ReneSola Ltd
Form F-1/A
January 28, 2008
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As filed with the Securities and Exchange Commission on January 28, 2008

Registration No. 333-148550

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

AMENDMENT NO. 4

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)

British Virgin Islands	3674	Not Applicable
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

No. 8 Baoqun Road, YaoZhuang

Jiashan, Zhejiang 314117

People s Republic of China

(86-573) 8477-3058

(Address, including zip code, and telephone number, including area code, of Registrant s principal executive offices)

CT Corporation System

111 Eighth Avenue

New York, New York 10011

(212) 664-1666

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Approximate date of commencement of proposed sale to the public: as soon as practicable after the effective date of this registration statement.

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. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(d) 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 offering price per share	Proposed maximum aggregate offering price (1)	Amount of registration fee(4)
Shares of no par value (2)(3)	23,000,000	$8.11	$ 186,530,000	$ 7,331

(1) Estimated solely for the purpose of determining the amount of registration fee in accordance with Rule 457(a) under the Securities Act of 1933.
(2) 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.
(3) American depositary shares issuable upon deposit of the shares registered hereby will be registered under a separate registration statement on Form F-6 (Registration No.333-148559). Each American depositary share represents two shares.
(4) Previously paid $7,259.

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 this 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 such Section 8(a), may determine.

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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 , 2008

PROSPECTUS

10,000,000 American Depositary Shares

ReneSola Ltd

Representing 20,000,000 Shares

We are selling 9,212,500 American depositary shares, or ADSs, and the selling shareholders named in this prospectus are selling 787,500 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 1,500,000 ADSs to cover over-allotments.

Prior to this offering, there has been no public market for our ADSs. Our shares are currently traded on the Alternative Investment Market of the London Stock Exchange, or AIM. The closing price of our shares on AIM on January 25, 2008 was £3.90, which was equivalent to approximately $15.45 per ADS based on the federal reserve noon buying rate of £1.00 to $1.9802 in effect on January 25, 2008. The initial public offering price of the ADSs being sold in this offering will be determined by reference to the closing price of our shares on AIM on the pricing date after taking into account prevailing market conditions and other factors, and will not be greater than 5% above the closing price, nor less than 10% below the closing price, of our shares on AIM on the pricing date, adjusting to account for the ratio of two shares per ADS.

We have received approval for listing the ADSs on the New York Stock Exchange under the symbol SOL.

Investing in the ADSs involves risks. See Risk Factors beginning on page 10.

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.

	Per ADS	Total
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 **Deutsche Bank Securities**

Piper Jaffray **Lazard Capital Markets** **Oppenheimer & Co.**

The date of this prospectus is , 2008

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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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Until , 2008 (25 days after the date of this prospectus), all dealers that buy, sell or trade ADSs, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the obligation of dealers to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

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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 Chinese manufacturer of solar wafers, which are thin sheets of crystalline silicon material primarily used in the production of solar cells. 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., Suntech Power Co. Ltd. and Topco Technologies Corp.

We have focused historically on manufacturing monocrystalline wafers and have accumulated extensive experience and expertise in developing and using monocrystalline wafer production technologies. We primarily offer 125 mm by 125 mm monocrystalline wafers with a thickness of 200 microns. In the second quarter of 2007, we also began to offer 156 mm by 156 mm monocrystalline wafers with a thickness of 200 microns at customers requests. As part of our expansion plan, we began the production of multicrystalline wafers in the third quarter of 2007. Monocrystalline cells are made from monocrystalline wafers. Solar power products that use monocrystalline cells generally yield higher conversion efficiencies, which refers to the ability of solar power products to convert sunlight into electrical energy. 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 output in 2006. As of December 31, 2007, we had annual ingot manufacturing capacity of approximately 378 megawatts, or 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. We calculate our solar wafer manufacturing capacity based on the ingot manufacturing capacity and solar wafer slicing capacity of our installed equipment on an annualized basis. We measure our wafer manufacturing capacity in MW according to certain assumed conversion efficiency rates for solar cells using our solar wafers. See Conventions Used in this Prospectus. 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. However, we cannot assure you that we will achieve our 2008 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.

By using proprietary technologies, processes and know-how, we manufacture solar wafers primarily from a wide range of reclaimable silicon raw materials, including 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.

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

We have grown rapidly since we began manufacturing solar wafers and related products in 2005. Our net revenues increased significantly from $5.1 million in 2005 to $84.4 million in 2006 and from $52.1 million for the nine months ended September 30, 2006 to $152.9 million for the nine months ended September 30, 2007. Our income from operations increased from $0.6 million in 2005 to $22.2 million in 2006 and from $14.2 million for the nine months ended September 30, 2006 to $28.4 million for the nine months ended September 30, 2007. Our net income increased from $1.2 million in 2005 to $25.3 million in 2006 and from $16.0 million for the nine months ended September 30, 2006 to $25.5 million for the nine months ended September 30, 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 LLC, or Solarbuzz, an independent solar energy research firm, the global solar power market, as measured by annual solar power system installed capacities, grew at a compound annual growth rate, or CAGR, of 42.2% from 427 MW in 2002 to 1,744 MW in 2006. In one of Solarbuzz s forecasts, annual solar power system installed capacities may further increase to 7,630 MW in 2011, and solar power industry revenue may increase from $10.6 billion in 2006 to $31.5 billion in 2011. 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;

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- 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 revenues 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.

Recent Developments

Trial Production of Polysilicon

In August 2007, we established a joint venture in Linzhou, Henan Province, China to engage in the production of virgin polysilicon. The joint venture has commenced trial production of polysilicon in January 2008. Production from the first phase with a planned annual capacity of 300 metric tons is expected to begin in the first quarter of 2008, and the estimated output in 2008 is 200 to 300 metric tons.

Issuance of Additional Shares

In January 2008, we issued 40,000 and 20,000 shares to Mr. Panjian Li and Mr. Binghua Huang, respectively, for no cash consideration in accordance with the terms of their employment contracts. See Related Party Transactions Transactions with Certain Directors, Shareholders and Affiliates Employment Agreements. As a result, we have increased our total shares issued and outstanding to 100,060,032 shares. Accordingly, the total shares outstanding immediately after this offering have been increased to 118,485,032 shares (119,910,032 shares if the underwriters exercise their over-allotment option in full).

Corporate History and Structure

Our predecessor, Zhejiang Fending 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

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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 Silicon Material Co., Ltd., 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 Silicon Material Co., Ltd., or Linzhou Zhongsheng Semiconductor, a polysilicon manufacturing company located in Henan Province, China. Linzhou Zhongsheng Steel Co., Ltd., or Zhongsheng Steel, invested 51% in the joint venture in the form of equipment, factory premises and land use rights.

The following diagram illustrates our current corporate structure:

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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.* The information contained on our website is not a part of this prospectus.

Conventions Used in this Prospectus

Except where the context otherwise requires and for purposes of this prospectus only:

- 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 include Linzhou Zhongsheng Semiconductor, 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 le currency of the United States; all references to £ and pounds sterling refer to the legal currency of the United Kingdom.

Unless we indicate otherwise, all information in this prospectus reflects the following:

- no exercise by the underwriters of their option to purchase up to 1,500,000 additional ADSs; and

- a 6,666.67-for-one share split that became effective on July 24, 2006.

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 have 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 have assumed that each 125 millimeters, or mm, by 125 mm, monocrystalline wafer we produce can generate approximately 2.4 W of power, each 156 mm by 156 mm monocrystalline wafer we produce can generate approximately 3.9 W of power. We have 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 trial production. Based on this conversion efficiency, we have assumed that each 156 mm by 156 mm multicrystalline wafer we plan to 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.

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THE OFFERING

Offering price	The initial public offering price of the ADSs being sold in this offering will be determined by reference to the closing price of our shares on AIM on the pricing date after taking into account prevailing market conditions and other factors, and will not be greater than 5% above the closing price, nor less than 10% below the closing price, of our shares on AIM on the pricing date, adjusting to account for the ratio of two shares per ADS. The closing price of our shares on AIM on January 25, 2008 was £3.90, which was equivalent to approximately $15.45 per ADS based on the federal reserve noon buying rate of £1.00 to $1.9802 in effect on January 25, 2008.
ADSs offered by us	9,212,500 ADSs.
ADSs offered by the selling shareholders	787,500 ADSs.
ADSs outstanding immediately after this offering	10,000,000 ADSs (11,500,000 ADSs if the underwriters exercise their over-allotment option in full).
Shares outstanding immediately after this offering	118,485,032 shares (119,910,032 shares if the underwriters exercise their over-allotment option in full).
The ADSs	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.
	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.
	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.
Use of proceeds	Our net proceeds from this offering are expected to be approximately $128.6 million, assuming a public offering price per ADS of $15.45, based on the closing price of our shares on AIM on January 25, 2008. We plan 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; we believe such amount will cover approximately 75% of the anticipated financing for our 2008 wafer expansion plan;

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	approximately $60 million to invest in polysilicon manufacturing production in 2008; we believe that such amount will cover approximately 45% of the current anticipated investment amount for polysilicon manufacturing production in 2008; and
	the remaining amount to pay or prepay for raw materials and for other general corporate purposes.
	We will not receive any of the proceeds from the sale of ADSs by the selling shareholders.
Trading market for shares	Our shares are currently traded on AIM. The lasted reported closing price of our shares on AIM on January 25, 2008 was £3.90.
Listing	The ADSs have been approved for listing 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 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.
Depositary	The Bank of New York.

The number of shares that will be outstanding immediately after this offering excludes (i) approximately 10,485,231 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) 4,450,000 shares issuable upon the exercise of options outstanding as of the date of this prospectus, at a weighted average exercise price of £3.071 or $6.252 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 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. See Dilution for more details.

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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 years ended December 31, 2005 and 2006 and the six months ended June 30, 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.

The summary consolidated statements of income data for the year ended December 31, 2004 have been derived from our unaudited financial statements, which are not included in this prospectus. Our summary consolidated statement of income data for the six months ended June 30, 2006 and the nine months ended September 30, 2006 and 2007 and the summary consolidated balance sheet data as of September 30, 2007 have been derived from our unaudited financial statements included elsewhere in this prospectus. Our unaudited consolidated financial statements have been prepared on the same basis as our audited consolidated financial statements.

	For the Year Ended December 31,			For the Six Months Ended June 30,		For the Nine Months Ended September 30,	
	2004	2005	2006	2006	2007	2006	2007
	(in thousands, except percentage, share, per share, per ADS and operating data)						
Consolidated Statement of Income Data							
Net revenues:							
Product sales		$ 5,088	$ 78,515	$ 23,330	$ 76,195	$ 49,009	$ 143,996
Processing services			5,856	712	4,193	3,090	8,931
Total net revenues		5,088	84,371	24,042	80,388	52,099	152,927
Cost of revenues:							
Product sales		(3,677)	(57,141)	(16,662)	(60,085)	(34,954)	(114,195)
Processing services			(2,505)	(210)	(2,201)	(1,298)	(4,855)
Total cost of revenues		(3,677)	(59,646)	(16,872)	(62,286)	(36,252)	(119,050)
Gross profit		1,411	24,725	7,170	18,102	15,847	33,877
Total operating income (expenses)	25	(809)	(2,490)	(777)	(3,102)	(1,641)	(5,444)
Income from operations	25	602	22,235	6,393	15,000	14,206	28,433
Income before income tax	2	574	22,580	6,287	12,513	14,301	24,443
Income tax benefit	5	617	2,721	751	176	1,697	985
Minority interest							37
Net income attributable to equity holder	7	1,191	25,301	7,038	12,689	15,998	25,465
Earnings per share[(1)]							
Basic		0.02	0.32	0.11	0.13	0.22	0.25
Diluted		0.02	0.32	0.11	0.13	0.22	0.25
Earnings per ADS							
Basic		0.04	0.63	0.21	0.25	0.44	0.51
Diluted		$ 0.04	$ 0.63	$ 0.21	$ 0.25	$ 0.44	$ 0.51
Weighted average number of shares used in computing earnings per share:[(1)]							
Basic		66,666,699	80,000,032	66,666,699	100,000,032	73,260,106	100,000,032
Diluted		66,666,699	80,122,052	66,666,699	100,156,848	73,260,106	100,147,666
Other Consolidated Financial Data							
Gross margin		27.7%	29.3%	29.8%	22.5%	30.4%	22.2%
Operating margin		11.8	26.4	26.6	18.7	27.3	18.6
Net margin		23.4%	30.0%	29.3%	15.8%	30.7%	16.7%

Selected Consolidated Operating Data												
Solar wafers shipped (in MW)		0.01		26.0		7.0		32.6		15.2		61.9
Average selling price ($/W)[2]	$	1.55	$	2.16	$	2.09	$	2.21	$	2.14	$	2.25

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

(2) Calculated based on net revenues attributable to solar wafer sales 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 September 30, 2007:

- on an actual basis; and

- on an as adjusted basis to give effect to the issuance and sale of 18,425,000 shares in the form of ADSs offered by us in this offering, assuming an initial public offering price of $15.45 per ADS based on the closing price of our shares on AIM on January 25, 2008, after deducting underwriting discounts and commissions and estimated aggregate offering expenses payable by us and assuming no exercise of the underwriters over-allotment option.

	As of September 30, 2007	
	Actual	**As adjusted**
	(in thousands)	
Consolidated Balance Sheet Data		
Cash and cash equivalents	$ 68,935	$ 197,498
Inventories	94,263	94,263
Advances to suppliers	34,379	34,379
Total current assets	241,258	369,821
Property, plant and equipment, net	94,400	94,400
Advances for purchases of property, plant and equipment	22,874	22,874
Total assets	369,509	498,072
Short-term borrowings	74,554	74,554
Advances from suppliers and customers	35,451	35,451
Total current liabilities	124,772	124,772
Total shareholders equity	103,846	232,409
Total liabilities and shareholders equity	$ 369,509	$ 498,072

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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 primarily using 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, 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. We believe the expected increase in cost of revenues due to our contracts with a fixed price will be consistent with the historical increase that we have experienced. However, 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 revenues 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

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suppliers collectively accounted for over 40% of the silicon raw material supplies procured in both 2006 and the nine months ended September 30, 2007. Shangrao Desheng Industrial Co., Ltd., or Shangrao Desheng, accounted for more than 10% of the silicon raw material supplies procured in 2006 and the nine months ended September 30, 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. In addition, 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 the nine months ended September 30, 2007, the reclaimable silicon raw materials we sorted and cleaned contained, in terms of volume, around 10% of scrap raw materials with low resisitivity 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 2008 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. 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

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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-a-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-a-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. We have entered into contracts to purchase some of these equipment. 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.

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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 produce cost-efficiently 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 also will 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.

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

We sell a substantial portion of our solar wafers to a limited number of customers. In 2006 and the nine months ended September 30, 2007, our top five customers accounted for 59.1% and 78.8% of our net revenues, 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 revenues in 2006. In the nine months ended September 30, 2007, sales to each of Motech Industries Inc., Solarfun Power Holding Ltd. and Suntech Power Co. Ltd. accounted for over 10% of our net revenues, with sales to each of Motech Industries Inc. and Suntech Power Co., Ltd. representing over 20% of our net revenues. Sales to our major customers are typically made under multiple-year framework agreements. The framework agreements 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 agreements will be terminated or become unenforceable. 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 revenues:

- 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 agreements 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 joint venture has commenced trial production of polysilicon in January 2008. Production from the first phase with a planned annual capacity of 300 metric tons is expected to begin in the first quarter of 2008, and the estimated output in 2008 is 200 to 300 metric tons. The schedule for the construction of the second phase of 450 metric tons of annual capacity is currently under consideration. We have committed to purchase 90% of the joint venture s production output to meet our raw material requirements for wafer manufacturing. We have also taken steps to build a polysilicon production facility in Meishan, Sichuan Province, China, and our subsidiary, Sichuan ReneSola Silicon Material Co., Ltd., was established in Sichuan Province in August 2007, which is expected to have a planned manufacturing capacity of 1,500 metric tons 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. Currently, Linzhou Zhongsheng Semiconductor has not obtained such land use rights. In addition, Linzhou Zhongsheng Semiconductor has not obtained the requisite construction permits prior to constructing and operating the facilities on such land and also has not undertaken the required inspection procedures prior to the operation of the facilities. 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

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Semiconductor to various penalties, including fines and confiscation or demolition of the facilities, 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 September 30, 2007, our advances to suppliers amounted to approximately $17.0 million and $34.4 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 revenues 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 revenues 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 revenues 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 revenues 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

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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 revenues 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 revenues to decline. In addition, if we, or our customers, are unable to manage product transitions, our business and results of operations would be negatively affected.

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

The technology for the manufacture of solar 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 rate, cause quality control problems, interrupt production or result in losses of products in process. For example, during the initial training period for our employees when we began slicing wafers, we encountered a higher than expected levels of solar wafers which did not pass our quality control standards and therefore 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

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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 Mr. Binghua Huang, our chief technology officer. 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 revenues and market share.

Our products may contain defects that are not detected until after they are shipped or installed. 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 which 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. We believe our available cash resources, together with the net proceeds from this offering, will be sufficient to meet our anticipated cash needs for the next 12 months. However, future expansions, changes in market conditions or other developments may 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.

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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 the nine months ended September 30, 2007, 32.9% and 41.9%, respectively, of our net revenues 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.

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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 will be 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 years ended December 31, 2005 and 2006, we and our independent registered public accounting firm have identified two material weaknesses 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 weaknesses identified related to (i) our lack of adequate financial reporting and accounting resources to internally address the significant demands of a U.S. initial public offering, and (ii) our failure to apply, or failure to apply in a consistent manner, certain aspects of U.S. GAAP accounting policies and procedure, such as inadequate documentation with respect to physical inventory management, inventory costing, and the implementation of the control procedures on fixed assets management. 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 be identified.

We are in the process of implementing measures to remedy these material weaknesses 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 are necessary for us to produce reliable financial reports and are important to help 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 two patents and nine 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 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 develop 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

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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 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

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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 and 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

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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 Mr. Li and Mr. 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 Mr. Zhengmin Lian and Mr. 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 Mr. Lian s and Mr. 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 Mr. Lian s and Mr. 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 affected significantly 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,

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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 the 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.

In addition, Zhejiang Yuhui increased its registered capital from $1.5 million to $16.5 million in April 2006, and then to $28.5 million in September 2006, and as a result, prior to January 1, 2008, it was entitled to full exemption from enterprise income tax for the two years from the first profitable year and a 50% deduction for the following three years with respect to the income attributable to operations funded by the increased capital according to the then effective PRC laws and regulations. As there is uncertainty regarding the interpretation and implementation of the new Enterprise Income Tax Law and relevant rules, it is uncertain whether Zhejiang Yuhui can continue to be entitled to such preferential tax treatment as of January 1, 2008.

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, 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 a de facto management body as an establishment which 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 continue to be located in China after the effective date of the new tax law, 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 has already paid or borne. However, as of July 1, 2007, the VAT refund is 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

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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.

Under the current PRC tax law, dividend payments to foreign investors made by foreign-invested enterprises such as our PRC subsidiary, Zhejiang Yuhui, are exempt from PRC withholding tax. Pursuant to the new PRC Enterprise Income Tax Law and its Implementing Regulation, which will become effective on January 1, 2008, however, dividends payable by a foreign-invested enterprise to its foreign investors will be subject to a 10% withholding tax if the foreign investors are considered as non-resident enterprises without any establishment or place within China or if the dividends payable have no connection with the establishment or place of the foreign investors within China, unless any such foreign investor s jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. The British Virgin Islands, where we are incorporated, does not have such a tax treaty with China. Although the new Enterprise Income Tax Law contemplates the possibility of exemptions from withholding taxes for China-sourced income of foreign investors, the PRC tax authorities have not promulgated any related implementation rules and it remains unclear whether we would be able to obtain exemptions from PRC withholding taxes for dividend distributions to us by Zhejiang Yuhui.

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 $2.9 million in the nine months ended September 30, 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 12.9% appreciation of the RMB against the U.S. dollar between July 21, 2005 and January 25, 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, to the extent that we need to convert U.S. dollars we receive from this offering into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we receive from the conversion. Conversely, if we decide to convert our Renminbi into U.S. dollars for the purpose of making payments for dividends on our shares or 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

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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 revenues or financing effectively.

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

Foreign exchange transactions by Zhejiang Yuhui under capital accounts continue to be subject to significant foreign exchange controls and require the approval of, or registration with, PRC governmental authorities. In particular, if Zhejiang Yuhui borrows foreign currency loans from us or other foreign lenders, these loans must be registered with SAFE, and if we finance it by means of additional capital contributions using, for instance, proceeds from this offering, these capital contributions must be approved or registered by certain government authorities including SAFE, the Ministry of Commerce or their local counterparts. These limitations could affect the ability of Zhejiang Yuhui to obtain foreign exchange 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 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, which became effective on September 8, 2006. These regulations include, among other things, 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 CSRC approval 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. CSRC approval procedures require the filing of a number of documents with CSRC and it would take several months to complete the approval process. The application of this new 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 an application to 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.

If CSRC requires that we obtain its approval prior to the completion of this offering, this offering will be delayed until we obtain CSRC approval, which may take several months. If prior CSRC approval is required but not obtained, we may face regulatory actions or other sanctions from CSRC or other PRC regulatory agencies.

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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 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. 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.

Also, if CSRC subsequently requires that we obtain its approval, we may be unable to obtain a waiver of 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, 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, our chief executive officer and director, and Mr. Yuncai Wu, our vice president and director, are in the process of updating their filing in connection with their transfers of shares in our company to their respective holding vehicles and the change in our company s shareholding structure due to our AIM admission, which filings are expected to be completed in the near term; and (ii) 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 which 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 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 (including using the proceeds from this offering) our PRC subsidiary, limit our PRC subsidiary s ability to pay dividends or otherwise distribute profits to us, or otherwise adversely affect us.

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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 2007, 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 and This Offering

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.

There has been no prior market for our ADSs and this offering may not result in an active or liquid market for our ADSs.

Prior to this offering, there has not been a public market for our ADSs and AIM has been the only market for our shares. Although application has been made for listing of our ADSs on the New York Stock Exchange, there can be no assurance that the offering will be completed and an active public market in our ADSs may not develop or be sustained after the offering. In addition, if a significant number of our ADS holders withdraw the underlying shares from our ADS facility and no additional ADSs are issued, the liquidity of our ADSs would be adversely affected.

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.

You will experience immediate and substantial dilution in the net tangible book value of ADSs purchased.

The public offering price per ADSs will be substantially higher than the net tangible book value per ADS prior to the offering. Consequently, when you purchase ADSs in the offering at an assumed public offering price of $15.45, based on the closing price of our shares on AIM on January 25, 2008, you will incur immediate dilution of $10.09 per ADS. See Dilution. In addition, you may experience further dilution to the extent that additional shares are issued upon exercise of outstanding options we may grant from time to time.

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, 39.5% and 20.3% of our outstanding share capital and will hold, indirectly, approximately 32.5% and 16.7% of our outstanding share capital upon completion of this offering, respectively. As such, Mr. Li and Mr. 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, including those who purchase our ADSs in this offering.

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 flow from operations and the proceeds from this offering will be sufficient to meet our anticipated cash needs for the foreseeable future. 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.

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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 after this offering, or the perception that these sales could occur, could cause the market price of our ADSs to decline. All ADSs sold in this offering will be freely transferable without restriction or additional registration under the Securities Act of 1933, or the Securities Act. From February 15, 2008, approximately 39.9 million of our shares held by persons not affiliated with us will be eligible for resale under Rule 144, as amended, 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 180 days after the date of this prospectus. After the expiration of the 180-day period, the shares held by these shareholders may be sold subject to volume and other restrictions under Rule 144 under the Securities Act. See Shares Eligible For Future Sale. 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 this 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 will not be treated as one of our shareholders. Instead, the depositary will be treated as the holder of the shares underlying your ADSs. However, you may exercise some of the shareholders rights through the depositary, and you will have the right to withdraw the shares underlying your ADSs from the deposit facility as described in Description of American Depositary Shares Deposit, Withdrawal and Cancellation and Description of American Depositary Shares Your Right to Receive the Shares Underlying Your ADSs. Except as described in this prospectus and in the deposit agreement, holders of our ADSs will not be able to directly exercise voting rights attaching to the shares evidenced by our ADSs on an individual basis. Holders of our ADSs will appoint the depositary or its nominee as their representative to exercise the voting rights attaching the shares represented by the ADSs. 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 of 1933, as amended, 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 at any time or from time to time when it deems expedient in connection with 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.

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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 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. For more information regarding the relevant laws of the British Virgin Islands and China, see Enforceability of Civil Liabilities.

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, which is likely to fluctuate after this offering. If we are treated as a PFIC for any taxable year during which a U.S. Holder (as defined in Taxation United States Federal Income Taxation Passive Foreign Investment Company) holds an ADS or a share, certain adverse U.S. federal income tax consequences could apply to such U.S. Holder. See Taxation United States Federal Income Taxation Passive Foreign Investment Company.

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

As a public company in the United States, we will incur a significantly higher level of legal, accounting and other expenses than we did previously. In addition, the Sarbanes-Oxley Act, as well as 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.

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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.

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USE OF PROCEEDS

We estimate that we will receive net proceeds from this offering of approximately $128.6 million or approximately $138.9 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 $15.45 per ADS, the closing price of our shares on AIM on January 25, 2008 and adjusted to account for the ratio of two shares per ADS. 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 $15.45 per ADS would increase (decrease) the net proceeds of this offering by $8.6 million, assuming the sale of 9,212,500 ADSs at $16.45 or $14.45 per ADS, 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; we believe such amount will cover approximately 75% of the anticipated financing for our 2008 wafer expansion plan;

- approximately $60 million to invest in polysilicon manufacturing production in 2008; we believe that such amount will cover approximately 45% of the anticipated investment amount for polysilicon manufacturing production in 2008; and

- the remaining amount to pay or prepay for raw materials and 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 the net proceeds from this offering together with our anticipated cash flow from our operations and borrowings from our existing bank facilities will be sufficient to meet our anticipated cash needs for our expansion plans 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.

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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, the new PRC Enterprise Income Tax Law and its Implementation Regulation, which became effective on January 1, 2008, eliminates the current enterprise income tax exemption for dividends derived by foreign investors from their directly invested enterprise in China, such as Zhejiang Yuhui, and imposes on the invested enterprise, an obligation to withhold a 10% tax on dividend distributions, if we, as the foreign investor of Zhejiang Yuhui, are considered as non-resident enterprises without any establishment or place within China or if the dividends payable have no connection with the establishment or place of the foreign investors within China.

Our board of directors has complete discretion as to whether to distribute dividends, subject to the approval of our shareholders. 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 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.

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CAPITALIZATION

The following table sets forth our capitalization as of September 30, 2007:

- on an actual basis;

- on an as adjusted basis to reflect: the sale of 9,212,500 ADSs by us in this offering at an assumed public offering price of $15.45 per ADS, the closing price of our shares on AIM on January 25, 2008, adjusted to account for the ratio of two shares per ADS, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us;

- on a pro forma as adjusted basis to reflect: (i) the conversion of approximately 10,485,231 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 current market price on January 25, 2008, and (ii) the sale of 9,212,500 ADSs by us in this offering at an assumed public offering price of $15.45 per ADS, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us.

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 September 30, 2007		
	Actual	As adjusted	Pro forma as adjusted
		(in thousands)	
Convertible bonds payable	$ 124,384	$ 124,384	
Long-term borrowings (unguaranteed and unsecured)	6,657	$ 6,657	$ 6,657
Shareholders equity:			
Shares (no par value; 250,000,000 shares authorized and 100,000,032 shares issued and outstanding as of September 30, 2007)[1][2]	36,266	164,829	285,603
Additional paid-in capital	14,157	14,157	14,157
Retained earnings	48,729	48,729	48,729
Accumulated other comprehensive income	4,694	4,694	4,694
Total shareholders equity[1]	103,846	232,409	353,183
Total capitalization[1]	$ 234,887	$ 363,450	$ 359,840

(1) Assuming the number of ADSs offered by us as set forth on the cover page of this prospectus remains the same, and after deduction of underwriting discounts and commissions and the estimated offering expenses payable by us, a $1.00 increase (decrease) in the assumed public offering price of $15.45 per ADS would increase (decrease) each of shares, total shareholders equity and total capitalization by $8.6 million.

(2) The pro forma as adjusted amount also includes $3,609,872 of unamortized deferred convertible bond issue costs as of September 30, 2007.

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DILUTION

Our net tangible book value as of September 30, 2007 was approximately $92.9 million, or $0.93 per share, and $1.86 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 assumed public offering price per share.

Without taking into account any other changes in such net tangible book value after September 30, 2007, other than to give effect to: (i) our issuance and sale of 9,212,500 ADSs in this offering, at an assumed public offering price of $15.45 per ADS, the closing price of our shares on AIM on January 25, 2008 and adjusted to account for the ratio of two shares per ADS, after deduction of underwriting discounts and commissions and estimated offering expenses payable by us (assuming the over-allotment option is not exercised), and (ii) the conversion into approximately 10,485,231 shares pursuant to our RMB928,700,000 U.S. Dollar Settled 1% Convertible Bonds due 2012 calculated based on the assumed adjusted conversion price according to the defined current market price on January 25, 2008, our pro forma as adjusted net tangible book value at September 30, 2007 would have been $2.68 per outstanding share, including shares underlying our outstanding ADSs, or $5.36 per ADS. This represents an immediate increase in net tangible book value of $0.71 per share, or $1.43 per ADS, to existing shareholders and an immediate dilution in net tangible book value of $5.05 per share, or $10.09 per ADS, to purchasers of ADSs in this offering.

The following table illustrates the dilution on a per share basis assuming that the public offering price per share is $7.73, and all ADSs are exchanged for shares:

	Per Ordinary Share	Per ADS
Assumed public offering price	$ 7.73	15.45
Net tangible book value as of September 30, 2007	0.93	1.86
Pro forma net tangible book value per share after giving effect to conversion of RMB928,700,000 U.S. Dollar Settled 1% Convertible Bonds due 2012	1.97	3.93
Pro forma as adjusted net tangible book value per share after giving effect to conversion of RMB928,700,000 U.S. Dollar Settled 1% Convertible Bonds due 2012 and this offering	2.68	5.36
Amount of dilution in net tangible book value to new investors in the offering	$ 5.05	10.09

A $1.00 increase in the assumed public offering price of $15.45 per ADS would increase our pro forma as adjusted net tangible book value per share and per ADS after giving effect to the conversion into approximately 10,485,231 shares pursuant to our RMB928,700,000 U.S. Dollar Settled 1% Convertible Bonds due 2012 calculated based on the assumed adjusted conversion price according to the defined current market price on January 25, 2008 and this offering by $0.07 per share and $0.14 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 $5.48 per share and $10.95 per ADS, assuming no change to the number of ADSs offered by us as set forth on the cover page of this prospectus, and after deducting underwriting discounts and commissions and other offering expenses.

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 on the last trading day preceding the date of announcement of the terms of our offering. 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:

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

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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.

Therefore, a $1.00 decrease in the assumed public offering price of $15.45 per ADSs would decrease our pro forma as adjusted net tangible book value per share and per ADS after giving effect to the conversion into approximately 10,602,694 shares pursuant to our convertible bonds calculated based on the adjusted conversion price resulted from such decrease in the assumed public offering price (after taking into effect anti-dilution adjustments), by $0.07 per share and $0.13 per ADS and the dilution in pro forma adjusted net tangible value per share and per ADS to new investors in this offering by $4.61 per share and $9.22 per ADS, assuming no change to the number of ADSs offered by us as set forth on the cover page of this prospectus, after deducting underwriting discounts and commission and other offering expenses.

Similarly, a 10% decrease in the assumed public offering price of $15.45 per ADSs would decrease our pro forma as adjusted net tangible book value per share and per ADS after giving effect to the conversion into approximately 10,660,878 shares pursuant to our convertible bonds calculated based on the adjusted conversion price resulted from such decrease in the assumed public offering price (after taking into effect anti-dilution adjustments), by $0.10 per share and $0.21 per ADS and the dilution in pro forma adjusted net tangible value per share and per ADS to new investors in this offering by $4.38 per share and $8.76 per ADS, assuming no change to the number of ADSs offered by us as set forth on the cover page of this prospectus, after deducting underwriting discounts and commission and other offering expenses.

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 September 30, 2007, the differences between the shareholders as of September 30, 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 an assumed public offering price of $15.45 per ADS, assuming the conversion into approximately 10,485,231 shares pursuant to our convertible bonds calculated based on the assumed adjusted conversion price according to the defined current market price on January 25, 2008 and before deducting estimated underwriting discounts and commissions and estimated offering expenses. The total number of shares does not include 712,500 ADSs issuable pursuant to the exercise of the over-allotment option granted to the underwriters.

	Shares Purchased		Total Consideration		Average Price Per Share	Average Price Per ADS
	Number	Percent	Amount	Percent		
Existing shareholders	110,485,263[(1)]	86%	$ 171,197,167	55%	$ 1.55	$ 3.10
New investors	18,425,000	14	$ 142,333,125	45	$ 7.73	$ 15.45
Total	128,910,263	100%	$ 313,530,292	100%		

(1) Assuming the conversion of approximately 10,485,231 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 January 25, 2008.

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A $1.00 increase in the assumed public offering price of $15.45 per ADS would increase total consideration paid by new investors, total consideration paid by all shareholders, average price per share and per ADS paid by all shareholders by $9.2 million, $9.2 million, $0.07 per share and $0.14 per ADS, respectively, assuming the conversion into approximately 10,485,231 shares pursuant to our convertible bonds based on the assumed adjusted conversion price according to the defined current market price on January 25, 2008 and sale of 9,212,500 ADSs at $16.45, before deducting underwriting discounts and commissions and other offering expenses payable by us.

A $1.00 decrease in the assumed public offering price of $15.45 per ADS would 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 $9.2 million, $9.2 million, $0.07 per share and $0.15 per ADS, respectively, assuming the conversion into approximately 10,602,694 shares of our convertible bonds based on the conversion price resulted from such decrease in the assumed public offering price (after taking into effect anti- dilution adjustments) and sale of 9,212,500 ADSs at $14.45 , before deducting underwriting discounts and commission and other offering expenses payable by us.

A 10% decrease in the assumed public offering price of $15.45 per ADS would 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 $14.2 million, $14.2 million, $0.11 per share and $0.23 per ADS, respectively, assuming the conversion into approximately 10,660,878 shares of our convertible bonds based on the conversion price resulted from such decrease in the assumed public offering price (after taking into effect anti-dilution adjustments) and sale of 9,212,500 ADSs at $13.91, before deducting underwriting discounts and commission and other offering expenses payable by us.

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EXCHANGE RATE INFORMATION

Our business is conducted in China and a substantial portion of our revenues are denominated in RMB. However, periodic reports made to shareholders will be expressed in U.S. dollars using the then current exchange rates. This prospectus contains translations of RMB amounts into U.S. dollars at specific rates solely for the convenience of the reader. The conversion of RMB into U.S. dollars in this prospectus is based on the noon buying rate in The City of New York for cable transfers of RMB as certified for customs purposes by the Federal Reserve Bank of New York. Unless otherwise noted, all translations from RMB to U.S. dollars and from U.S. dollars to RMB in this prospectus were made at a rate of RMB7.4928 to $1.00, the noon buying rate in effect as of September 28, 2007. We make no representation that any RMB or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or RMB, 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 RMB into foreign exchange and through restrictions on foreign trade. On January 25, 2008, the noon buying rate was RMB7.2115 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.

	Noon Buying Rate			
Period	**Period End**	**Average[(1)]**	**Low**	**High**
		(RMB Per $1.00)		
2003	8.2767	8.2771	8.2800	8.2765
2004	8.2765	8.2768	8.2774	8.2764
2005	8.0702	8.1940	8.2765	8.0702
2006	7.8041	7.9579	8.0702	7.8041
2007	7.2946	7.5806	7.7714	7.2946
July	7.5720	7.5757	7.6055	7.5580
August	7.5462	7.5734	7.6181	7.5420
September	7.4928	7.5196	7.5540	7.4928
October	7.4682	7.5016	7.5158	7.4682
November	7.3850	7.4212	7.4582	7.3800
December	7.2946	7.3682	7.4120	7.2946
2008				
January (through January 25)	7.2115	7.2521	7.2946	7.2115

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

The conversion of pounds sterling into U.S. dollars in this prospectus is based on the noon buying rate in The City of New York for cable transfers of pounds sterling as certified for customs purposes by the Federal Reserve Bank of New York. 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 $2.0389, the noon buying rate in effect as of September 28, 2007. 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 January 25, 2008, the noon buying rate was £1.00 to $1.9802.

The conversion of euros into U.S. dollars in this prospectus is based on the noon buying rate in The City of New York for cable transfers of euros as certified for customs purposes by the Federal Reserve Bank of New York. 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 $1.4219, the noon buying rate in effect as of September 28, 2007. 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 January 25, 2008, the noon buying rate was 1.00 to $1.4673.

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MARKET PRICE INFORMATION

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. AIM was launched in 1995 as an alternative investment market to the main London Stock Exchange. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies.

AIM offers smaller growing companies the benefits of being traded on a public market, within a regulatory environment that has been designed specifically to meet their needs. AIM has grown significantly since its inception. Companies seeking to join AIM must appoint a firm as its Nominated Adviser approved by the London Stock Exchange, which needs to satisfy itself that the company is suitable for AIM admission and meets the ongoing regulatory requirements of an AIM company. As of September 30, 2007, the shares of 1,682 companies were traded on AIM with an aggregate market capitalization of £101.9 billion.

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.

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	FTSE AIM All Share Index	
	High	Low	trading volume	High	Low
	£			£	
2006 (from August 8)	4.77	0.79	1,131,083	10.55	9.73
Third quarter	1.94	0.79	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	11.14	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					

January (through January 25)	4.96	3.79	754,539	10.56	9.49

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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, respectively, 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 country where the judgment is made or on reciprocity between jurisdictions. China does not have any treaties or

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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.

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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 and 2006 and the six months ended June 30, 2007 and the selected consolidated balance sheet data as of December 31, 2005 and 2006 and June 30, 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 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 have been derived from our unaudited consolidated financial statements, which are not included in this prospectus. Our selected consolidated statement of income data for the six months ended June 30, 2006 and the nine months ended September 30, 2006 and 2007 and the selected consolidated balance sheet data as of September 30, 2007 have been derived from our unaudited financial statements included elsewhere in this prospectus. Our unaudited consolidated financial statements have been prepared on the same basis as our audited consolidated financial statements.

	Period from August 7 to December 31,	For the Year Ended December 31,			For the Six Months Ended June 30,		For the Nine Months Ended September 30,	
	2003	2004	2005	2006	2006	2007	2006	2007
	(in thousands, except percentage, share, per share data)							
Consolidated Statement of Income Data								
Net revenues:								
Product sales			$ 5,088	$ 78,515	$ 23,330	$ 76,195	$ 49,009	$ 143,996
Processing services				5,855	712	4,193	3,090	8,931
Total net revenues			5,088	84,371	24,042	80,388	52,099	152,927
Cost of revenues:								
Product sales			(3,677)	(57,141)	(16,662)	(60,085)	(34,954)	(114,195)
Processing services				(2,505)	(210)	(2,201)	(1,298)	(4,855)
Total cost of revenues			(3,677)	(59,646)	(16,872)	(62,286)	(36,252)	(119,050)
Gross profit			1,411	24,725	7,170	18,102	15,847	33,877
Operating expenses:								
Sales and marketing expenses			(210)	(335)	(204)	(263)	(250)	(415)
General and administrative expenses	(26)	(23)	(356)	(2,285)	(566)	(2,765)	(1,518)	(5,119)
Research and development expenses				(39)	(22)	(163)	(28)	(245)
Other general income (expenses)		48	(243)	169	15	89	155	335
Total operating income (expenses)	(26)	25	(809)	(2,490)	(777)	(3,102)	1,641	5,444
Income (loss) from operations	(26)	25	602	22,235	6,393	15,000	14,206	28,433
Interest income		3	1	312	6	1,154	150	1,705
Interest expenses		(26)	(27)	(331)	(103)	(1,338)	(278)	(2,822)
Foreign exchange gain (loss)			(2)	364	(9)	(2,303)	223	(2,873)
Income (loss) before income tax	(26)	2	574	22,580	6,287	12,513	14,301	24,443
Income tax benefit		5	617	2,721	751	177	1,697	985
Minority interest								37
Net income attributable to equity holders	$ (26)	$ 7	$ 1,191	$ 25,301	7,038	12,690	$ 15,998	$ 25,465

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	Period from August 7 to December 31, 2003	For the Year Ended December 31, 2004	2005	2006	For the Six Months Ended June 30, 2006	2007	For the Nine Months Ended September 30, 2006	2007
	(in thousands, except percentage, share, per share data)							
Earnings per share:(1)								
Basic			0.02	0.32	0.11	0.13	0.22	0.25
Diluted			0.02	0.32	0.11	0.13	0.22	0.25
Earnings per ADS								
Basic			0.04	0.63	0.21	0.25	0.44	0.51
Diluted			$ 0.04	$ 0.63	$ 0.21	$ 0.25	$ 0.44	$ 0.51
Weighted average number of shares used in computing earnings per share:(1)								
Basic			66,666,699	80,000,032	66,666,699	100,000,032	73,260,106	100,000,032
Diluted			66,666,699	80,122,052	66,666,699	100,156,848	73,260,106	100,147,666
Other Consolidated Financial Data								
Gross margin			27.7%	29.3%	29.8%	22.5%	30.4%	22.2%
Operating margin			11.8	26.4	26.6	18.7	27.3	18.6
Net margin			23.4%	30.0%	29.3%	15.8%	30.7%	16.7%
Selected Operating Data								
Solar wafers shipped (in MW)			0.01	26.0	7.0	32.6	15.2	61.9
Average selling price ($/W)(2)			$ 1.55	$ 2.16	$ 2.09	$ 2.21	$ 2.14	$ 2.25

(1) All shares and per share data have been presented to give retrospective effect to our reorganization in 2006.

(2) Calculated based on net revenues attributable to solar wafer sales divided by solar wafers shipped during such period.

	As of December 31, 2003	2004	2005	2006	As of June 30, 2007	As of September 30, 2007
	(in thousands)					
Consolidated Balance Sheet Data						
Cash and cash equivalents	$ 194	$ 40	$ 404	$ 9,862	$ 67,904	$ 68,935
Inventories	1	1	3,233	44,775	75,325	94,263
Advances to suppliers		9	1,151	16,952	33,777	34,379
Total current assets	460	261	6,769	89,365	209,022	241,258
Property, plant and equipment, net	508	463	2,426	19,908	50,046	94,400
Advances for purchases of property, plant and equipment			54	14,957	37,931	22,874
Total assets	968	908	10,059	128,586	308,235	369,509
Short-term borrowings		245	712	14,675	58,929	74,554
Advances from suppliers and customers			4,495	34,452	25,866	35,451
Total current liabilities	404	469	7,316	55,982	93,825	124,772
Total shareholders equity	564	439	2,703	72,541	87,312	103,846
Total liabilities and shareholders equity	$ 968	$ 908	$ 10,059	$ 128,586	$ 308,235	$ 369,509

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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 Chinese manufacturer of solar wafers, which are the principal component of solar cells. 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.

We have grown rapidly since we began manufacturing solar wafers in 2005. Our net revenues increased significantly from $5.1 million in 2005 to $84.4 million in 2006 and from $52.1 million for the nine months ended September 30, 2006 to $152.9 million for the nine months ended September 30, 2007. Our income from operations increased from $0.6 million in 2005 to $22.2 million in 2006 and from $14.2 million for the nine months ended September 30, 2006 to $28.4 million for the nine months ended September 30, 2007. Our net income increased from $1.2 million in 2005 to $25.3 million in 2006 and from $16.0 million for the nine months ended September 30, 2006 to $25.5 million for the nine months ended September 30, 2007.

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 primarily from a wide range of reclaimable silicon raw materials, including broken wafers and broken cells that are difficult to process but are less expensive than other reclaimable silicon raw materials. 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 42.2% from 427 MW in 2002 to 1,744 MW in 2006. In one of Solarbuzz s forecasts, annual solar power system installed capacities may further increase to 7,630 MW in 2011, and solar power industry revenue may increase from $10.6 billion in 2006 to $31.5 billion in 2011, which we believe is driven largely by surging market demand, rising product prices and government initiatives. See Business Our Industry for a discussion of the factors affecting the growth of the solar power industry.

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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. We had an annual silicon ingot manufacturing capacity of 14 MW and 80 MW as of December 31, 2005 and 2006, 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 a lower output for the quarter than planned. 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. However, we cannot assure you that we will achieve our 2008 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. 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 to significant price increases in virgin polysilicon in recent years. To address this shortage, we manufacture solar wafers primarily from reclaimable silicon raw materials that cost less than the spot price of virgin polysilicon. In addition, 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 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 and framework agreements with our suppliers 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 agreements provide for fixed quantity, but the pricing terms are subject to negotiations. Under the framework agreements, a purchase order is generally issued for each shipment of products. 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.

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Based on the supply agreements that we entered into over the last few years, including the more recent supply agreements, the prices of silicon raw materials have been increasing, which resulted in a material increase in our cost of revenues. See Business Raw Materials for more details on the recent supply agreements we entered into. 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. We believe the expected increase in cost of revenues due to our contracts with a fixed price will be consistent with the historical increase that we have experienced. However, 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.

To enhance 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. We have committed to invest approximately RMB102.9 million ($13.7 million) in cash for a 49% interest and have paid $8.0 million. We plan to pay the remaining $5.7 million from our current cash and cash equivalents and anticipated cash flow from operations within one year. For the 51% interest in the joint venture, Zhongsheng Steel is obligated to contribute approximately RMB107.1 million ($14.1 million) in the form of equipment, factory premises and land use rights. Production from the first phase with a planned annual capacity of 300 metric tons is expected to begin in the first quarter of 2008, and the estimated output in 2008 is 200 to 300 metric tons. The schedule for the construction of the second phase of 450 metric tons of annual capacity is currently under consideration. We have committed to purchase 90% of the joint venture s polysilicon output, which is expected to provide up to 15% 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.

Advancement in process technologies

Advancement in our process technologies is important to our financial performance, as it improves the production yields, reduces the 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 and 2006, the average selling price of our wafers increased due to strong demand. The average selling price of our wafers remained relatively stable in the nine months ended September 30, 2007. 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.

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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 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.

Historically, we offered 125 mm by 125 mm monocrystalline wafers with a thickness of 220 microns since 2005. In late 2006, we introduced 125 mm by 125 mm monocrystalline wafers with a thickness of 200 microns. Currently, we also offer 156 mm by 156 mm monocrystalline wafers with a thickness of 200 microns at customers requests. Furthermore, we began manufacturing 156 mm by 156 mm multicrystalline wafers with a thickness of 220 microns in the third quarter of 2007. 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 revenues and cost of revenues. Our net revenues are 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 higher margin, and discontinuance of module production, which has lower margin. Our gross margin decreased from 30.4% in the nine months ended September 30, 2006 to 22.2% in the nine months ended September 30, 2007. The decrease was due primarily to the increase in silicon raw material prices. We were able to alleviate some of the pressure on our gross margin by:

- controlling raw material costs through sourcing reclaimable silicon raw materials from various sources, and

- increasing production yield by enhancing process technologies and improving labor skills.

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 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.

Net Revenues

We derive revenue primarily from the sale of solar wafers and solar modules. 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 the nine months ended September 30, 2007 to meet our liquidity needs. In 2005, 2006 and the nine months ended September 30, 2007, we derived a portion of our revenues from the sale of ingots, when our ingot manufacturing capacity was larger than our wafer slicing capacity. In 2006, a portion of our revenues related to our disposition of solar cells after we discontinued the sale of solar modules. In 2006 and the nine months ended September 30, 2007, we also processed silicon raw materials into silicon ingots or solar wafers for customers and generated processing services revenues. Set forth below is the breakdown of

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our net revenues by product and service, in absolute amount and as a percentage of total net revenues, for the periods indicated.

	Year Ended December 31,				Nine Months Ended September 30,			
	2005		2006		2006		2007	
	(in thousands except percentages)							
Revenue by products:								
Solar wafers	$ 21	0.4%	$ 56,219	66.6%	$ 32,591	62.6%	$ 139,592	91.3%
Solar modules	3,919	77.0	2,176	2.6	2,176	4.2		
Ingots	803	15.8	13,764	16.3	9,148	17.6	1,091	0.7
Solar cells	345	6.8	2,840	3.4	2,431	4.7		
Other materials			3,516	4.2	2,663	5.1	3,313	2.2
Processing services			5,855	6.9	3,090	5.9	8,931	5.8
Total	$ 5,088	100.0%	$ 84,371	100.0%	$ 52,099	100.0%	$ 152,927	100.0%

Our net revenues derived from product sales are net of valued-added tax, sales returns and exchanges. Factors affecting our net revenues derived from product sales include our unit sales volume and average selling prices. We increased sales of our solar wafers in 2006 and the nine months ended September 30, 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 remained relatively stable in the nine months ended September 30, 2007.

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 multiple-year framework agreements. The framework agreements typically stipulate the sales volumes and prices of our solar wafers for the first year in binding terms. The pricing terms, and sometimes the sales volumes, for subsequent years are subject to annual renegotiation. 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 agreements and sales contracts not only provide us with better visibility into future revenues, but also help us enhance relationships with our customers. Generally the prices of our solar wafers are determined near the end of the previous year or at the time when the contracts or framework agreements are entered into. In 2005, 2006 and the nine months ended September 30, 2007, our sales contracts and framework agreements 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 the nine months ended September 30, 2007, our top five customers collectively accounted for 62.1%, 59.1% and 78.8%, respectively, of our net revenues. 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 revenues in 2006. In the nine months ended September 30, 2007, sales to each of Motech Industries Inc., Solarfun Power Holding Ltd. and Suntech Power Co. Ltd. accounted for over 10% of our net revenues. Our largest customers have changed from 2005 to 2006, primarily because we discontinued the sale of solar modules in 2006. Changes in our product mix have also resulted in changes in our 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 28.1% of our net revenues in the nine months ended September 30, 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

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

	Year Ended December 31,				Nine Months Ended September 30,			
	2005		2006		2006		2007	
	(in thousands, except percentages)							
China	$ 1,365	26.8%	$ 56,591	67.1%	$ 35,889	68.9%	$ 88,862	58.1%
Taiwan			14,706	17.4	6,560	12.6	51,884	33.9
Korea			6,942	8.2	6,000	11.5	5,844	3.8
Rest of Asia	21	0.4	1,543	1.8	1,286	2.4	4,235	2.8
Germany	3,338	65.6	1,990	2.4	1,774	3.4	56	
Others	364	7.2	2,599	3.1	590	1.2	2,046	1.4
Total	$ 5,088	100.0%	$ 84,371	100.0%	$ 52,099	100.0%	$ 152,927	100.0%

Cost of Revenues

Our cost of revenues consists primarily of costs for:

- reclaimable silicon raw materials, including 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;
- processing fees, which we incurred for outsourcing the processing of ingots or wafers into solar cells before we discontinued the sale of solar modules; and
- warranty costs.

All the above costs increased from 2005 to 2006 and the nine months ended September 30, 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 prices of reclaimable silicon raw materials and purchase volume from 2005 to 2006 and the nine months ended September 30, 2007, as well as a change in raw material mix in 2007 as 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 the nine months ended September 30, 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.

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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 revenues. Accordingly, as a result of economies of scale, sales and marketing expenses, as a percentage of net revenues, 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 the nine months ended September 30, 2007, we recognized share-based compensation expenses in connection with share awards to certain members of our management. In the nine months ended September 30, 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 to facilitate our listing in the United States and to support our future operations as a U.S. listed public company, including compliance-related costs.

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 the nine months ended September 30, 2007, our research and development expenses amounted to approximately $39,000 and $0.2 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 devote greater resources to research and development efforts. Our research and development efforts are undertaken primarily to enhance our manufacturing processes, reduce manufacturing cost and enhance product performance.

Other Income and Expenses

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

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

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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 and the nine months ended September 30, 2007, we had foreign currency exchange losses of approximately $2,000 and $2.9 million, respectively. In 2006, we had a foreign exchange gain of $0.4 million.

Other income and expenses primarily represent losses 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 the enterprise income tax from the first profitable year, which are 2005 and 2006, and to a 50% reduction of its applicable income tax rate for the following 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, 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 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.

Furthermore, Zhejiang Yuhui increased its registered capital from $1.5 million to $16.5 million in April 2006, and then to $28.5 million in October 2006, and as a result, prior to January 1, 2008, was entitled to full exemption from enterprise income taxes for the two years from the first profitable year and a 50% reduction for the following three years with respect to the income attributable to operations funded by the increased capital according to the then effective PRC laws and regulations. As there is uncertainty regarding the interpretation and implementation of the new Enterprise Income Tax Law and relevant rules, it is uncertain whether Zhejiang Yuhui can continue to be entitled to such preferential tax treatment as of January 1, 2008. Zhejiang Yuhui further increased its registered capital to $34.5 million in December 2006 and $45.0 million in January 2007 and is currently applying for exemption from enterprise income taxes with the relevant PRC tax authorities. There is no assurance, however, that such exemption will be granted.

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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 have 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 is also entitled to tax credits for up to 40% of the purchase price of certain domestic equipment purchases. Such tax credits can 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 can be carried forward for up to seven years.

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 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

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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 Incentive Plan and Share Options. We expect that our share-based compensation expenses relating to our October and November 2007 option grants may have an adverse effect on our reported earnings for the year ending December 31, 2007 and over the remaining vesting periods. We estimate that our total share-based compensation expenses relating to our October and November 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

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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 September 30, 2007, our inventory contains $37.0 million of unprocessed reclaimable raw materials, $1.8 million of scrap raw materials with low resistivity, $39.8 million of qualified raw materials and $15.7 million of ingots, wafers and other materials in inventory.

Our scrap raw material inventory was less than $2 million as of December 31, 2006 and September 30, 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.

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.

Internal Control over Financial Reporting

During the preparation and external audit of our consolidated financial statements for the years ended December 31, 2005 and 2006, we and our independent registered public accounting firm have identified two material weaknesses in our internal control over financial reporting, as defined in the standards established by the U.S. Public Company Accounting Oversight Board. The material weaknesses identified related to (i) our lack of adequate financial reporting and accounting resources to internally address the significant demands of a U.S. initial public offering, and (ii) our failure to apply, or failure to apply in a consistent manner, certain aspects of U.S. GAAP accounting policies and procedure, such as inadequate documentation with respect to physical inventory management, inventory costing, and the implementation of the control procedures on fixed assets management.

We are in the process of implementing a number of measures to address the 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, and (iv) hiring 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.

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Selected Quarterly Results of Operations

The following table presents our unaudited consolidated quarterly results of operations for the seven quarterly periods ended September 30, 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 Risk Factors Risks Related to Our Business.

	For the Three Months Ended
March 31, 2006	