PRC, by virtue only of holding such Shares or ADSs or of the Company's holding shares of capital stock of, or equity interest in, the PRC Subsidiaries or Affiliated Entity. There are no limitations under the PRC Laws on the rights of the Company to hold, vote or transfer its shares of capital stock of, or equity interest in, the PRC Subsidiaries and Affiliated Entity held directly or indirectly by the Company, or on the rights of the holders of the ADSs or Shares to hold, vote or transfer their securities nor any statutory pre-emptive rights or transfer restrictions applicable to the ordinary shares.

40. No stamp or other issuance or transfer taxes or duties and no capital gains, income, withholding or other taxes are payable to the government of the PRC or to any political subdivision or taxing authority thereof in connection with (A) the execution or delivery of the Underwriting Agreement and the Deposit Agreement or the performance by any of the parties of their respective obligations thereof, or the enforcement or admissibility in evidence of the Underwriting Agreement or the Deposit Agreement, (B) the issuance, sale or delivery of the shares to the Underwriters whether in the form of ordinary shares or ADSs, (C) the deposit with the Depositary of any shares against the issuance of the corresponding ADSs and related American Depositary Receipts or ADRs or (D) the sale and delivery outside of the PRC by the Underwriters of the ADSs to the initial purchasers thereof.

41. The choice of law provisions set forth in the Underwriting Agreement and the Deposit Agreement will be recognized by PRC courts; each of the Company, the PRC Subsidiaries and Affiliated Entity can sue and be sued in its own name under the laws of the PRC.

42. Service of process effected in the manner set forth in the Underwriting Agreement and the Deposit Agreement will be effective to confer jurisdiction over the PRC Subsidiaries and Affiliated Entity, assets and property of the Company in the PRC, subject to compliance with relevant civil procedural requirements in the PRC, and any judgment obtained in a New York Court arising out of or in relation to the obligations of the PRC Subsidiaries and Affiliated Entity under the Underwriting Agreement and the Deposit Agreement will be recognized by PRC courts and enforceable against the Company and the PRC Subsidiaries and Affiliated Entity in PRC courts, subject to compliance with relevant civil procedural requirements in the PRC.

43. Neither the Company, or the PRC Subsidiaries or Affiliated Entity nor any of their respective properties, assets or revenues has any right of immunity under PRC laws, from any legal action, suit or proceeding, from the giving of any relief in any such legal action, suit or proceeding, from set-off or counterclaim, from the jurisdiction of any PRC court, from service of process, attachment upon or prior to judgment, or attachment in aid of execution of judgment, or from execution of a judgment, or other legal process or proceeding for the giving of any relief or for the enforcement of a judgment, in any such court, with respect to its obligations, liabilities or any other matter under or arising out of or in connection with the Underwriting Agreement or the Deposit Agreement.

44. Each of the Underwriting Agreement and the Deposit Agreement is in proper legal form under PRC law for the enforcement thereof under PRC law against the Company, subject to compliance with relevant civil procedural requirements; so far as matters of PRC law are concerned, constitutes the legal, valid and binding obligations of the Company, enforceable in accordance with the terms therein; and to ensure the legality, validity, enforceability or admissibility in evidence of the Underwriting Agreement and the Deposit Agreement in the PRC, it is not necessary that any such document be filed or recorded with any court or other authority in the PRC or that any stamp or similar tax be paid on or in respect of any such document.

45. Nothing has come to our attention that causes us to believe that (1) the Registration Statement or the Final Prospectus included therein (except for the financial statements and financial schedules and other financial data included therein) at the time the Registration Statement became effective contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, (2) the General Disclosure Package (except for the financial statements and financial schedules and other financial data included therein) as of the Applicable Time or as of such Closing Date contained or contains any untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading or (3) the Final Prospectus (except for the financial statements and financial schedules and other financial data included therein) as of its date or as amended or supplemented, if applicable, as of such Closing Date contained or contains any untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.



46. The Statements in the General Disclosure Package and the Final Prospectus under “Prospectus Summary,” “Risk Factors,” “Enforceability of Civil Liabilities,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Business,” “Management,” “Principal and Selling Shareholders,” “Related Party Transactions,” “Regulations” and “Underwriting,” insofar as they purport to describe the provisions of PRC Laws and documents referred to therein, are accurate, complete and fair summaries thereof. All matters of PRC Laws and practice relating to the Company and the PRC Subsidiaries and Affiliated Entity and their respective businesses and other statements with respect to or involving PRC Laws set forth in the General Disclosure Package and the Final Prospectus are correctly set forth therein.

## ANNEX F

### Form of Opinion of Harney Westwood & Riegels, British Virgin Islands Counsel to the Company

(a) The Company is a company duly incorporated with limited liability for an unlimited duration under the BVI Business Companies Act (No 16 of 2004), and is validly existing and in good standing under the laws of the British Virgin Islands. It is a separate legal entity and is subject to suit in its own name.

(b) The Company has the corporate power and authority required to carry on its business as is currently being conducted and to own, lease and operate its properties in accordance with its Memorandum and Articles of Association and as described in the General Disclosure Package and the Final Prospectus and to execute and deliver the Underwriting Agreement and the Deposit Agreement and to perform its obligations under the Underwriting Agreement and the Deposit Agreement.

(c) The Company has the number of authorised and issued shares as set forth in the Registration Statement, the General Disclosure Package and the Final Prospectus. All issued shares of the Company have been duly authorised and validly issued and are fully paid and non-assessable, and were not issued in violation of any pre-emptive rights, resale rights, rights of first refusal or similar rights. There are no pre-emptive or similar right provisions under British Virgin Islands law which would apply to the Company. The Company will not be subject to any pre-emptive or similar rights under its Memorandum and Articles of Association. A member registered in the register of members of the Company will be deemed, as a matter of law of the British Virgin Islands, to have legal title to those shares set against its name in such register of members. The certificates for the Shares are in due and proper form.

(d) The Shares to be issued and sold by the Company under the Underwriting Agreement have been duly authorised, and when issued and delivered against payment therefore in accordance with the terms of the Underwriting Agreement and Deposit Agreement, will have been validly issued, fully paid and non-assessable, will be registered in the Company's register of members as fully paid, conform to the description thereof contained in the Registration Statement, the General Disclosure Package and the Final Prospectus and will not be subject to any pre-emptive or similar rights or transfer restrictions or liens under British Virgin Islands law or the Memorandum and Articles of Association. When allotted, issued and paid for and registered in the register of members as fully-paid, such shares are considered to be legally issued and allotted, fully paid and non-assessable. The sale, assignment, transfer or delivery to the Depositary (as defined in the Underwriting Agreement) of the Shares to be issued and sold by the Company pursuant to the Underwriting Agreement upon delivery and payment in accordance with the Underwriting Agreement will give good and valid legal title of the Shares to the Depositary free of all restrictions on transfer, liens, encumbrances, security interests and claims whatsoever.

(e) Except as described in or contemplated by the Registration Statement, the General Disclosure Package and the Final Prospectus, there are no outstanding securities of the Company convertible or exchangeable into or evidencing the right to purchase or subscribe for any shares of the Company and there are no outstanding or authorised options, warrants or rights of any character

obligating the Company to issue any shares or any securities convertible or exchangeable into or evidencing the right to purchase or subscribe for any shares; and except as described in the Registration Statement, the General Disclosure Package and the Final Prospectus, no holder of any securities of the Company or any other person has the right, contractual or otherwise, which has not been satisfied or effectively waived, to cause the Company to sell or otherwise issue to them, or to permit them to underwrite the sale of, any of the Offered ADSs (as defined in the Underwriting Agreement).

(f) Each of the Selling Shareholders (as defined in the Underwriting Agreement) is the registered holders of such number of shares set out in the schedule to this opinion immediately prior to the closing of the Offering (as defined in the Underwriting Agreement). All shares to be sold by the Selling Shareholders (the “Sale Shares”) with the Underwriters by way of share transfers pursuant to the terms of the Underwriting Agreement have been duly authorised, are validly issued, fully paid and non-assessable (meaning that no further sums are required to be paid by the holders thereof in connection with the issue thereof). There are no restrictions upon the transfer of the Sale Shares nor any pre-emptive or similar right provisions under the British Virgin Islands law which would apply to such Sale Shares. The Sale Shares will not be subject to any transfer restrictions under the Memorandum and Articles of Association of the Company nor any pre-emptive or similar rights thereunder. Share certificate(s) specifying the Sale Shares executed on behalf of and issued by the Company will be admissible in evidence as proof of title to the Sale Shares. Once the Sale Shares have been registered in the name of the Depositary as holder of those shares in the register of members of the Company pursuant to the Underwriting Agreement and upon delivery and payment in accordance with the Underwriting Agreement, the Depositary will become a member of the Company and legal title to the Sale Shares will be duly transferred to the Depositary.

(g) We have reviewed the register of members of the Company as provided to us by Harneys Corporate Services Limited. As of the date hereof there are no entries or notations indicating any third party interests, including any security interest, on the register of members of the Company.

(h) The execution and delivery of the Underwriting Agreement and the Deposit Agreement by the Company and the issue and sale of the Shares and the ADSs being delivered at such Closing Date and the compliance by the Company with the Underwriting Agreement and the Deposit Agreement and the consummation of the transactions therein contemplated have been duly authorised and approved by all necessary corporate action of the Company and will not conflict with or result in any violation of the provisions of the Memorandum and Articles of Associations of the Company or any British Virgin Islands statute or any order, rule or regulation of any court or governmental agency or body in the British Virgin Islands having jurisdiction over the Company or any of its properties.

(i) The Underwriting Agreement and the Deposit Agreement have been duly executed and delivered for and on behalf of the Company. So far as the law of the British Virgin Islands is concerned, the Underwriting Agreement and the Deposit Agreement are each in proper form under the laws of the British Virgin Islands for the enforcement thereof against the Company.

(j) The Registration Statement, the ADS Registration Statement, the Form 8-A Registration Statement and the Final Prospectus and the filing of the Registration Statement, the ADS Registration Statement, the General Disclosure Package and the Final Prospectus with the Commission have been duly authorised by the Company, and the Registration Statement, the ADS Registration Statement and the Form 8-A Registration Statement have been duly executed pursuant to such authorisation by and on behalf of the Company.

(k) Neither the execution, delivery or performance of any of the Underwriting Agreement or the Deposit Agreement nor the consummation or performance of any of the transactions contemplated thereby by the Company, including the issue and sale of the shares by the Company pursuant to the Underwriting Agreement and the deposit of the shares with the Depositary against issuance of the Offered ADSs pursuant to the Deposit Agreement, requires the consent or approval of, the giving of notice to, or the registration with, or the taking of any other action in respect of any British Virgin Islands governmental or judicial authority or agency.

(l) In the event of the Company being wound up, the liability of the shareholders of the Company to contribute to the assets of the Company is limited to any amount unpaid on their Shares, if any.

(m) The statements in the General Disclosure Package and the Final Prospectus under the captions “Prospectus Summary,” “Risk Factors,” “Dividend Policy,” “Enforceability of Civil Liabilities,” “Management’s Discussion and Analysis of Financial Conditions and Results of Operations,” “Management,” “Principal and Selling Shareholders,” “Related Party Transactions,” “Description of Share Capital,” “Description of American Depositary Shares” and “Taxation,” insofar and to the extent that they constitute a summary or description of the laws and regulations of the British Virgin Islands and a summary of the terms of the authorized and issued shares of the Company, are true, accurate and correct in all respects and nothing has been omitted from such statements which would make them misleading in any material respect.

(n) The summaries of the Memorandum and Articles of Association of the Company and of relevant British Virgin Islands company law contained in the General Disclosure Package and the Final Prospectus are true, accurate and complete in the context in which they appear.

(o) There are no stamp duties, income taxes, withholdings, levies, registration taxes, or other duties or similar taxes or charges payable under the laws of the British Virgin Islands, in connection with: (i) the execution or delivery of the Underwriting Agreement and the Deposit Agreement or the performance by any of the parties of their respective obligations under the Underwriting Agreement and the Deposit Agreement; (ii) the enforcement or admissibility in evidence of the Underwriting Agreement and the Deposit Agreement or on any payment to be made by the Company or any other person pursuant to the Underwriting Agreement and the Deposit Agreement; (iii) the issuance and sale of the Shares and the Offered ADSs by the Company pursuant to the terms of the Underwriting Agreement; (iv) the deposit with the Custodian, as defined in the Deposit Agreement of the Shares; (iv) the issue to the Custodian on behalf of the Bank of New York (the “**Depositary**”) of the Shares against the issuance of the Offered ADSs for the account of the Underwriters; (v) the filing of the Registration Statements (including the Form F-1, the Form F-6 and the Form 8-A) with the Commission; (vi) the sale and delivery outside of the British Virgin Islands by the Underwriters of the Offered ADSs to the initial purchasers thereof; or (vii) the payment of dividends and other distributions declared and payable on Shares and the payment of such dividends and other distributions by the Depositary or its nominee to holders of Offered ADSs pursuant to the Deposit Agreement.

(p) All dividends and other distributions declared and payable on the Shares of the Company may, under the current laws and regulations of the British Virgin Islands, be paid to the registered holder of the Shares and where they are to be paid from the British Virgin Islands are freely transferred out of the British Virgin Islands. All such dividends and other distributions will not be subject to withholding or other taxes under the laws and regulations of British Virgin Islands and are otherwise free and clear of any other tax, withholding or deduction in the British Virgin Islands and without the necessity of obtaining any governmental authorization in the British Virgin Islands.

(q) The law chosen in each of the Underwriting Agreement and the Deposit Agreement to govern their interpretation would be upheld as a valid choice of law in any action on that document in the courts of the British Virgin Islands.

(r) The Company can sue and be sued in its own name under the laws of the British Virgin Islands. An action brought by or against the Company in its own name in the British Virgin Islands under the Underwriting Agreement and the Deposit Agreement could be instituted in a court of competent jurisdiction in the British Virgin Islands, without first having to obtain a judgment in respect of the Underwriting Agreement and the Deposit Agreement in a court of New York or any other relevant jurisdiction.

(s) The Company has executed an effective submission to the jurisdiction of the federal and state courts in the Borough of Manhattan in the City of New York in the Underwriting Agreement and the Deposit Agreement and the waiver by the Company of any objection to the venue of a proceeding in a New York Court, pursuant to the Underwriting Agreement or the Deposit Agreement, is legal valid and binding on the Company.

(t) Service of process effected in the manner set forth in the Underwriting Agreement or the Deposit Agreement (including the appointment of CT Corporation System to accept services of process) pursuant to the Underwritings Agreement is legal, valid and binding on the Company.

(u) There is no statutory registration regime in the British Virgin Islands for judgments of the courts in the State of New York (the “**Courts**”). However, any final and conclusive monetary judgment for a definite sum obtained against the Company in the Courts in respect of the Underwriting Agreement or Deposit Agreement would be treated by the courts of the British Virgin Islands as a cause of action in itself and sued upon as a debt at common law so that no retrial of the issues would be necessary provided that:

- (i) the Courts had jurisdiction in the matter and the Company either submitted to such jurisdiction or was resident or carrying on business within such jurisdiction and was duly served with process;
- (ii) the judgment given by the Courts was not in respect of penalties, taxes, fines or similar fiscal or revenue obligations;

- (iii) the judgment was not procured by fraud;
- (iv) recognition or enforcement of the judgment in the British Virgin Islands would not be contrary to public policy; and
- (v) the proceedings pursuant to which judgment was obtained were not contrary to natural justice.

(v) **Enforcement of Arbitration Awards.** There are several ways in which an arbitration award obtained in the State of New York may be enforced in the British Virgin Islands.

- (i) Any final and conclusive monetary award obtained against the Company in arbitration proceedings conducted by the American Arbitration Association in the State of New York in respect of the Deposit Agreement for a definite sum may, with the leave of the High Court in the British Virgin Islands, be enforced in the same manner as a judgment of the British Virgin Islands court under the procedure set out in the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 (the “**Convention**”). The High Court may only exercise its discretion to refuse leave if:
  - (1) a party to the arbitration agreement was, under the law applicable to him, under some incapacity;
  - (2) the arbitration agreement was not valid under the governing law of the arbitration agreement;
  - (3) the Company was not given proper notice of the appointment of the arbitrator or of the arbitration proceedings, or was otherwise unable to present its case;
  - (4) the award deals with an issue not contemplated by or not falling within the terms of the submission to arbitration, or contains matters beyond the scope of the arbitration, subject to the proviso that an award which contains decisions on such matters may be enforced to the extent that it contains decisions on matters submitted to arbitration which can be separated from those matters not so submitted;
  - (5) the composition of the arbitral authority was not in accordance with the agreement of the parties or, failing such agreement, with the law of the State of New York;
  - (6) the award has not yet become binding upon the parties, or has been set aside or suspended by a competent authority, either in the State of New York, or pursuant to the law of the arbitration agreement;

- (7) the subject matter of the award was not capable of resolution by arbitration; or
  - (8) enforcement would be contrary to public policy.
- (ii) Alternatively, the award may be treated as a cause of action in itself (if it has such effect under the law of place where the award was made) and sued upon as a debt so that no retrial of the issues would be necessary, in which case the British Virgin Islands court will ordinarily enforce the debt unless:
- (1) the original arbitral tribunal had no jurisdiction to make the award;
  - (2) the award was made in breach of the principles of natural justice;
  - (3) the award conflicts with an earlier decision of a British Virgin Islands court;
  - (4) enforcement would be contrary to public policy; or
  - (5) the award was procured by fraud.
- (iii) The award may also be registered under the provisions of the Arbitration Act (Cap 6) and enforced as a judgment of the British Virgin Islands courts. There is no statutory test for the exercise of the courts' discretion in relation to registration in this manner, but in our view the court would be likely to exercise its discretion in a similar matter to the requirements for enforcing awards under the Convention where the award was made in a jurisdiction which is a signatory to the Convention.

(w) The British Virgin Islands currently have no form of income, corporate or capital gains tax and no estate duty, inheritance tax or gift tax.

(x) Neither the Company nor any of its assets is entitled to immunity from suit or enforcement of a judgment on the grounds of sovereignty or otherwise in the courts of the British Virgin Islands in proceedings against the Company in respect of any obligations under the Underwriting Agreement or the Deposit Agreement, which obligations constitute private and commercial acts rather than governmental or public acts.

(y) It is not necessary or advisable under the laws of the British Virgin Islands that any of the Underwriting Agreement or the Deposit Agreement or any document relating thereto be registered or recorded in any public office or elsewhere in the British Virgin Islands in order to ensure the validity, effectiveness or enforceability or admissibility in evidence of any of the Underwriting Agreement and the Deposit Agreement.

(z) It is not necessary under the laws of the British Virgin Islands (A) in order to enable any party to the Underwriting Agreement or the Deposit Agreement, including the Underwriters, to enforce their rights under the Underwriting Agreement or the Deposit Agreement or (B) solely by reason of the execution, delivery, performance and enforcement of the Underwriting Agreement

or the Deposit Agreement that any party to the Underwriting Agreement or the Deposit Agreement should be licensed, qualified or otherwise entitled to carry on business in the British Virgin Islands or any other political subdivision thereof. Neither the Underwriters nor the Depositary would be deemed resident, domiciled or carrying on a business in the British Virgin Islands solely by reason of the execution, delivery, performance or enforcement of the Underwriting Agreement or the Deposit Agreement.

(aa) Based on the Searches there are no judgments against the Company, nor any legal or governmental proceedings pending in the British Virgin Islands to which the Company or any property of the Company is subject. Further, based on the Searches, no details have been lodged of any steps taken in the British Virgin Islands for the appointment of a receiver, administrator or liquidator to, or for the winding-up, dissolution, reconstruction or reorganisation of the Company.

(bb) The indemnification and contribution provisions set forth in Section 7 of the Underwriting Agreement and in the Deposit Agreement do not contravene the public policy or laws of the British Virgin Islands.

(cc) There are no foreign exchange controls or foreign exchange regulations under the currently applicable laws of the British Virgin Islands.

(dd) There are no restrictions under British Virgin Islands law which would prevent the Company from paying dividends to shareholders in U.S. dollars or any other currency, nor is it necessary under the laws of the British Virgin Islands that any of the Underwriting Agreement and the Deposit Agreement or any document relating thereto be registered or recorded in any public office or elsewhere in the British Virgin Islands in order for the Company to pay dividends to shareholders in U.S. dollars or any other currency.

(ee) Under British Virgin Islands law, when the Shares in the Company are issued and fully paid, the holders of such Shares will have no personal liability for the debts and obligations of the Company solely by reason of their status as shareholders.

(ff) There is nothing contained in the law of the British Virgin Islands or the Memorandum and Articles of Association of the Company which prevents the exercise of any right or the enjoyment of any benefit to which an ADS holder is entitled as a result of owning an ADS issued under the terms of the Deposit Agreement and which has not been disclosed in the Deposit Agreement and the form of receipt attached to the Deposit Agreement.

(gg) There are no reporting obligations under the laws of the British Virgin Islands on holders of the ADSs that have not been disclosed in the Deposit Agreement and the form of receipt attached to the Deposit Agreement.

(hh) The Depositary will not be required by any law of the British Virgin Islands to make any report to any British Virgin Islands governmental authority or regulatory body with respect to the ADSs or the Shares by virtue of it being a party to the Deposit Agreement and exercising its rights and performing its obligations thereunder.



(ii) The performance and enforcement of the Underwriting Agreement or the Deposit Agreement will not violate the Memorandum and Articles of Association of the Company nor any applicable law, regulation, order or decree in the British Virgin Islands. The terms of the Underwriting Agreement and the Deposit Agreement are valid and binding on the Company.

## ANNEX G

Form of Opinion of Pinsent Masons,  
United Kingdom Counsel to the Company

(i) (i) the execution, delivery and performance by the Company of the Deposit Agreement and the Agreement; (ii) the consummation by the Company of the transactions contemplated in the Deposit Agreement and the Agreement; (iii) the fulfilment by the Company of the terms of the Deposit Agreement and the Agreement; and (iv) the issuance and sale by or on behalf of the Company of the Offered Shares to be represented by ADSs, including the deposit of any Offered Shares to be represented by the ADSs with the Depositary and the issuance of the ADRs evidencing the ADSs and the listing of the ADSs on the New York Stock Exchange, does not and will not, when each such matter is duly completed in accordance with the terms of the Deposit Agreement and the Agreement, result in the Company violating the AIM Rules for Companies (the "AIM Rules") (as the same are published and available publicly as at the date of this letter),

(ii) No consent, approval, authorization, or order of, clearance by, or filing or registration with either the London Stock Exchange or the Financial Services Authority is required to be obtained or made by the Company, as a consequence of the Company being admitted to trading on AIM, in respect of the consummation of the transactions contemplated by the Deposit Agreement or the Agreement in connection with the issuance and sale of the Offered Shares to be represented by ADSs by the Company, including the deposit of any Offered Shares to be represented by ADSs with the Depositary and the issuance of the ADRs evidencing the ADSs and the listing of the ADSs on the New York Stock Exchange, except such as have been obtained or made by the Company as required by the London Stock Exchange (in particular pursuant to the AIM Rules including (i) the required notification pursuant to AIM Rule 17 and (ii) the submission of an application form and payment of the required fee by the Company to AIM in relation to a further issue pursuant to AIM Rule 29) or the Financial Services Authority and which are in full force and effect.

ANNEX G - 1

## ANNEX H

Form of Opinion of Latham & Watkins LLP,  
U.S. Counsel to the Selling Shareholders

1. Each of the Custody Agreements and the Powers of Attorney has been duly executed and delivered by the Selling Shareholders in accordance with the laws of the State of New York.

2. We have assumed, with your consent, that (A) each Selling Shareholder has the capacity, power and authority, as applicable, to execute, deliver and perform the Power of Attorney, the Custody Agreement and the Underwriting Agreement, (B) each Selling Shareholder, as applicable, has duly authorized the execution, delivery and performance of the Power of Attorney, the Custody Agreement and the Underwriting Agreement, (C) each Selling Shareholder has duly executed and delivered the Power of Attorney and the Custody Agreement (other than with respect to the execution and delivery thereof under the laws of the State of New York), and (D) the status of enforceability of the Powers of Attorney, the Custody Agreements, and the Underwriting Agreement is not affected by any (i) breach of, or defaults under, any agreement or instruments, (ii) violation of statutes, rules or regulations or court or governmental orders, or (iii) failures to obtain required consents, approvals or authorization from, or make required registration, declaration or filings with, governmental authorities provided that we make no such assumption to the extent we have specifically opined as to such matters with respect to the Company and the Selling Shareholders. On the basis of such assumptions, each of the Powers of Attorney and the Custody Agreements constitutes a legally valid and binding obligation of such Selling Shareholder, enforceable against the Selling Shareholder in accordance with its terms; and the Underwriting Agreement has been duly executed and delivered by an Attorney under the Powers of Attorney on behalf of the Selling Shareholders in accordance with the laws of the State of New York.

3. The execution and delivery of the Custody Agreements and the Powers of Attorney by each of the Selling Shareholders do not, the execution and delivery of the Underwriting Agreement by an Attorney under the Powers of Attorney on behalf of the Selling Shareholders do not, and the deposit of the Shares by the Selling Shareholders with the Depositary against issuance of the ADRs evidencing ADSs and the sale of the ADSs by the Selling Shareholders to you and the other Underwriters pursuant to the Underwriting Agreement do not on the date hereof:

(i) result in the breach of or default under any of the Specified Agreements which are governed by the laws of the State of New York and to which any of the Selling Shareholders is a party;

(ii) result in a violation of any United States federal or New York statute, rule or regulation applicable to such Selling Shareholder; or

(iii) require any consents, approvals, or authorizations to be obtained by such Selling Shareholder from, or any registrations, declarations or filings to be made by such Selling Shareholder with, any governmental authority under any United States federal or New York statute, rule or regulation applicable to such Selling Shareholder on or prior to the date hereof that have not been obtained or made.

4. Pursuant to Section 15 of the Underwriting Agreement, under the laws of the State of New York, each of the Selling Shareholders has validly (i) chosen New York law to govern its rights and duties under the Underwriting Agreement, (ii) submitted to the personal jurisdiction of state and federal courts located in the City and County of New York in connection with an action or proceeding arising out of or related to the Underwriting Agreement, (iii) to the extent permitted by law, waived any objection to the venue of a proceeding in any such court and (iv) appointed CT Corporation System as its initial authorized agent for the purpose described in Section 15 of the Underwriting Agreement. Service of process in the manner described in Section 15 of the Underwriting Agreement will be effective to confer valid personal jurisdiction over each of the Selling Shareholders in connection with an action or proceeding arising out of or related to the Underwriting Agreement in any such court. Pursuant to Paragraph 16 of each of the Custody Agreements and Section 11 of each of the Powers of Attorney, each of the Selling Shareholders has validly chosen New York law to govern its rights and duties under the Custody Agreement and the Power of Attorney.

5. Upon indication by book entry that the ADSs being sold by the Selling Shareholders have been credited to a securities account maintained by the Representatives at the Depository Trust Company (“**DTC**”) and payment therefor in accordance with the Underwriting Agreement, the Representatives will acquire a security entitlement on behalf of the several Underwriters with respect to such ADSs and, under the Uniform Commercial Code as in effect on the date hereof in the State of New York (the “**New York UCC**”), an action based on an adverse claim to such securities entitlement, whether framed in conversion, replevin, constructive trust, equitable lien or other theory, may not be asserted against the Representatives.

## ANNEX I

### Form of Opinion of Harney Westwook & Riegels, British Virgin Islands Counsel to certain Selling Shareholders

(v) The Selling Shareholder is a company duly incorporated with limited liability for an unlimited duration under the BVI Business Companies Act (No 16 of 2004), and is validly existing and in good standing under the laws of the British Virgin Islands. It is a separate legal entity and is subject to suit in its own name.

(w) The Selling Shareholder has full power to enter into and perform its obligations under the Underwriting Agreement, the Custody Agreement and the Power of Attorney and the Selling Shareholder has taken all necessary action to authorise its entry into the Underwriting Agreement, the Custody Agreement and the Power of Attorney and the exercise of its rights and the performance of its obligations under the Underwriting Agreement, the Custody Agreement and the Power of Attorney.

(x) The Underwriting Agreement, the Custody Agreement and the Power of Attorney have been duly executed and delivered for and on behalf of the Selling Shareholder and the Underwriting Agreement, the Custody Agreement and the Power of Attorney will be treated by the courts of the British Virgin Islands as the legally binding, valid and enforceable obligations of the Selling Shareholder.

(y) Based on the register of members of the Company provided by the Company's registered agent and the Director's Certificate, the Selling Shareholder has valid and unencumbered title to the Offered Shares underlying the Offered ADSs delivered by such Selling Shareholder and has full right, power and authority to sell, assign, transfer and deliver the Offered ADSs delivered by such Selling Shareholder.

(z) The execution, delivery and performance by and on behalf of the Selling Shareholder of the Underwriting Agreement, the Custody Agreement, the Power of Attorney, the sale of the ADSs and the deposit of the Shares with the Depository as contemplated by the Deposit Agreement do not and will not (A) result in a breach or violation of any of the terms and provisions of, or constitute a default under, any statute, any rule, regulation or order of any governmental agency or body or any court having jurisdiction in the British Virgin Islands over such Selling Shareholder or any of its properties or any agreement or instrument to which such Selling Shareholder is a party or by which the Selling Shareholder is bound or to which any of the properties of the Selling Shareholder is subject or (B) breach the Memorandum and Articles of Association of the Selling Shareholder.

(aa) No consent, approval, authorization or order of, or filing with, any governmental agency or body or any court in the British Virgin Islands is required to be obtained or made by the Selling Shareholder for the deposit of the Shares and the issuance of ADRs pursuant to the Deposit Agreement, the sale of ADSs and the execution, delivery and performance by and on behalf of the Selling Shareholder of the Underwriting Agreement and the Custody Agreement.

(bb) The law chosen in each of the Underwriting Agreement, the Power of Attorney and Custody Agreement in connection with the offer and sale of the Offered ADSs contemplated in the Underwriting Agreement that govern its interpretation would be upheld as a valid choice of law in any action on that document in the courts of the British Virgin Islands. The submission by the Selling Shareholder to the jurisdictions specified in the Underwriting Agreement, the Power of Attorney and the Custody Agreement is valid.

(cc) There is no statutory registration regime in the British Virgin Islands for judgments of the courts of the State of New York (the “**Courts**”). However, any final and conclusive monetary judgment for a definite sum obtained against the Selling Shareholder in the Courts in respect of the Underwriting Agreement, the Custody Agreement or the Power of Attorney would be treated by the courts of the British Virgin Islands as a cause of action in itself and sued upon as a debt at common law so that no retrial of the issues would be necessary provided that:

- (i) the Courts had jurisdiction in the matter and the Selling Shareholder either submitted to such jurisdiction or was resident or carrying on business within such jurisdiction and was duly served with process;
- (ii) the judgment given by the Courts was not in respect of penalties, taxes, fines or similar fiscal or revenue obligations;
- (iii) the judgment was not procured by fraud;
- (iv) recognition or enforcement of the judgment in the British Virgin Islands would not be contrary to public policy; and
- (v) the proceedings pursuant to which judgment was obtained were not contrary to natural justice.

(dd) The Selling Shareholder is not entitled to claim immunity from suit or enforcement of a judgment on the ground of sovereignty or otherwise in the courts of the British Virgin Islands in respect of proceedings against it in relation to the Underwriting Agreement, the Custody Agreement and the Power of Attorney.

(ee) No stamp duties, income taxes, withholdings, levies, registration taxes or other duties or similar taxes or charges are payable in the British Virgin Islands by or on behalf of the Underwriters or otherwise imposed on any payments made to the Underwriters in connection with (i) the deposit of Shares by the Selling Shareholder with the Custodian (as defined in the Deposit Agreement) on behalf of the Depository (as defined in the Deposit Agreement) against issuance of ADRs evidencing the Offered ADSs, (ii) the sale and delivery on behalf of the Selling Shareholder of such ADSs to or for the respective accounts of the Underwriters as set forth in the General Disclosure Package and pursuant to the terms of the Underwriting Agreement; or (iii) any other transaction or payment contemplated by the Underwriting Agreement or the Deposit Agreement.

(ff) It is not necessary to ensure the legality, validity, enforceability or admissibility in evidence of the Underwriting Agreement, the Power of Attorney and the Custody Agreement that they be filed, recorded or enrolled with any governmental authority or agency or any official body in the British Virgin Islands.

(gg) It is not necessary or advisable under the laws of the British Virgin Islands that the Underwriting Agreement or any document relating thereto be registered or recorded in any public office or elsewhere in the British Virgin Islands in order to ensure the validity, effectiveness or enforceability or admissibility in evidence of any of the Underwriting Agreement.

(hh) The Underwriters would not be deemed resident, domiciled or carrying on a business or subject to taxation in, or subject to, the laws of the British Virgin Islands or in violation of any law thereof solely by reason of the negotiation, preparation, execution, delivery, performance or enforcement of the Underwriting Agreement.

(ii) Based on the Searches there are no judgments against the Selling Shareholder, nor any legal or governmental proceedings pending in the British Virgin Islands to which the Selling Shareholder or any property of the Selling Shareholder is subject. Further, based on the Searches, no details have been lodged of any steps taken in the British Virgin Islands for the appointment of a receiver, administrator or liquidator to, or for the winding-up, dissolution, reconstruction or reorganisation of the Selling Shareholder. It should be noted that failure to file notice of appointment of a receiver does not invalidate the receivership but merely gives rise to penalties on the part of the receiver.

(jj) The statements in the Registration Statement, the General Disclosure Package and the Final Prospectus under “Principal and Selling Shareholders” insofar as such statements constitute summaries of the legal matters, documents or proceedings referred to therein, in each case to the extent, and only to the extent, relating to the Selling Shareholder and governed by the laws of the British Virgin Islands are true and accurate as of the date of this opinion.

**ANNEX J**

Form of Opinion of Emmet, Marvin & Martin LLP,  
Counsel to the Depositary

(i) The Deposit Agreement has been duly authorized, executed and delivered by the Depositary and constitutes a valid and binding agreement of the Depositary enforceable against the Depositary in accordance with its terms, except as enforcement of it may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium or similar laws of general application relating to or affecting creditors' rights and by general principles of equity.

(ii) Upon execution and delivery by the Depositary of ADRs evidencing the ADSs against the deposit of Shares in accordance with the provisions of the Deposit Agreement, the ADSs will be validly issued and will entitle the registered holders of the ADSs to the rights specified in those ADRs and in the Deposit Agreement.

(iii) The legal entity for the issuance of ADSs filed a registration statement for the ADSs on Form F-6 under the Securities Act of 1933, as amended (the "1933 Act") (the "ADS Registration Statement"), the Securities and Exchange Commission has declared the ADS Registration Statement effective and, to the best of our knowledge, no stop order suspending the effectiveness of the ADS Registration Statement or any part of it or any amendment thereto has been issued and no proceedings for that purpose have been instituted or are pending or contemplated under the 1933 Act; and the ADS Registration Statement, and any amendments thereto, complied as to form, as of their respective effective dates, in all material respects, with the requirements of the 1933 Act and the rules and regulations under that Act.

(iv) The Depositary has full power, authority and legal right to execute and deliver the Deposit Agreement and to perform its obligations thereunder.

ANNEX K - 1



**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the use in this Amendment No. 1 to Registration Statement No. 333-151315 of our report dated May 30, 2008 relating to the financial statements and the related financial statement schedule of ReneSola Ltd appearing in the Prospectus, which is part of this Registration Statement, and to the reference to us under the heading "Experts" in such Prospectus.

/s/ Deloitte Touche Tohmatsu CPA Ltd.  
Deloitte Touche Tohmatsu CPA Ltd.  
Shanghai, China  
June 6, 2008



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*Via Facsimile & Email*

June 6, 2008

**ReneSola Ltd**

No. 8 Baoqun Road, YaoZhuang  
Jiashan, Zhejiang 314117  
People's Republic of China

Dear Sirs,

**Re: ReneSola Ltd (the "Company")**

We, Boss & Young, Attorneys-At-Law, hereby consent to the use of our name under the captions "Risk Factors", "Enforceability of Civil Liabilities", "Regulation" and "Legal Matters" in the prospectus included in the registration statement on Form F-1, originally filed by the Company on June 6, 2008, with the Securities and Exchange Commission under the Securities Act of 1933, as amended (the "Prospectus"). We hereby further consent to the summarization of our opinion under the captions "Risk Factors", "Enforceability of Civil Liabilities" and "Regulation" in the form and context in which they respectively appear in the Prospectus. In giving such consent, we do not thereby admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, as amended, or the regulations promulgated thereunder.

Yours faithfully,

/s/ David Zou

**Boss & Young**

**Attorneys-At-Law**