ReneSola Ltd
Form 20-F
June 07, 2010
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

(Mark One)

¨ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2009.

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

OR

¨ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report

Commission file number: 001-33911

RENESOLA LTD

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant s name into English)

British Virgin Islands

(Jurisdiction of incorporation or organization)

No. 8 Baoqun Road

Yaozhuang Town

Jiashan County

Zhejiang Province 314117

People s Republic of China

(Address of principal executive offices)

Julia Xu, Chief Financial Officer

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

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

Title of each class	Name of each exchange on which registered
American Depositary Shares, each representing	**New York Stock Exchange**

two shares, no par value per share

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

None
(Title of Class)

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

None
(Title of Class)

Indicate the number of outstanding shares of each of the Issuer s classes of capital or common stock as of the close of the period covered by the annual report.
172,624,912 shares, no par value per share, as of December 31, 2009.

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

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

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

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

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

Large accelerated filer ¨ Accelerated filer x Non-accelerated filer ¨

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

International Financial Reporting Standards as issued by the International Accounting Standards Board ¨ Other ¨

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

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

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

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

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INTRODUCTION

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

- we, us, our company, our or ReneSola refer to ReneSola Ltd, a British Virgin Islands company, its predecessor entities and its subsidiaries, and in the context of describing our financial results prior to June 2008, also includes Linzhou Zhongsheng Semiconductor Silicon Material Co., Ltd., or Linzhou Zhongsheng Semiconductor, a then variable interest entity of our company;

- China or PRC refers to the People s Republic of China, excluding, for the purpose of this annual report on Form 20-F only, Taiwan, and the special administrative regions of Hong Kong and Macau;

- all references to RMB or Renminbi refer to the legal currency of China; all references to $, dollars and U.S. dollars refer to the le currency of the United States; all references to £ and pounds sterling refer to the legal currency of the United Kingdom; all references to euro refer to the official currency of the European Union and the currency that is used in certain of its member states;

- ADSs refers to our American depositary shares, each of which represents two shares, and ADRs refers to the American depositary receipts that evidence our ADSs; and

- shares refers to our shares with no par value.

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

Consistent with industry practice, we measure our solar wafer manufacturing capacity and production output in watts, or W, or mega watts, or MW, representing 1,000,000 watts, of power-generating capacity. We believe MW is a more appropriate unit to measure our manufacturing capacity and production output compared to pieces of wafers, as our solar wafers differ in size, thickness, power output and conversion efficiency. Furthermore, we manufacture both monocrystalline and multicrystalline wafers, and solar cells using these two types of wafers have different conversion efficiencies. Even though we have achieved, as of December 31, 2009, conversion efficiency rates of 17.4% and 16.0% for solar cells using our monocrystalline and multicrystalline wafers, respectively, in the past and for the purpose of this annual report, we have assumed an average conversion efficiency rate of 16.0% and 15.0% for solar cells using our monocrystalline wafers and multicrystalline wafers, respectively. Based on the conversion efficiency above, we assume that each 125 millimeters, or mm, by 125 mm, monocrystalline wafer we produce can generate approximately 2.4 W of power and each 156 mm by 156 mm monocrystalline wafer we produce can generate approximately 3.9 W of power. We also assume that each 156 mm by 156 mm multicrystalline wafer we produce can generate approximately 3.7 W of power based on the conversion efficiency above. As we have already achieved conversion efficiency of 17.4% and 16.0%, respectively, effective January 1, 2010, we assume that each 125 mm by 125 mm monocrystalline wafer we produce can generate approximately 2.6 W of power and each 156 mm by 156 mm monocrystalline wafer we produce can generate approximately 4.2 W of power. We also assume that each 156 mm by 156 mm multicrystalline wafer we produce can generate approximately 3.9 W of power based on the conversion efficiency above. Assumption of power generation from each wafer may change in the future. We also measure our ingot manufacturing capacity and production output in MW according to the solar wafers in MW that our current manufacturing processes generally yield.

This annual report on Form 20-F includes our audited consolidated financial statements for the years ended December 31, 2007, 2008 and 2009.

This annual report contains translations of certain Renminbi amounts into U.S. dollars at the rate of RMB6.8259 to $1.00, the noon buying rate in effect on December 31, 2009 in New York City for cable transfers

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of Renminbi as certified for customs purposes by the Federal Reserve Bank of New York. We make no representation that the Renminbi or dollar amounts referred to in this annual report on Form 20-F could have been or could be converted into dollars or Renminbi, as the case may be, at any particular rate or at all. See Item 3. Key Information D. Risk Factors Risk Related to Doing Business in China Fluctuations in exchange rates may have a material adverse effect on your investment. On May 28, 2010, the noon buying rate was RMB6.8305 to US$1.00.

Unless otherwise noted, all translations from pounds sterling to U.S. dollars and from U.S. dollars to pounds sterling in this annual report were made at a rate of £1.00 to $1.6167, the noon buying rate in effect on December 31, 2009 in New York City for cable transfers of pounds sterling as certified for customs purposes by the Federal Reserve Bank of New York. We make no representation that any pounds sterling or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or pounds sterling, as the case may be, at any particular rate or at all. On May 28, 2010, the noon buying rate was £1.00 to $1.4492.

We and certain selling shareholders of our company completed an initial public offering of 10,000,000 ADSs on January 29, 2008 and listed our ADSs on the New York Stock Exchange, or the NYSE, under the symbol SOL. On June 23, 2008, we completed a follow-on public offering of 10,350,000 ADSs sold by us and certain selling shareholders. During 2009, we repurchased RMB713.9 million ($104.6 million) aggregate principal amount of our RMB928,700,000 U.S. dollar Settled 1.0% Convertible Bonds due March 26, 2012 using a combination of $84.1 million in cash and the issuance of 4,000,000 shares. On October 5, 2009, we completed a follow-on public offering of 15,500,000 ADSs sold by us. Our shares are also currently traded on the Alternative Investment Market of the London Stock Exchange, or the AIM.

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PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS
Not Applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE
Not Applicable.

ITEM 3. KEY INFORMATION
A. Selected Financial Data

Our Selected Consolidated Financial Data

The following selected consolidated statements of income data for the years ended December 31, 2007, 2008 and 2009 and the selected consolidated balance sheet data as of December 31, 2007, 2008 and 2009 are derived from our audited consolidated financial statements included elsewhere in this annual report. The selected consolidated statements of income data for the years ended December 31, 2005 and 2006 and the consolidated balance sheet data as of December 31, 2005 and 2006 are derived from our audited consolidated financial statements, which are not included in this annual report. The selected consolidated condensed financial data should be read in conjunction with, and are qualified in their entirety by reference to, our audited consolidated financial statements and related notes and Item 5. Operating and Financial Review and Prospects included elsewhere in this annual report. Our consolidated financial statements are prepared and presented in accordance with U.S. GAAP, and reflect our current corporate structure as if it has been in existence throughout the relevant periods. The historical results are not necessarily indicative of results to be expected in any future period.

	For the Year Ended December 31,				
	2005	2006	2007	2008	2009
	(in thousands, except percentage, share and per share data)				
Consolidated Statement of Income Data					
Net revenues:					
Product sales	$ 5,088	$ 78,515	$ 231,282	$ 580,375	$ 488,508
Processing services		5,856	17,691	89,991	21,897
Total net revenues	5,088	84,371	248,973	670,366	510,405
Cost of revenues:					
Product sales	(3,677)	(57,141)	(184,292)	(631,677)	(541,570)
Processing services		(2,505)	(11,185)	(52,999)	(12,037)
Total cost of revenues	(3,677)	(59,646)	(195,477)	(684,676)	(553,607)
Gross profit (loss)	1,411	24,725	53,496	(14,310)	(43,202)
Operating expenses:					
Sales and marketing expenses	(210)	(335)	(584)	(620)	(5,399)
General and administrative expenses	(356)	(2,285)	(8,754)	(23,194)	(29,084)
Research and development expenses		(39)	(1,143)	(9,713)	(14,507)
Impairment loss on property, plant and equipment				(763)	

Other operating (expenses) income	(243)	169	418	84	1,634
Total operating expenses	(809)	(2,490)	(10,063)	(34,206)	(47,356)
Income (loss) from operations	602	22,235	43,433	(48,516)	(90,558)

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	For the Year Ended December 31,				
	2005	2006	2007	2008	2009
	(in thousands, except percentage, share and per share data)				
Non-operating (expenses) income:					
Interest income	1	312	1,934	1,783	1,716
Interest expense	(27)	(331)	(4,512)	(11,869)	(17,122)
Foreign exchange (loss) gain	(2)	364	(4,047)	(3,097)	(1,433)
Gain on repurchase of convertible bonds					7,995
Other-than-temporary impairment loss on available-for-sale investment					(13,367)
Total non-operating (expenses) income	(28)	345	(6,625)	(13,183)	(22,211)
Income (loss) before income tax, noncontrolling interests and equity in earnings (loss) of investee	574	22,580	36,808	(61,699)	(112,769)
Income tax benefit (expenses)	617	2,721	6,155	2,420	41,156
Equity in earnings (loss) of investee, net of tax				5,175	(291)
Net income (loss)	1,191	25,301	42,963	(54,104)	(71,904)
Net loss attributable to noncontrolling interests			(27)	(802)	
Net income (loss) attributable to holders of common shares	$ 1,191	$ 25,301	$ 42,936	$ (54,906)	$ (71,904)
Earnings (loss) per share[(1)]:					
Basic	$ 0.02	$ 0.32	$ 0.43	$ (0.43)	$ (0.49)
Diluted	$ 0.02	$ 0.32	$ 0.43	$ (0.43)	$ (0.49)
Earnings (loss) per ADS:					
Basic	$ 0.04	$ 0.63	$ 0.86	$ (0.86)	$ (0.98)
Diluted	$ 0.04	$ 0.63	$ 0.86	$ (0.86)	$ (0.98)
Weighted average number of shares used in computing earnings per share[(1)]:					
Basic	66,666,699	80,000,032	100,000,032	127,116,062	147,553,679
Diluted	66,666,699	80,122,052	108,221,480	127,116,062	147,553,679
Other Consolidated Financial Data					
Gross margin	27.7%	29.3%	21.5%	(2.1)%	(8.5)%
Operating margin	11.8%	26.4%	17.4%	(7.2)%	(17.7)%
Net margin	23.4%	30.0%	17.2%	(8.2)%	(14.1)%
Selected Consolidated Operating Data					
Solar products shipped (in MW)[(2)]	1.8	39.5	124.5	350.1	526.6
Total solar wafers shipped (in MW)[(3)]	0.01	26.0	98.6	227.9	468.1
Average wafer selling price ($/W)[(4)]	$ 1.55	$ 2.16	$ 2.30	$ 2.52	$ 0.91

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

(2) Includes solar ingots, wafers, cells and modules shipped, as well as solar wafers and modules shipped from processing services.
(3) Excludes solar wafers shipped from processing services.
(4) Calculated based on net revenues attributable to solar wafer shipped divided by the amount of solar wafers shipped during such period (excluding processing services).

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	As of December 31,				
	2005	2006	2007	2008	2009
			(in thousands)		
Consolidated Balance Sheet Data					
Cash and cash equivalents	$ 404	$ 9,862	$ 53,137	$ 112,334	$ 106,808
Inventories	3,233	44,775	110,630	193,036	137,844
Advances to suppliers current	1,151	16,952	53,727	36,991	12,092
Total current assets	6,769	89,365	263,241	440,134	480,224
Property, plant and equipment, net	2,426	19,908	136,598	341,427	702,816
Advances for purchases of property, plant and equipment	54	14,957	29,648	161,705	20,840
Advances to suppliers over one year				45,729	8,072
Total assets	10,059	128,586	440,609	1,007,788	1,284,829
Short-term borrowings	712	14,675	71,691	191,987	358,634
Advances from customers current	4,495	34,452	59,626	49,284	53,852
Total current liabilities	7,316	55,982	158,376	333,137	609,851
Total equity					
Common shares (no par value; 125,000,000, 125,000,000, 125,000,000, 250,000,000 and 250,000,000 shares authorized at December 31, 2005, 2006, 2007, 2008 and 2009, respectively; 66,666,699, 100,000,032,100,000,032, 137,624,912 and 172,624,912 shares issued and outstanding at December 31, 2005, 2006, 2007, 2008 and 2009, respectively)	2,703	72,541	125,708	382,087	396,263
Total liabilities and equity	$ 10,059	$ 128,586	$ 440,609	$ 1,007,788	$ 1,284,829

B. Capitalization and Indebtedness

Not Applicable.

C. Reasons for the Offer and Use of Proceeds

Not Applicable.

D. Risk Factors

Risks Related To Our Business

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

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

There may still be great uncertainties in the global credit and lending environment. If the demand for solar products significantly deteriorates due to these macroeconomic effects, and if the turbulence in the international

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

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

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

Since late 2008, the global supply of solar power products exceeded market demand due to excess production capacity and weak demand associated with the global economic downturn, which contributed to a decline in the average selling price of solar wafers and other solar products. If these market trends continue and the prices of our product continue to decline, or we are unable to lower our costs in line with the price declines, whether through increasing manufacturing efficiency, securing feedstock and consumable supplies at lower costs or technological advances, our revenues and profitability would be materially and adversely affected.

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

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

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, Komatsu NTC Ltd., HCT Shaping Systems SA, Meyer Burger AG and Semilab Semiconductor Physics Laboratory Co., Ltd. These suppliers have supplied most of our current equipment and spare parts, and we expect to rely on them to provide a substantial portion of the manufacturing equipment and spare parts contemplated in our expansion program. Due to high demand for these suppliers

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products and services, we have experienced, and may continue to experience, delays in the delivery of such equipment or the provision of technical support. If we fail to develop new relationships or maintain existing relationships with equipment and spare suppliers, or should any of our major equipment and spare suppliers encounter difficulties in the manufacturing or shipment of its equipment or spare parts to us, including due to natural disasters or otherwise, it will be difficult for us to find alternative providers for such equipment or spare parts on a timely basis or on commercially reasonable terms. As a result, the implementation of our expansion plan may be interrupted and our production may be adversely impacted.

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

Historically we have purchased all of our multicrystalline furnaces from foreign equipment suppliers. We have been collaborating with a domestic equipment maker in China for the first time to design a customized multicrystalline furnace. We have spent considerable resources on the design and manufacture of these furnaces. However, we cannot assure you that the designs provided by us will achieve satisfactory results or that the equipment maker will be able to manufacture and deliver to us the substantial number of multicrystalline furnaces required in a timely manner or with the quality and parameters meeting our requirements. Problems with quality or performance of the equipment or with timely delivery will negatively impact our announced expansion plans and result in the failure to grow our revenues or reduce our manufacturing costs as originally intended. Problems with quality or performance of our products as a result of poor equipment performance or failure could result in losses and adversely affect our results of operations and reputation.

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

Our success depends largely on our ability to use and develop our technology and know-how without infringing the intellectual property rights of third parties. The validity and scope of claims relating to solar power technology patents involve complex scientific, legal and factual questions and analysis and, therefore, may be highly uncertain. We may be subject to litigation involving claims of patent infringement or violation of intellectual property rights of third parties. For example, we cannot assure you that any equipment we design either by modifying existing units or producing new units will not infringe the 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 against us could subject us to significant liabilities to third parties, including requiring us to seek licenses from third parties, to pay ongoing royalties or to pay monetary and punitive damages or subjecting us to injunctions that prohibit the manufacture and sale of our products or the use of our equipment. Protracted litigation could also result in our customers or potential customers deferring or limiting their purchase or use of our products until resolution of such litigation.

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

We have relied on short-term and long-term borrowings to fund a portion of our capital requirements, and expect to do so in the future. We have significant borrowings from Chinese commercial banks. Our borrowings consisted primarily of short-term borrowings, which increased from $192.0 million as of December 31, 2008 to $358.6 million as of December 31, 2009. Out of these short-term loans, only a portion were trade financings, bill discount facilities and loans pledged by deposits in Renminbi that could be rolled over. Our long-term borrowings increased from $32.8 million as of December 31, 2008 to $189.3 million as of December 31, 2009.

The amount of our borrowings could constrain our operational flexibility, including requiring a substantial portion of our cash flows to be set aside to service our debt obligations, increasing our exposure to interest rate

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fluctuations and limiting our ability to obtain additional financing. Furthermore, the PRC government may pass measures to tighten credit, including trade financing, available in the PRC market. All of the above may impair our ability to obtain financing. We cannot assure you that we will be able to raise necessary funding to finance our current liabilities and other debt obligations. Our business, prospects and financial conditions may be materially and adversely affected, if our cash flows and capital resources are insufficient to finance our debt obligations.

We expect to incur additional debt obligations to finance our operations and, as a result, we will allocate an increasing portion of our cash flow to service these obligations. This could impair our ability to make necessary capital expenditures, develop business opportunities or make strategic acquisitions. 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. 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.

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

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

Our 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. 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.

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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 2009, our top five customers accounted for 43.7% of our net revenues, and our largest customer accounted for approximately 14.1% of our net revenues. Sales to our major customers are typically made under multi-year framework contracts or multi-year sales contracts. Framework contracts typically provide for the sales volumes and price of our solar wafers for the first year. The pricing terms, and sometimes the sales volumes, for subsequent years are subject to annual renegotiation. If prices for later years cannot be determined through renegotiation, the framework contract will be terminated or become unenforceable. Multi-year sales contracts typically provide for the sales volume and price of our solar wafers for each year during the contract term. However, the pricing terms are either fixed or subject to reset in situations where the market benchmark price for solar wafers changes more than a certain percentage from the contracted price. In addition, we also entered into one-year sales contracts with some of our customers which provide for an agreed sales volume at a fixed price. Since the fourth quarter of 2008, we have renegotiated many of our multi-year framework contracts, multi-year sales contracts and one-year sales contracts with our customers to reflect rapidly changing market conditions. The agreements were renegotiated and amended such that these customers agreed to continue to purchase the quantity under the original agreements but pricing terms are to be adjusted (usually on a monthly basis based on delivery volume) to reflect the market conditions, as opposed to the fixed prices agreed previously.

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

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

Our polysilicon project may not achieve the utilization rate or operational efficiency as we planned.

We began building a polysilicon manufacturing facility in Meishan, Sichuan Province through our wholly owned subsidiary, Sichuan ReneSola, which was established in Sichuan Province in August 2007. This manufacturing facility is built in two phases, each with an annual manufacturing capacity of 1,500 metric tons. The first phase commenced its trial production in July 2009 and reached a total output of approximately 194 metric tons in 2009, which was lower than our previous estimates due to continuous system testing and trial runs. In addition, our production cost was higher than previously expected due to continuous trial runs, system testing, the outsourcing of trichlorosilane, or TCS, and minimal activated hydrogenation processes. The second phase commenced trial production in February 2010. Prior to the operations of Sichuan ReneSola, we did not have any experience in operating polysilicon production facilities with an annual manufacturing capacity of over 1,000 metric tons. Manufacturing polysilicon is a highly complex chemical process and we may not be able to produce polysilicon of sufficient quantity and quality or at a cost comparable to or lower than those of other polysilicon manufacturers or on schedule to meet our wafer manufacturing requirements. Minor deviations in the manufacturing process can cause substantial decreases in yield and in some cases cause production to be suspended or to yield no output.

If our polysilicon production facility experiences a major delay or is unable to operate as planned, we will suffer a setback to our raw material procurement strategy. We may also fail to manufacture polysilicon of

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sufficient quality or at competitive costs compared to the polysilicon available from the market, thereby making our polysilicon manufacturing facility uneconomical to run, which would negatively impact our profit margin. Furthermore, if our polysilicon production facility, with capital expenditures of RMB1,051.9 million ($154.1 million) in 2009, does not perform as planned, we may be unable to recover our investments or be forced to write down the value of the assets.

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

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

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

In order to secure silicon raw materials when the supply of these raw materials were limited, we made advance payments to some of our feedstock suppliers. As of December 31, 2007, 2008 and 2009, our advances to suppliers amounted to approximately $53.7 million, $82.7 million and $20.2 million, respectively. We made such advance payments usually without receiving any collateral. To the extent that there were collateral and/or security attached to the advance payments, it is uncertain whether we will be able to enforce the collateral or the security, or if the advance payment can be repaid in full upon enforcement on such collateral or security. Any litigation arising out of the disputes could subject us to potentially significant legal expenses, distract management from the day-to-day operation of our business and expose us to risks for not being able to collect damages awarded to us, all of which could materially and adversely affect our financial condition and results of operations.

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

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

The solar power market is increasingly competitive and continually evolving, which may result in price reductions, reduced profit margins or loss of market share by us. Our competitors include integrated solar power product manufacturers, specialized solar wafer manufacturers, solar wafer manufacturing divisions of large conglomerates and specialized cell and module manufacturers. In addition, some of the polysilicon suppliers

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

One of the competitive factors in solar power industry is conversion efficiency. Conversion efficiency of solar power products is not only determined by the quality of solar wafers but is also dependent on the solar cell and module production processes and technologies. Therefore, solar wafer manufacturers usually assume the conversion efficiency of their solar wafers based on the conversion efficiency of solar cells and modules manufactured by their customers, and there is a lack of publicly available information on the conversion efficiency of solar wafers. Accordingly, investors may not be able to obtain a comprehensive view of our competitive position vis-à-vis our competitors.

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

As of December 31, 2009, we had 325 MW of monocrystalline wafer manufacturing capacity, 500 MW of multicrystalline wafer manufacturing capacity, 120 MW of cell manufacturing capacity and 135 MW of module manufacturing capacity. We plan to install additional equipment to increase our total annual wafer manufacturing capacity to approximately 1,210 MW by the end of the second quarter of 2010. As of December 31, 2009, we had an annual polysilicon manufacturing capacity of 1,500 metric tons and we expect that our annual polysilicon manufacturing capacity will be increased to 3,000 metric tons as of December 31, 2010. We also expect to increase our annual cell manufacturing capacity to approximately 240 MW and our annual module manufacturing capacity to approximately 375 MW by the end of 2010. Our planned manufacturing capacities for 2010 are derived using the adjusted methodology effective January 1, 2010, which is based on an efficiency rate of 17.4% for monocrystalline wafers and 16.0% for multicrystalline wafers. Our ability to increase our production capacity and output is subject to significant risks and uncertainties, including:

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

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

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

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

- the ability to adjust our growth strategy in manufacturing capacity and output while the industry is rapidly evolving;
- the ability to maintain existing customer relationships, attract new customers and expand our market share;
- the ability to implement new and upgraded operational and financial systems, procedures and controls to adapt to the strains associated with fast growth and expansion or rapid decrease in demand;
- the ability to renegotiate equipment supply contracts previously entered into for our wafer production in accordance with changes in our expansion plan;
- the ability to maintain a financially healthy level of liquidity, and to manage our liquidity if we are unable to obtain additional funds and/or refinance existing debt on commercially viable terms or at all;
- the occurrence of construction delays and cost overruns;
- the ability to install and test new production equipment on a timely basis;
- the delay or denial of required approvals by relevant government authorities; and
- any significant diversion of management attention.

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

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

Our solar wafers sold to our customers are subsequently made into modules and assembled in solar power systems, which are either connected to the utility grid and generate electricity to feed into the grid or installed to supply electricity to businesses and residents. We 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.

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

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These government economic incentives could potentially be reduced or eliminated altogether. For instance, Germany s government has recently approved a reduction to the country s solar energy feed-in tariffs. The reduction in government incentives to users of solar power products in Germany may materially and adversely impact the German solar market, which may in turn materially and adversely affect our direct or indirect sales into Germany. 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.

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

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

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

Since October 2009, we have held a minority equity interest in a polysilicon manufacturer whose shares are traded on the Toronto Stock Exchange, or the Investee. If the fair value of these shares declines below their cost basis and we determine that the decline is permanent, we are required to record an impairment loss for the applicable period. In 2009, due to the rapid decline of the Investee s share price as a result of the difficult operating environment for its core business, such as the rapid decline of polysilicon prices, we recorded an impairment loss of $13.4 million. We cannot assure you that we will not incur additional expenses as a result of further impairment of such investment, or other investments we may make, in the future. Any losses incurred could have a material adverse effect on our financial condition and results of operations.

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

In May 2009, as a part of our development strategy, we acquired a 100% equity interest in Wuxi Jiacheng Solar Energy Technology Co., Ltd, or JC Solar, for a total cash consideration of RMB140.3 million ($20.5 million), including tax paid in connection with the transfer of equity interests. JC Solar is a solar cell and module manufacturer located in Yixing, Jiangsu Province. JC Solar had an annual cell production capacity of 120 MW and an annual module production capacity of 135 MW as of December 31, 2009. Although we focus on providing module original equipment manufacturing, or OEM, services to our existing customers, we may compete directly with our wafer customers if we decide to sell our module products in the market. As a result,

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our relationships with those customers may be impaired. If our customers stop to purchase wafers from us due to our competition with them, we may not gain the expected return of investment from the acquisition of JC Solar and may lose our existing customers, and our business and results of operations will be materially and adversely affected.

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

Prior to our acquisition of JC Solar, we did not have any significant operating experience in solar cell or module manufacturing. Manufacturing solar cells and modules is a complex process and is different from that of solar wafers. Minor deviations in the manufacturing process can cause substantial decreases in yield and cell and module conversion efficiencies and, in some cases, cause production to be suspended or to yield no output. If we face technological difficulties in our production of solar cells and modules, we may be unable to operate our cell and module business as planned. Currently we plan to increase our annual cell manufacturing capacity to 240 MW and our annual module manufacturing capacity to 375 MW by the end of 2010. If we fail to implement our plan as expected or experience a delay in the expansion, our business and results of operations may be materially and adversely affected. Furthermore, there are many established players in this market who have substantially more experience and expertise, stronger market position and greater resources than we have. If we fail to compete successfully, our business would suffer and we may lose or be unable to gain market share, which could materially and adversely affect our financial condition and results of operations.

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

Historically, our solar modules were typically sold with a warranty for minimum power output for up to 20 years following the date of sale. We also provided warranties for our solar modules against defects in materials and workmanship for a period of two years from the date of sale. We do not provide similar warranties for our solar wafers. We sold solar modules only since July 2005, discontinued the sale of our solar modules in April 2006 and resumed solar module sales in June 2009 after the acquisition of JC Solar. In connection with the acquisition of JC Solar, we also assumed all of the product warranty obligations that JC Solar granted to its customers on its module products. JC Solar provides warranties for minimum power output for up to 25 years following the date of sale. JC Solar also provides warranties for solar modules against defects in materials and workmanship for a period of five years from the date of sale. We are obligated to meet the performance requirements in accordance with JC Solar s warranty policy. If we receive significant warranty claims from the customers of JC Solar and the amount of warranty costs accrued exceeds our estimates, we will need to recognize higher warranty costs and our profits may be adversely affected.

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

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

If we are presented with appropriate opportunities, we may acquire or invest in technologies, businesses or assets that are strategically important to our business or form alliances with key players in the solar power industry to further expand our business. Such acquisitions and investments could expose us to potential risks, including risks associated with the assimilation of new operations, technologies and personnel, unforeseen or

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

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

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

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

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

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 wafers, solar cells and solar modules. Some of our competitors may devise production technologies that enable them to produce, at a higher yield and lower cost, larger and thinner wafers with higher quality than our products. In addition, some producers have focused on developing alternative forms

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

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

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

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

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

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

From time to time, we encounter sales returns due to non-conformity with customers specifications and are required to replace our products promptly. While in the past we had an insignificant return rate and there had been almost no returns after a few isolated cases in early 2009, we cannot assure you that in the future our products will not contain defects that are not detected until after they are shipped or installed. Any proven defects could lead to return or refund of our products under our warranties, cause us to incur additional costs and divert the attention of our personnel from our operations. Similarly, if we fail to maintain the consistent quality of our other products via effective quality control, we may deliver products with defects or other quality problems, which may result in increased costs associated with replacements or other remedial measures. Product defects and the possibility of product defects could also cause significant damage to our market reputation and reduce our product sales and market share.

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

We require a significant amount of cash to fund our operations. Due to market conditions and other considerations, we have extended credit terms to a limited number of customers. Credit terms may be extended to new customers to secure future purchase commitments from the customers as this has become an industry wide practice.

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

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

The global financial crisis and weakened global economic conditions may negatively impact our ability to obtain necessary capital in a timely manner or on commercially acceptable terms. As of December 31, 2009, we had $106.8 million in cash and cash equivalents, $25.3 million in restricted cash and $547.9 million in bank borrowings, of which approximately $358.6 million was due within one year. We might not be able to refinance these borrowings in the future as they mature. In the event that we are unable to obtain extensions of these borrowings, or if we are unable to obtain sufficient alternative funding at reasonable terms to make repayments, we will have to repay these borrowings with cash generated by our operating activities. Moreover, future turbulence in the credit markets and the potential impact on the liquidity of financial institutions may have an adverse effect on our ability to fund our operations through borrowings or our ability to borrow on terms that we believe to be reasonable, if at all. Our operation, results of operations and growth prospects may be materially and adversely affected if current global financial crisis persists.

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

In 2009, 44.5% of our net revenues were generated from customers outside of China. We expanded our international sales efforts in 2009 by focusing on international top tier solar companies with strong global distribution capabilities and initiating relationship with companies with established regional distribution capabilities in our international key markets. The marketing, distribution and sales of our solar wafer products in international markets expose us to a number of risks, including:

- fluctuations in currency exchange rates, such as the recent depreciation of the euro against the U.S. dollar;

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- 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 effectively manage these risks, our ability to expand our business abroad would be materially and severely impaired.

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

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

Our management has evaluated the effectiveness of our internal control over financial reporting, as required by Rule 13-a-15(c) of the Exchange Act, and we have concluded that our internal control over financial reporting was effective for our fiscal year ended December 31, 2009. If we fail to maintain the adequacy of our internal controls, our management may conclude that our internal control over financial reporting is not effective in the future. Moreover, effective internal control over financial reporting is necessary for us to produce reliable financial reports and to prevent fraud. As a result, our failure to achieve and maintain effective internal control over financial reporting could result in the loss of investor confidence in the reliability of our financial statements, which in turn could harm our business and negatively impact the market price of our ADSs.

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

We rely primarily on patent laws, trade secrets and other contractual restrictions to protect our intellectual property. Nevertheless, these afford only limited protection and the actions we take to protect our intellectual property rights may not be adequate to provide us with meaningful protection or commercial advantage. For example, we have 9 patents and 5 pending patent applications in China as of the date of this annual report. We cannot assure you that our patent applications will be eventually issued with sufficiently broad coverage to protect our technology and products. As a result, third parties may be able to use the technologies that we have developed and compete with us, which could have a material adverse effect on our business, financial condition or operating results. In addition, contractual arrangements, such as the confidentiality and non-competition agreements and terms between us and our research and development personnel, afford only limited protection and the actions we may take to protect our trade secrets and other intellectual property may not be adequate. Our failure to protect our intellectual property and proprietary rights may undermine our competitive position. Third parties may infringe or misappropriate our proprietary technologies or other intellectual property and proprietary rights. Policing the unauthorized use of proprietary technology can be difficult and expensive. In particular, the laws and enforcement procedures of the PRC and certain other countries are uncertain or do not protect

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intellectual property rights to the same extent as do the laws and enforcement procedures of the United States. See Risks Related to Doing Business in China Uncertainties with respect to the PRC legal system could adversely affect us. We may need to resort to court proceedings to enforce our intellectual property rights in the future. Litigation relating to our intellectual property might result in substantial costs and diversion of resources and management attention away from our business. An adverse determination in any such litigation will impair our intellectual property and proprietary rights and may harm our business, prospects and reputation.

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

We consume a significant amount of electricity in our operations. Moreover, with the rapid development of the PRC economy, demand for electricity has continued to increase. There have been shortages in electricity supply in various regions across China, especially during peak seasons, such as summer. 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 producing polysilicon, producing ingots, slicing wafers and producing solar cells and modules, generate noise, waste water and gaseous and other industrial wastes, we are required to comply with all applicable regulations regarding protection of the environment. We are in compliance with present environmental protection requirements 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.

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

Increasing environmental concerns and climate change risks associated with fossil fuel-based power generation have created political momentum to implement strategies aimed at the reduction of emissions of carbon dioxide and certain other gases commonly referred to as greenhouse gases. Renewable energy sources such as solar power help address these environmental concerns, and governments around the world have implemented a variety of policy initiatives to accelerate the development and adoption of solar power. While passage of climate change legislation or other regulatory initiatives that regulate or restrict emissions of greenhouse gases may encourage use of solar power and accordingly increase demand for our products and

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services, this could cause us to incur additional direct costs in complying with any new environmental regulations during our manufacturing and research and development processes, as well as increased indirect costs resulting from our customers, suppliers or both incurring additional compliance costs that get passed on to us.

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

As the insurance industry in China is still in an early stage of development, the product liability insurance and business interruption insurance available in China offer limited coverage compared to that offered in many other countries. Any business disruption or natural disaster could result in substantial costs and a diversion of resources, which would have an adverse effect on our business and results of operations.

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

Risks Related To Doing Business In China

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

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

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

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

We are a holding company, and we conduct our business primarily through our wholly owned subsidiaries incorporated in China. These subsidiaries include (1) Zhejiang Yuhui Solar Energy Source Co., Ltd., or Zhejiang Yuhui, (2) Zhejiang Yuhui s wholly owned subsidiary, JC Solar, and (3) Sichuan ReneSola. These subsidiaries are generally subject to laws and regulations applicable to foreign investment in China and, in particular, laws applicable to wholly foreign-owned enterprises. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since 1979, PRC legislation and regulations have significantly enhanced the protections afforded to various forms of foreign investments in China. However, since the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involve uncertainties, which may limit legal protections available to us. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

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

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

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

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

In addition, although the approval letter Zhejiang Yuhui received from the PRC tax authority indicated that income attributable to Zhejiang Yuhui s capital increase from $45.0 million to $102.5 million can only enjoy preferential tax treatment before December 31, 2007, in practice Zhejiang Yuhui has only paid tax on income attributable to such capital increase at a rate of 12.5% after January 1, 2008, which is 50% of the statutory tax rate. The tax authority may request Zhejiang Yuhui to make a supplementary tax payment on our income which was taxed at a rate of 12.5% and also request Zhejiang Yuhui to pay tax at the rate of 25% in the future.

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Moreover, under the new Enterprise Income Tax Law, enterprises organized under the laws of jurisdictions outside of China with their de facto management bodies located within China may be considered PRC resident enterprises and, therefore, subject to PRC enterprise income tax at the rate of 25% on their worldwide income. The Implementing Regulation of the new tax law defines de facto management body as an establishment that exerts substantial overall management and control over the operation, personnel, financial affairs, assets and other aspects of the enterprise. If a majority of the members of our management team continues to be located in China, we may be deemed as a PRC tax resident enterprise and, therefore, subject to PRC enterprise income tax at the rate of 25% on our worldwide income except that the dividends we received from our PRC subsidiaries may be exempt from the enterprise income tax to the extent that such dividends are deemed as dividends among PRC resident enterprises. If our current tax benefits expire or otherwise become unavailable to us for any reason, our profitability may be materially or adversely affected. In addition, our PRC subsidiary, Zhejiang Yuhui, is required to pay value added tax, or VAT, with respect to the gross sales proceeds. Historically, when exporting products, Zhejiang Yuhui was entitled to a 13% refund of VAT that it had already paid or borne. However, starting from July 1, 2007, the VAT refund was reduced to 5%, which materially affects the gross margin of our overseas sales. According to the latest tax regulation, the VAT refund has been reverted to 13% from April 1, 2009. Our profitability may be materially and adversely affected if this VAT refund changes significantly and frequently.

We rely on dividends paid by our subsidiary and repayment of shareholder s loan for our cash needs.

Up to the date of this annual report, we have relied on dividends paid by our PRC subsidiary, Zhejiang Yuhui, for our cash needs, including the funds necessary to pay dividends and other cash distributions to our shareholders, to service any debt we may incur and to pay our operating expenses. In addition, we also relied on Zhejiang Yuhui to repay U.S. dollar denominated shareholder s loans we grant to it to support our repayment obligations to the holders of our RMB928.7 million U.S. dollar settled convertible bonds due in March 26, 2012 with holders put right in March 26, 2010. The repayment of our shareholder s loan in U.S. dollars is subject to approval from State Administration of Foreign Exchange or its branches, or SAFE. If SAFE does not approve in a timely manner or at all for the repayment by Zhejiang Yuhui of the shareholder s loan in U.S. dollars to us, we may be unable to repay the bondholders when our repayment obligations are due. See Risks Related to Doing Business In China Restrictions on currency exchange may limit our ability to receive and use our revenues or financing effectively.

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

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

Pursuant to the new PRC Enterprise Income Tax Law and its Implementing Regulation, which became effective on January 1, 2008, a 10% withholding tax applies to dividends, interests, rent or royalties payable by a foreign-invested enterprise, such as our PRC subsidiary, to any of its non-resident enterprises investors for PRC enterprise income tax purposes unless any such non-resident enterprise s jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. The British Virgin Islands, where our

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company was incorporated, does not have such a treaty with China. Thus, the Company expects that a 10% withholding tax will apply to dividends paid to the Company by its PRC subsidiaries if the Company is classified as a non-resident enterprise. Circular CaiShui [2008] No.1 jointly issued by the State Administration of Taxation and Minister of Finance on February 22, 2008 further clarifies that dividends distributed by foreign-invested enterprise to foreign investors out of the profits generated before January 1, 2008 are still exempt from withholding tax even if they are paid after January 1, 2008. Our PRC entities undistributed earnings as of December 31, 2009 will be permanently reinvested to the PRC entities. Therefore, no dividend withholding tax was accrued. However, if we are classified as a resident enterprise, our shareholders and ADS holders who are deemed non-resident enterprise may be subject to the new PRC Enterprise Income Tax Law at the rate of 10% upon the dividends paid by us or the gains on the disposition of our shares or ADSs.

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

For the year ended December 31, 2009, 82.6% of our sales, 95.4% of our costs and 100% of our expenses were denominated in Renminbi and U.S. dollars, with the remainder in other currencies. 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 a foreign exchange loss of $1.4 million in 2009. In addition, our foreign currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert Renminbi into foreign currencies.

The value of the Renminbi against the U.S. dollar, the euro and other currencies is affected by, among other things, changes in China s political and economic conditions and China s foreign exchange policies. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi to the U.S. dollar. Under the new policy, the Renminbi was permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. This change in policy caused the Renminbi to appreciate approximately 21.5% against the U.S. dollar over the following three years. Since reaching a high against the U.S. dollar in July 2008, however, the Renminbi has traded within a narrow band against the U.S. dollar, remaining within 1% of its July 2008 high but never exceeding it. As a consequence, the Renminbi has fluctuated sharply since July 2008 against other freely traded currencies, in tandem with the U.S. dollar. It is difficult to predict how long the current situation may last and when and how it may change again.

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

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

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

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

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

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

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

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

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

On October 21, 2005, the SAFE issued the Notice on Issues Relating to the Administration of Foreign Exchange in Fund-raising and Reverse Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies, or Notice 75, which became effective as of November 1, 2005. According to Notice 75, prior registration with the local SAFE branch is required for PRC residents to establish or to control an offshore company for the purposes of financing that offshore company with assets or equity interests in an

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onshore enterprise located in the PRC. An amendment to registration or filing with the local SAFE branch by such PRC resident is also required for the injection of equity interests or assets of an onshore enterprise in the offshore company or overseas funds raised by such offshore company, or any other material change involving a change in the capital of the offshore company. Moreover, Notice 75 applies retroactively. As a result, PRC residents who have established or acquired control of offshore companies that have made onshore investments in the PRC in the past were required to complete the relevant registration procedures with the local SAFE branch by March 31, 2006.

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

We face risks related to health epidemics and other outbreaks.

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

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Risks Related To Our ADSs

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

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

The market price for our ADSs may be volatile.

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

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

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

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

market fluctuations may materially and adversely affect the market price of our ADSs.

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

Mr. Xianshou Li, our chief executive officer and director, and Mr. Yuncai Wu, our director, currently hold, directly and indirectly, approximately 21.7% and 11.2% of our outstanding share capital, respectively, as of the date of this annual report. As such, Messrs. Li and Wu have substantial influence over our business, including decisions regarding mergers, consolidations and the sale of all or substantially all of our assets, election of directors and other significant corporate actions. This concentration of ownership may discourage, delay or prevent a change in control of our company, which could deprive our shareholders of an opportunity to receive a premium for their shares as part of a sale of our company and might reduce the price of our ADSs. For example, holders of a majority of our shares entitled to vote in a duly convened and constituted shareholders meeting may

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pass a shareholders resolution to issue preferred shares in one or more series and to fix the powers and rights of these shares, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences, any or all of which may be greater than the rights associated with our existing shares. Preferred shares could thus be issued with terms that would delay or prevent a change in control or make removal of management more difficult. These actions may be taken even if they are opposed by our other shareholders and holders of our ADSs.

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

We believe that our current cash and cash equivalents, anticipated cash flows from our operations and bank borrowings, existing bank facilities and proceeds from the follow-on offering will be sufficient to meet our anticipated cash needs, including our cash needs for working capital and capital expenditures. We may require additional cash resources due to changed business conditions or other future developments, including any investments or acquisitions we may decide to pursue. If these resources are insufficient to satisfy our cash requirements, we may seek to sell additional equity or debt securities or obtain a credit facility. The sale of additional equity securities could result in additional dilution to our shareholders. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financing covenants that would restrict our operations. We cannot assure you that financing will be available in amounts or on terms acceptable to us, if at all.

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

Sales of our shares or ADSs in the public market, or the perception that these sales could occur, could cause the market price of our ADSs to decline. As of June 3, 2010, we had 48,516,411 ADSs outstanding. All ADSs sold in our initial public offering and the follow-on offering are freely transferable without restriction or additional registration under the Securities Act of 1933, as amended, or the Securities Act. The remaining ADSs outstanding after the initial public offering and the follow-on offering are currently available for sale, subject to volume and other restrictions as applicable under Rule 144 and Rule 701 of the Securities Act.

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

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

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

We may from time to time distribute rights to our shareholders, including rights to acquire our securities. Under the deposit agreement for the ADSs, the depositary will not offer those rights to ADS holders unless both the rights and the underlying securities to be distributed to ADS holders are either registered under the Securities Act or exempt from registration under the Securities Act with respect to all holders of ADSs. We are under no obligation to file a registration statement with respect to any such rights or underlying securities or to endeavor to

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cause such a registration statement to be declared effective. In addition, we may not be able to take advantage of any exemptions from registration under the Securities Act. Accordingly, holders of our ADSs may be unable to participate in our rights offerings and may experience dilution in their holdings as a result.

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

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

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

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

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

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

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

Our predecessor, Zhejiang Fending Construction Material Machinery Manufacturing Co., Ltd., or 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 in June 2005 and commenced the solar power business in July 2005. As companies incorporated overseas can more efficiently and conveniently issue equity

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securities to overseas investors without going through lengthy PRC governmental approval procedures, ReneSola Ltd was incorporated as a limited liability company in the British Virgin Islands on March 17, 2006. Our choice of the British Virgin Islands as the jurisdiction of incorporation of our company was motivated in part by its relatively well-developed body of corporate law, various tax and other incentives, and its acceptance among internationally recognized securities exchanges as a jurisdiction for companies seeking to list securities. As a limited liability company under the laws of the British Virgin Islands, the liability of our shareholders to our company is limited to (i) any amount unpaid on a share held by the shareholder and (ii) any liability to repay a distribution by our company that was not made in accordance with the laws of the British Virgin Islands. Our principal executive offices are located at No. 8 Baoqun Road, Yaozhuang County, Jiashan Town, Zhejiang Province, People s Republic of China. Our telephone number at this address is (86-573) 8477 3058. Our registered office is located at the offices of Harneys Corporate Services Limited, Craigmuir Chambers, P.O. Box 71, Road Town, Tortola, British Virgin Islands. Our agent for service of process in the United States is CT Corporation System, located at 111 Eighth Avenue, New York, New York 10011.

ReneSola acquired all of the equity interests in Zhejiang Yuhui in April 2006 through a series of transactions that have been accounted for as a reorganization. In August 2006, we placed 33,333,333 shares on the AIM and raised gross proceeds of approximately $50.0 million. In July 2007, we invested in a 51% equity interest in ReneSola (Malaysia) SDN BHD, or ReneSola Malaysia, through ReneSola Singapore Pte Ltd. ReneSola Malaysia was incorporated in Malaysia in February 2007 to process certain types of reclaimable silicon raw materials sourced overseas that did not meet the import requirements by Chinese government. We sold our interest in ReneSola Malaysia to our joint venture partner in December 2008 as part of our strategy to use polysilicon as our primary feedstock, instead of reclaimable silicon raw materials, for wafer manufacturing. In August 2007, we acquired a 49% equity interest in Linzhou Zhongsheng Semiconductor, a polysilicon manufacturing company located in Henan Province. Linzhou Zhongsheng Steel held a 51% equity interest in the joint venture in the form of facilities, equipment and land use rights. We sold our 49% equity interest in the joint venture to Linzhou Zhongsheng Steel in September 2008 because the production cost of the joint venture was expected to be less competitive compared to our wholly owned polysilicon manufacturing facility in Meishan, Sichuan Province. We began building a polysilicon manufacturing facility in Meishan, Sichuan Province through our wholly owned subsidiary, Sichuan ReneSola, which was established in Sichuan Province in August 2007.

On March 20, 2009, we established a wholly owned subsidiary, Yuneng Enterprise Consulting (Shanghai) Co., Ltd., to engage primarily in gathering market information on the solar power industry. On September 7, 2009, we established a wholly owned subsidiary, Jiangsu Ruiyu New Energy Co., Ltd., to engage primarily in producing and selling solar modules. On April 30, 2010, we established a wholly owned subsidiary, Zhejiang ReneSola Photovoltaic Materials Co., Ltd., to engage primarily in producing and selling crucibles, steel wires and silicon carbon powder. These companies had not commenced business as of the date of this annual report.

In May 2009, as part of our growth strategy, Zhejiang Yuhui acquired a 100% equity interest in JC Solar for a total cash consideration of RMB140.3 million ($20.5 million), including tax paid in connection with the transfer of equity interests. JC Solar is a cell and module manufacturer located in Yixing, Jiangsu Province. JC Solar began cell production in October 2008 and module production in November 2005, and had an annual cell production capacity of 120 MW and an annual module production capacity of 135 MW as of December 31, 2009. It has obtained TÜV certification for monocrystalline solar modules made of 125 mm by 125 mm and 156 mm by 156 mm solar cell. JC Solar offers monocrystalline modules ranging from 40 W to 270 W and multicrystalline modules ranging from 200 W to 270 W in power output, and exported its products primarily to European markets in 2009.

On September 21, 2009, we entered into a share purchase agreement to acquire Dynamic Green Energy Limited, or Dynamic Green, for $80 million in the form of newly issued ordinary shares and $10 million in the form of a convertible promissory note issued by us. While the acquisition and share purchase agreement were approved by both companies boards of directors, relevant local government agencies did not approve the transaction. As a result, the share purchase agreement between Dynamic Green and us was terminated as of January 7, 2010. The termination was effective without penalty to us pursuant to the terms of the share purchase agreement.

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In January 2008, we and certain selling shareholders completed our initial public offering of 10,000,000 ADSs listed on the NYSE. In June 2008, we completed a follow-on public offering of 10,350,000 ADSs sold by us and certain selling shareholders. In October 2009, we completed a follow-on public offering of 15,500,000 ADSs sold by us. As of December 31, 2009, we had a total of 172,624,912 outstanding shares, including 95,360,936 shares represented by 47,680,468 outstanding ADSs.

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

Zhejiang Yuhui, our operating company engaged in wafer production in China;

ReneSola America, which was incorporated in the State of Delaware, the United States, in November 2006 to facilitate our procurement of silicon raw materials and product sales in North America;

ReneSola Singapore Pte Ltd., which was incorporated in Singapore in March 2007 to facilitate our polysilicon procurement and product sales outside of China;

Sichuan ReneSola, which was established in Sichuan Province in August 2007 to engage in the production of polysilicon; and

JC Solar, which was incorporated in Jiangsu Province in November 2005 to engage in the production of solar cells and modules.

B. Business Overview

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

We have rapidly expanded our manufacturing capacity since we began the production of solar wafers. We possess one of the largest solar wafer manufacturing plants in China based on production capacity as of December 31, 2009. As of December 31, 2009, we had an annual wafer manufacturing capacity of approximately 825 MW (based on the efficiency conversion calculation methodology adopted before and as of December 31, 2009) consisting of monocrystalline wafer manufacturing capacity of approximately 325 MW and multicrystalline wafer manufacturing capacity of approximately 500 MW. This represents a significant increase from our annual wafer manufacturing capacity of approximately 645 MW as of December 31, 2008, consisting of monocrystalline wafer manufacturing capacity of 325 MW and multicrystalline wafer manufacturing capacity of 320 MW. Our cell and module manufacturing capacity was 120 MW and 135 MW, respectively, as of December 31, 2009, compared with 25 MW and 50 MW, respectively, when we acquired JC Solar in May 2009.

In July 2009, we commenced trial production at the first phase of our polysilicon manufacturing facility in Meishan, Sichuan Province. This polysilicon facility is built in two phases, each with 1,500 metric tons of annual manufacturing capacity. Our polysilicon manufacturing facility utilizes a closed-loop modified Siemens process for polysilicon production. With the activation of TCS and hydrogenation processes, the trial production for the second phase has commenced and is expected to integrate into the first phase through a number of stages over the next few months.

As part of our expansion strategy, we plan to expand our annual wafer manufacturing capacity to approximately 1,210 MW by the end of the second quarter of 2010, consisting of monocrystalline wafer manufacturing capacity of approximately 380 MW and multicrystalline wafer manufacturing capacity of approximately 830 MW. We plan to expand our annual cell manufacturing capacity to approximately 240 MW and annual module manufacturing capacity to approximately 375 MW by the end of 2010. We also plan to

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expand our polysilicon manufacturing capacity to 3,000 metric tons by the end of 2010. Our planned manufacturing capacities are calculated using the adjusted methodology effective January 1, 2010, which is based on an efficiency rate of 17.4% for monocrystalline wafers and 16.0% for multicrystalline wafers.

We sell solar wafers primarily to solar cell and module manufacturers globally. Our top customers include some of the global industry leaders, including Gintech Energy Corporation, JA Solar Co., Ltd. and Suntech Power Co., Ltd. Other notable customers include Arise Technology Gmbh, Canadian Solar Inc. and Schott Solar AG. In 2008 and 2009, a significant portion of our wafer sales were made to companies based in Asia, primarily to leading solar cell and module companies in China, Hong Kong and Taiwan. In 2010, we seek to expand sales to key international markets in Europe and the United States. The majority of our module sales in 2009 were made to distributors located in Europe. Going forward, we will focus on expanding our customer base to wafer customers who also require modules production on an OEM basis.

With our competitive cost structure, we believe we are well positioned to capture market share in the global solar product market. Through continuous technology and process innovations and improvements in cell conversion efficiency, we were able to gradually reduce our silicon consumption rate to approximately 6.0 grams per watt in the second half of 2009, one of the lowest in the industry to our knowledge. In addition, we have continued to focus on implementing various cost reduction programs during 2009 and reduced our non-silicon wafer processing cost to approximately $0.33 per watt in the fourth quarter of 2009, from $0.43 per watt in the fourth quarter of 2008. We believe our in-house polysilicon production facility in Meishan, Sichuan Province, once it is fully operational, will not only enhance our ability to better control our raw material costs across our business and operational segments but also ensure a reliable polysilicon supply.

Except during the global economic downturn from 2008 to 2009, we have grown our shipments rapidly since we began manufacturing solar products in 2005. In 2007, 2008 and 2009, we shipped 124.5MW, 350.1MW and 526.6MW of solar products, respectively. Our net revenues increased significantly from $249.0 million in 2007 to $670.4 million in 2008 but decreased to $510.4 million in 2009. Our income from operations was $43.4 million and our net income was $42.9 million in 2007. We suffered an operating loss of $48.5 million and a net loss of $54.9 million in 2008. Our loss from operations was $90.6 million in 2009 and our net loss was $71.9 million in 2009.

Our Products and Services

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

In addition, we also offer solar cells and modules. A solar cell is a device made from a silicon wafer that converts sunlight into electricity by a process known as the photovoltaic effect. Solar modules are arrays of interconnected solar cells encased in a weatherproof frame. We currently produce standard solar monocrystalline modules ranging from 40 W to 270 W and multicrystalline modules ranging from 200 W to 270 W in power output, built to general specifications for use in a wide range of residential, commercial, industrial and other solar power generation systems. We also offer cell and module processing services to certain customers.

Manufacturing

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

Manufacturing Capacity

We have rapidly expanded our manufacturing capacity since we began our production of solar wafers. With the installation of our first 7 MW of monocrystalline ingot manufacturing capacity in September 2005, we

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expanded our monocrystalline ingot manufacturing capacity to 80 MW in 2006. In the first half of 2007, we installed additional 85 MW of monocrystalline ingot manufacturing capacity, bringing the total monocrystalline ingot manufacturing capacity to 165 MW. In the third quarter of 2007, we began the production of multicrystalline ingot by installing our first 75 MW of multicrystalline ingot manufacturing capacity. From 2007 to the end of 2009, we had gradually increased wafer slicing capability through installing wafer slicing facilities along with the ramp up of our ingot manufacturing capacity.

We operate one of the largest solar wafer manufacturing plants in China based on production capacity as of December 31, 2009. At that time, we had an annual wafer manufacturing capacity of approximately 825 MW, consisting of monocrystalline wafer manufacturing capacity of approximately 325 MW and multicrystalline wafer manufacturing capacity of approximately 500 MW. This represents a significant increase from our annual wafer manufacturing capacity of approximately 645 MW as of December 31, 2008, consisting of monocrystalline wafer manufacturing capacity of 325 MW and multicrystalline wafer manufacturing capacity of 320 MW. We plan to expand our annual wafer manufacturing capacity to approximately 1,210 MW by the second quarter of 2010, consisting of monocrystalline wafer manufacturing capacity of approximately 380 MW and multicrystalline wafer manufacturing capacity of approximately 830 MW.

As of December 31, 2009, we had cell and module manufacturing capacity of 120 MW and 135 MW, respectively, compared with cell and module manufacturing capacity of 25 MW and 50 MW, respectively, when we acquired JC Solar in May 2009. In addition, we plan to increase our annual cell and module manufacturing capacity to 240 MW and 375 MW, respectively, by the end of 2010.

Our planned manufacturing capacities for 2010 are calculated using the adjusted methodology effective January 1, 2010, which is based on an efficiency rate of 17.4% for monocrystalline wafers and 16.0% for multicrystalline wafers.

We had an annual polysilicon manufacturing capacity of 1,500 metric tons as of December 31, 2009. We operate our polysilicon manufacturing facility through our wholly owned subsidiary, Sichuan ReneSola, in Meishan, Sichuan Province. The facility consists of two phases, each with 1,500 metric tons of annual manufacturing capacity. The first phase of the facility started trial production in July 2009 with a production output of approximately 194 metric tons in 2009, below our previous estimate due to continuous system testing and trial runs. Production cost was also higher than previously expected due to continuous trial runs, system testing, the outsourcing of TCS and minimal activated hydrogenation processes. With the activation of TCS and hydrogenation processes, the trial production for the second phase has commenced and is expected to integrate into the first phase through a number of stages over the next few months. Once the facility is fully operational, we expect to have a stable cost-effective supply of polysilicon from in-house production, which complements our existing long-term and short-term polysilicon purchase agreements.

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

Manufacturing Facilities	Annual Manufacturing Capacity as of December 31, 2009	Expected Annual Manufacturing Capacity as of December 31, 2010[1]
Cell	120 MW	240 MW
Module	135 MW	375 MW
Ingot Monocrystalline	325 MW	380 MW
Multicrystalline	500 MW	830 MW
Wafer	825 MW	1,210 MW
Polysilicon	1,500 metric tons	3,000 metric tons

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

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We cannot assure you that we will achieve our 2010 expansion plan. See Item 3. Key Information D. Risk Factors Risks Related to Our Business Our dependence on a limited number of third-party suppliers for key manufacturing equipment could prevent us from the timely fulfillment of customer orders and successful execution of our expansion plan.

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

Historically we have purchased all of our multicrystalline furnaces from foreign equipment suppliers. We have been collaborating with a domestic equipment maker in China for the first time to make multicrystalline furnaces.

Our manufacturing capacities comprise the following:

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

Ingot Production

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

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

Wafer Slicing

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

To produce monocrystalline wafers, monocrystalline ingots are squared by squaring machines after being inspected. Through high-precision cutting techniques, the squared ingots are then sliced into wafers by wire saws

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using steel wires and silicon carbon powder. After inserting into frames, the wafers are cleaned to remove debris from the previous processes and then dried. Finally, the wafers are inspected before they are packed in boxes and shipped to customers.

Cell Production

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

Module Production

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

Polysilicon Production

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

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

Raw Materials

The key raw material for our wafer production is polysilicon. Currently, we use polysilicon as primary feedstock to produce solar wafers. For the year ended December 31, 2009, polysilicon accounted for 57.7% of our wafer production cost. We procure our raw materials from diversified sources. In 2009, purchases from international suppliers accounted for 72.0% of the total purchase price we paid for polysilicon. Other raw materials include crucibles, slurry and wires.

Our top five suppliers, including OCI Company Ltd., Wacker Chemie AG, Sichuan Yongxiang Polysilicon Co., Ltd. and Jinko Solar Co., Ltd., or Jinko, collectively accounted for 76.0% of the total weight of silicon raw material we bought in 2009. Each of our top three suppliers accounted for more than 10% of the total weight of

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silicon raw materials we bought in 2009. Jinko is a company co-founded by, and whose directors include, the brothers of Xianshou Li, our director and chief executive officer.

Once our polysilicon manufacturing facility in Meishan, Sichuan Province is fully operational, we expect to have a stable cost-effective supply of polysilicon from in-house production, which complements our existing long-term and short-term polysilicon purchase agreements.

With respect to processing service arrangements, we secure polysilicon from some of our customers and sell solar wafers and modules to them in return. We also provide some of our customers with wafer processing services. These arrangements not only help to increase the utilization rate of our manufacturing capacity and mitigate the risk of delayed shipments to some of our customers due to weak industry demand, but also strengthen our relationships with customers. In 2009, we provided processing services to companies such as Suntech Power Co., Ltd.

Polysilicon market prices have fallen significantly since the fourth quarter of 2008 due to weak industry demand. We mitigated our risks relating to the quickly falling market polysilicon prices by renegotiating pricing terms to link them to spot market prices, instead of fixed costs, in all of our long-term polysilicon purchase agreements. We procure our polysilicon through long-term and short-term polysilicon purchase agreements, the spot market and our in-house production.

Customers and Sales

We sell solar wafers primarily to solar cell and module manufacturers globally. Our top customers include some of the global industry leaders, including Gintech Energy Corporation, JA Solar Co., Ltd. and Suntech Power Co., Ltd. Other notable customers include Arise Technology Gmbh, Canadian Solar Inc. and Schott Solar AG. We derived 56.4% and 55.5% of our sales from customers in China in 2008 and 2009, respectively. In 2008 and 2009, our top five customers collectively accounted for approximately 64.8% and 43.7%, respectively, of our total sales. In 2009, sales to Suntech Power Co., Ltd. accounted for over 10% of our total net revenues.

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

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

	Year Ended December 31,					
	2007		2008		2009	
	(in thousands, except percentages)					
China	$ 155,015	62.3%	$ 378,009	56.4%	$ 283,300	55.5%
Taiwan	71,681	28.8	48,384	7.2	66,961	13.1
Hong Kong			29,915	4.5	32,858	6.4
Rest of Asia Pacific countries	15,476	6.2	173,373	25.9	21,258	4.2
Germany	57		37,382	5.6	49,253	9.6
Rest of Europe			3,161	0.5	39,464	7.7
United States	6,744	2.7	51		8,764	1.7
Others			92		8,546	1.7
Total	$ 248,973	100.0%	$ 670,366	100.0%	$ 510,405	100.0%

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A substantial portion of our wafer sales, particularly our sales to major customers, are made under multi-year framework contracts and multi-year sales contracts. Framework contracts typically provide for the sales volume and price of our solar wafers for the first year. 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 contract will be terminated or will not be performed. Multi-year sales contracts typically provide for the sales volume and price of our solar wafers for each year during the contract term. However, the pricing terms are either fixed or subject to reset in situations where the market benchmark price for solar wafers changes more than a certain percentage from the contracted price. In addition, we have entered into one-year sales contracts with some of our customers, which provide for an agreed sales volume at a fixed price. Some of our customers also make their purchases by purchase orders. For example, in December 2007, we entered into a framework contract with JA Solar Co., Ltd., under which JA Solar Co., Ltd. agreed to purchase an aggregate of 80 MW and 520 MW of monocrystalline wafers from July 2008 to June 2010 and from July 2010 to August 2013, respectively. In June 2008, we entered into an agreement with Suntech Power Co. Ltd. for the supply of approximately 1.5 GW of wafers over an eight-and-half-year period beginning in July 2008 to supersede the four-year contract between us entered into in October 2007 for the supply of 510 MW of wafers.

Under our processing arrangements with some of our customers, we obtain polysilicon from these customers and sell solar wafers and modules to them in return. The payments we make for the feedstock and the payments our customers make for the solar wafers are generally settled separately in line with market practice. Since 2006, we have also entered into wafer processing arrangements with certain customers, under which we process their silicon raw materials into ingots or wafers for a processing fee. In 2009, we entered into a wafer processing arrangement with an international module manufacturer. Under the terms of the contract, we supplied this module manufacturer with 120 MW of monocrystalline and multicrystalline solar wafers in 2009 and this module manufacturer supplied certain amounts of polysilicon to us.

In the first quarter of 2010, we entered into three module OEM contracts to provide an aggregate of 700 MW of solar modules to three major global solar companies over a period of approximately two quarters, three quarters and three years, respectively.

Starting from the fourth quarter of 2008, most of our sales have been made at the market price. The declining selling prices and the lowering of production costs along the solar power value chain should improve end-user affordability and ultimately increase demand for solar generated electricity. We aim to continue driving down production costs while improving operational efficiency to help shorten the gap to grid parity.

Quality Control

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

As of December 31, 2009, we had a dedicated team of 375 employees overseeing our quality control processes, and they work collaboratively with our sales team to provide customer support and after-sale services. We emphasize gathering customer feedback for our products and addressing customer concerns in a timely manner.

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Competition

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

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

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

The standard specifications of monocrystalline wafers used by most solar cell manufacturers are wafers in sizes of 125 mm by 125 mm and 156 mm by 156 mm and the standard specifications of multicrystalline wafers are in size of 156 mm by 156 mm. Most China-based wafer manufacturers offer wafers in these two sizes as we do. Due to the lack of sufficient market information, it is difficult for us to ascertain our competitive position vis-à-vis our competitors. For example, conversion efficiency of solar power products is not only determined by the quality of solar wafers but is also dependent on the solar cell and module production processes and technologies. Therefore, solar wafer manufacturers usually assume the conversion efficiency of their solar wafers based on the conversion efficiency of solar cells and modules manufactured by their customers, and there is a lack of publicly available information on the conversion efficiency of the solar wafers.

Environmental Matters

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

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

Insurance

We maintain property insurance policies with insurance companies covering our equipment, facilities, buildings and building improvements. These insurance policies cover losses due to fire, explosion, flood and a

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wide range of other natural disasters. Insurance coverage for our properties and inventory in China amounted to approximately RMB6,837 million ($1,002 million) as of December 31, 2009. We maintain product liability insurance of RMB1,903 million ($279 million) and business interruption insurance. We consider our insurance coverage to be in line with other manufacturing companies of similar size in China.

Regulation

Renewable Energy Law and Other Government Directives

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

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

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

In March 2009, China s Ministry of Finance issued the Provisional Rules to the Administrative Regulations on Subsidy Capital for Application of Solar Photovoltaic Technology in Housing Construction, which are formulated to implement the Renewable Energy Law, realize the State Council s strategic plan on energy conservation and emission reduction, and promote the solar photovoltaic technology application in housing construction. The provisional rules set out the subsidy standard to be RMB 20 per watt in 2009 and will be adjusted annually with the development of the industry. Certain criteria, which mainly relate to the minimum scale of the project, minimum conversion rate of the solar products, and certain industries with preferential granting of the subsidy, shall be met in order to apply for the subsidy.

On April 16, 2009, the General Offices of the PRC Ministry of Finance and the PRC Ministry of Housing and Urban-Rural Development jointly issued the Guidelines for Declaration of Demonstration Project of Solar Photovoltaic Building Applications. These guidelines set the subsidy to be given in 2009 to qualified solar projects at no more than RMB20 per watt for projects involving the integration of solar components into buildings structural elements and at no more than RMB15 per watt for projects involving the installation of solar components onto building rooftops and wall surfaces. In July 2009, the PRC Ministry of Finance and the PRC Ministry of Housing and Urban-Rural Development jointly issued the Implementation Plan for Demonstration Cities with Renewable Energy Building Application and the Implementation Plan for Promoting Renewable

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Energy Building Application in Rural Areas. Pursuant to these plans, the central government will provide subsidies to certain cities and rural areas with renewable energy building applications. In July 2009 and November 2009, the PRC Ministry of Finance, the PRC Ministry of Science & Technology, and the National Energy Bureau jointly issued measures that provide for government subsidies to support the solar power industry.

Environmental Regulations

We are subject to a variety of governmental regulations related to environmental protection. The major environmental regulations applicable to us include the Environmental Protection Law of PRC, the Law of PRC on the Prevention and Control of Water Pollution, Implementation Rules of the Law of PRC on the Prevention and Control of Water Pollution, the Law of PRC on the Prevention and Control of Air Pollution, the Law of PRC on the Prevention and Control of Solid Waste Pollution, and the Law of PRC on the Prevention and Control of Noise Pollution.

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

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

Restriction on Foreign Ownership

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

Regulation of Foreign Currency Exchange and Dividend Distribution

Foreign Currency Exchange. The principal regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations (1996), as amended, and the Administration Rules of the Settlement, Sale and Payment of Foreign Exchange (1996). Under these regulations, Renminbi are freely convertible for current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions, but not for most capital account items, such as direct investment, loan, repatriation of investment and investment in securities outside of China without the prior approval of the SAFE or its local counterparts. In addition, any loans to our operating subsidiaries in China, which are foreign-invested enterprises, cannot, in the aggregate, exceed the difference between their respective approved total investment amount and their respective approved registered capital amount. Furthermore, any foreign loan must

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be registered with the SAFE or its local counterparts for the loan to be effective. Any increase in the amount of the total investment and registered capital must be approved by the PRC Ministry of Commerce or its local counterpart. We may not be able to obtain these government approvals or registrations on a timely basis, if at all, which could result in a delay in the process of making these loans.

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

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

Under these regulations, foreign-invested enterprises in China may pay dividends only out of their retained profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, foreign-invested enterprises in China are required to allocate at least 10% of their respective retained profits each year, if any, to fund certain reserve funds unless these reserves have reached 50% of the registered capital of the enterprises. These reserves are not distributable as cash dividends.

Regulation of Certain Onshore and Offshore Transactions. On October 21, 2005, the SAFE issued Notice 75, which became effective as of November 1, 2005. According to Notice 75, prior registration with the local SAFE branch is required for PRC residents to establish or to control an offshore company for the purposes of financing that offshore company with assets or equity interests in an onshore enterprise located in the PRC. An amendment to registration or filing with the local SAFE branch by such PRC resident is also required for the injection of equity interests or assets of an onshore enterprise in the offshore company or overseas funds raised by such offshore company, or any other material change involving a change in the capital of the offshore company.

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

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

Intellectual Property Rights

Patent

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

Convention establishing the World Intellectual Property Organization (WIPO Convention) (June 4, 1980);

Paris Convention for the Protection of Industrial Property (March 19, 1985);

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Patent Cooperation Treaty (January 1, 1994); and

The Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs) (November 11, 2001).

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

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

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

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

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

Trademark

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

C. Organizational Structure

We currently conduct our business through the following key subsidiaries:

Zhejiang Yuhui, our principal operating company engaged in wafer production in China;

ReneSola America, which was incorporated in the State of Delaware, the United States in November 2006 to facilitate our procurement of silicon raw materials in North America;

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ReneSola Singapore Pte Ltd., which was incorporated in Singapore in March 2007 as an offshore vehicle to procure polysilicon in international markets;

Sichuan ReneSola, which was established in Sichuan Province in August 2007 to engage in the production of raw materials; and

JC Solar, which was incorporated in Jiangsu Province in November 2005 to engage in the production of solar cells and modules.

The following diagram illustrates our current corporate structure:

* These companies have not commenced operations as of the date of this annual report.

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D. Property, Plants and Equipment

We conduct our research, development and manufacturing of solar wafers at our facilities in Jiashan, Zhejiang Province, where we occupy a site area of approximately 277,658 square meters as of December 31, 2009. On this site, there are completed manufacturing facilities and office premises occupying an area of approximately 199,455 square meters. We conduct our research, development and manufacturing of polysilicon at our facilities in Meishan, Sichuan Province, where we occupied a site area of approximately 335,060 square meters as of December 31, 2009. Our cell and module manufacturing facilities are located at Yixing, Jiangsu Province, where we had a site area of 66,833 square meters as of December 31, 2009. Except as noted otherwise, we own the facilities completed and under construction and own the right to use the relevant land for the durations described below (including capacities and major equipment):

Products	Facility No.	Construction Area (square meters)	Duration of Land Use Right	Annual Capacities as of December 31, 2008	Annual Manufacturing Capacities as of December 31, 2009	Expected Annual Manufacturing Capacities as of December 31, 2010	Major Equipment
Monocrystalline ingots and wafers	1	42,000	January 2007 to November 2053 (a plot of 22,000 square meters); May 2006 to November 2053 (a plot of 18,000 square meters); and October 2006 to October 2056 (a plot of 23,000 square meters)	325 MW	325 MW	380 MW	Monocrystalline Furnaces NTC Wire Saws
	3	46,000	July 2007 to July 2057				
Multicrystalline ingots and wafers	2	27,000	January 2007 to December 2056	320 MW	500 MW	830 MW	ALD Multicrystalline Furnaces
	4	50,000	May 2008 to April 2058				HCT Wire Saws and Meyer Burger Wire Saws
Polysilicon	5	75,000	August 2008 to August 2058		1,500 metric tons	3,000 metric tons	Deposition reactors, rectifying tower and hydrogenation reactor
Cells	6	16,843	February 2008 to December 2056	25 MW	120 MW	240 MW	Cell printing, testing and sorting equipment
Modules				50 MW	135 MW	375 MW	

We believe that our existing facilities, together with our facilities under construction, are adequate for our expansion plan in 2010.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes included elsewhere in this annual report on Form 20-F. This discussion may contain forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results

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may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under Item 3. Key Information D. Risk Factors or in other parts of this annual report on Form 20-F.

A. Operating Results

Overview

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

We have rapidly expanded our manufacturing capacity since we began the production of solar wafers. We possess one of the largest solar wafer manufacturing plants in China based on production capacity as of December 31, 2009. As of December 31, 2009, we had an annual wafer manufacturing capacity of approximately 825 MW consisting of monocrystalline wafer manufacturing capacity of approximately 325 MW and multicrystalline wafer manufacturing capacity of approximately 500 MW. This represents a significant increase from our annual wafer manufacturing capacity of approximately 645 MW as of December 31, 2008, consisting of monocrystalline wafer manufacturing capacity of 325 MW and multicrystalline wafer manufacturing capacity of 320 MW. Our cell and module manufacturing capacity was 120 MW and 135 MW, respectively, as of December 31, 2009, compared with 25 MW and 50 MW, respectively, when we acquired JC Solar in May 2009. We had a polysilicon manufacturing capacity of 1,500 metric tons as of December 31, 2009.

Except during the global economic downturn from late 2008 to 2009, we have grown rapidly since we began manufacturing solar wafers and related products in 2005. Our net revenues increased significantly from $249.0 million in 2007 to $670.4 million in 2008 but decreased to $510.4 million in 2009. Our income from operations was $43.4 million and our net income was $42.9 million in 2007. We suffered an operating loss of $48.5 million and a net loss of $54.9 million in 2008, partly due to a non-cash reserve charge on inventory of $137.0 million recorded in the fourth quarter of 2008 as a result of the significant decline in the market price and value of polysilicon feedstock, work in progress and finished solar wafers. Our loss from operations was $90.6 million in 2009 and our net loss was $71.9 million in 2009, partly attributable to an inventory write-down of $71.3 million against the net realizable value of inventories as a result of the further decline in the market price and value of polysilicon feedstock, a provision for doubtful other receivable of $8.6 million from Linzhou Zhongsheng Semiconductor, and an impairment loss of $13.4 million from the decline in the fair value of our investment in a polysilicon manufacturer whose shares are traded on the Toronto Stock Exchange.

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

- industry demand and product pricing;
- manufacturing capabilities;
- advancements in process technologies; and
- availability and prices of polysilicon.

Industry demand and product pricing

Our business and revenue growth largely depends on market demand for solar power products. The demand for solar power products is influenced by macroeconomic factors such as government regulations and support of

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the solar industry, the global economic situation, the supply and prices of other energy products, such as oil, coal and natural gas, as well as government regulations and policies on the electric utility industry.

Our product prices are based on a variety of factors, including polysilicon costs, supply and demand conditions globally, the quality of our products, our pricing strategy, and the terms of our customer contracts, including sales volumes, and the terms on which certain customers supply us with silicon raw materials under buy-and-sell arrangements, taking into account the strength and history of our relationship with said customer. In 2006, 2007 and in the first three quarters of 2008, the average selling price of our wafers increased due to strong demand. However, excess production capacity and weak industry demand since late 2008 due to decreased financing availability for downstream customers of solar power products as a result of global economic turbulence and significant decreases in polysilicon prices had resulted in selling price reduction along the solar power value chain. During the period, increased manufacturing capacity in the industry also contributed to a decline in the selling price. As global economic conditions started improving since the second half of 2009, the solar industry is seeing a strong demand increase in the first half of 2010 and a stabilizing trend of increasing average selling prices for our wafer products. However, we expect solar product prices to continue to decline in the near future due to increased production efficiencies, reductions in polysilicon costs and increases in manufacturing capacity in our industry. We believe these continued price reductions, together with the lowering of production costs along the solar power value chain, will improve end-user affordability and ultimately increase demand for solar generated electricity.

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

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

We have rapidly expanded our manufacturing capacity since we began the production of solar wafers. We possess one of the largest solar wafer manufacturing plants in China based on production capacity. As of December 31, 2009, we had an annual wafer manufacturing capacity of approximately 825 MW, consisting of monocrystalline wafer manufacturing capacity of approximately 325 MW and multicrystalline wafer manufacturing capacity of approximately 500 MW. This represents a significant increase from our annual wafer manufacturing capacity of approximately 645 MW as of December 31, 2008, consisting of monocrystalline wafer manufacturing capacity of 325 MW and multicrystalline wafer manufacturing capacity of 320 MW. As part of our expansion strategy, we plan to expand our annual wafer manufacturing capacity to approximately 1,210 MW by the second quarter of 2010, consisting of monocrystalline wafer manufacturing capacity of approximately 380 MW and multicrystalline wafer manufacturing capacity of approximately 830 MW. Our planned manufacturing capacities for 2010 are calculated using the adjusted methodology effective January 1, 2010, which is based on an efficiency rate of 17.4% for monocrystalline wafers and 16.0% for multicrystalline wafers.

Our cell and module manufacturing capacity was 120 MW and 135 MW, respectively, at the end of 2009, compared with 25 MW and 50 MW, respectively, when we acquired JC Solar in May 2009. In the second half of 2009, we satisfied approximately 41.6% of our requirements for solar cells with our in-house production and the remainder was purchased externally or secured through toll services from third party cell manufacturers in order to fill the gap between our cell and module manufacturing capability. As the third party cell manufacturers are usually those which have established relationship with us through our wafer sales, we are benefited with the easy access built on historical relationships to meet our requirement. We also plan to expand our annual cell manufacturing capacity to approximately 240 MW and annual module manufacturing capacity to approximately

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375 MW by the end of 2010 to provide our customers with OEM services. Our planned manufacturing capacities for 2010 above are calculated using our adjusted methodology effective January 1, 2010, which is based on an efficiency rate of 17.4% for monocrystalline wafers and 16.0% for multicrystalline wafers. We cannot assure you that we will achieve our 2010 expansion plan. See Item 3. Key Information D. Risk Factors Risks Related to Our Business Our dependence on a limited number of third-party suppliers for key manufacturing equipment could prevent us from the timely fulfillment of customer orders and successful execution of our expansion plan.

Our polysilicon manufacturing facility in Meishan, Sichuan Province, operated through our wholly owned subsidiary, Sichuan ReneSola, is expected to achieve an annual manufacturing capacity of 3,000 metric tons by the end of 2010. The facility consists of two phases, each with 1,500 metric tons of annual manufacturing capacity. The first phase of our polysilicon manufacturing facility started trial production in July 2009 and reached annual manufacturing capacity of 1,500 metric tons as of December 31, 2009. With the activation of TCS and hydrogenation processes, the trial production for the second phase has commenced and is expected to integrate into the first phase through a number of stages over the next few months.

Advancements in process technologies

Advancements in our process technologies are important to our financial performance as they improve production yield, reduce manufacturing costs and enhance the quality and performance of our products. We have developed proprietary technologies in our wafer manufacturing processes. For example, we are able to produce more monocrystalline ingots by adding silicon raw materials in the furnaces after each production cycle without waiting for the furnaces to cool. This innovation enables us to increase the yield of our ingots, reduce electricity costs and enhance the utilization rate of our furnaces and consumables, such as crucibles. We have also modified certain manufacturing equipment design in both ingot and wafer slicing production and developed advanced processes, which have resulted in improved production yield and higher quality of wafers. Our experience, technical know how and expertise in wafer manufacturing enable us to produce high quality solar wafers. Through continuous technology innovations and improvements in operational efficiency, we were able to reduce our silicon consumption rate to 6.0 grams per watt in the second half of 2009, one of the lowest in the industry to our knowledge, from over 6.8 grams per watt in the first quarter of 2008. Improved productivity through equipment customization and cost reduction initiatives enabled us to significantly reduce our non-silicon wafer processing cost to $0.33 per watt in the fourth quarter of 2009 from $0.43 per watt in the fourth quarter of 2008. We plan to further reduce our wafer processing cost per watt in the future through, among other things, customization of equipment used to manufacture ingots, optimizing supply chain management, process improvements and slurry recycling.

Availability and prices of polysilicon

Polysilicon is the primary raw material used to make crystalline silicon solar wafers. The increase in demand for solar power products in the past few years led to an industry-wide polysilicon shortage and significant price increases in polysilicon. Based on our purchase orders, polysilicon prices increased from $210 per kilogram in 2007 to between $280 and $460 per kilogram in the most part of 2008. To address this shortage, we manufactured solar wafers from a wide range of silicon raw materials, including reclaimable silicon raw materials such as broken wafers and broken cells that are difficult to process but are less expensive than other reclaimable silicon raw materials.

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

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instead. We currently source polysilicon from various sources, including long-term supply contracts, short term contracts, customers under processing services, and spot purchases in China and internationally. Our purchase contracts and orders generally reflect the prevailing market prices.

In addition, we secure feedstock from some of our customers and sell solar wafers or ingots to them in return. We also provide some of our customers with wafer processing services. These agreements 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.

Our polysilicon manufacturing facility in Meishan, Sichuan Province, started trial production of its first phase in July 2009 and produced 194 metric tons of polysilicon in 2009. The first phase is expected to be fully operational in the middle of 2010. Together with the second phase that is expected to be operational in second half of 2010, we will have 3,000 metric tons of annual polysilicon manufacturing capacity by the end of 2010. Once the facility is fully operational, we expect to have a stable cost-effective supply of polysilicon from in-house production, which complements our existing long-term and short-term polysilicon purchase agreements.

Overview of Financial Results

Net Revenues

We derive revenue primarily from the sale of solar wafers and modules. We also sold silicon raw materials in 2007 to meet our liquidity needs. In 2007 and 2008, we derived a portion of our revenues from the sale of ingots, when our ingot manufacturing capacity was larger than our wafer slicing capacity. In 2007, 2008 and 2009, we also generated processing services revenues by processing some of our customers silicon raw materials into silicon ingots and/or solar wafers. Set forth below is the breakdown of 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,					
	2007		2008		2009	
	(in thousands, except percentages)					
Net revenues						
Product sales	$ 231,282	92.9%	$ 580,375	86.6%	$ 488,508	95.7%
Solar wafers	226,552	91.0	555,897	82.9	426,088	83.6
Solar modules					56,343	11.0
Ingots	1,255	0.5	561	0.1	45	
Solar cells			8,864	1.3	4,286	0.8
Other materials	3,475	1.4	15,052	2.3	1,746	0.3
Processing services	17,691	7.1	89,991	13.4	21,897	4.3
Total	$ 248,973	100.0%	$ 670,366	100.0%	$ 510,405	100.0%

Our net revenues derived from product sales are net of VAT, sales returns and exchanges. Factors affecting our net revenues derived from product sales include our unit sales volume and average selling price. We increased wafer shipment in 2007, 2008 and 2009 due to strong demand for our products, increased production output and increased brand recognition. Selling prices of our solar wafers increased sequentially from quarter to quarter in 2007 primarily due to the robust market demand. Selling prices of our solar wafers continued to increase in 2008 until the fourth quarter when selling prices started falling due to the negative impact of the global financial crisis on the solar industry. Although selling prices of our solar wafers continued to decrease in 2009 due to weak market demand and increased competition, the price reduction decelerated towards the end of 2009 due to increased demand as a result of the global economic recovery.

Sales to our major customers are typically made under multi-year framework contracts or multi-year sales contracts, supplemented by short term and market spot sales. Framework contracts typically provide for the sales

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volume and price of our products for the first year. 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 renegotiations, the framework contracts will be terminated or will not be performed. Multi-year sales contracts typically provide for the sales volume and price of our solar wafers for each year of the contract term. However, the pricing terms are either fixed or subject to reset in situations where the market benchmark price for solar wafers changes more than a certain percentage from the contracted price. In addition, we have entered into one-year sales contracts with some of our customers which provide for an agreed sales volume at a fixed price schedule. Compared to spot sales contracts, we believe our framework contracts 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 contracts are entered into. Our sales contracts and framework contracts historically required our customers to make a prepayment depending on their credit status, market demand and the term of the contracts, with the remaining price to be paid within a short period after shipment. Our ability to require prepayment from our customers primarily depends on industry demand and supply.

In 2007, 2008 and 2009, our top five customers collectively accounted for 77.7%, 64.8% and 43.7%, respectively, of our net revenues. In 2007, sales to each of our top three customers, which included Solarfun Power Holding Ltd. and Suntech Power Co., Ltd., accounted for over 10% of our net revenues, with sales to each of our top two customers, which included Suntech Power Co., Ltd., representing over 20% of our net revenues. In 2008, sales to each of Suntech Power Co., Ltd. and Jetion Solar Holdings Limited accounted for over 10% of our net revenues, with sales to Suntech Power Co., Ltd. representing over 30% of our net revenues. In 2009, sales to Suntech Power Co., Ltd. accounted for over 10% of our net revenues.

We have worked to achieve a balanced sales mix in geographical markets to mitigate market concentration risk. In the past, changes in our product mix resulted in changes in our geographical market concentration. For example, our sales to Europe decreased substantially in 2006 as we discontinued the sale of solar modules, the primary customers of which were based in Europe. We determine the geographical market of our net sales based on the immediate destination of our shipped goods. The following table sets forth the breakdown of our net revenues by geographic market, in absolute amount and as a percentage of total net revenues, for the periods indicated.

	Year Ended December 31,					
	2007		2008		2009	
	(in thousands, except percentages)					
China	$ 155,015	62.3%	$ 378,009	56.4%	$ 283,300	55.5%
Taiwan	71,681	28.8	48,384	7.2	66,961	13.1
Hong Kong			29,915	4.5	32,858	6.4
Rest of Asia Pacific countries	15,476	6.2	173,373	25.9		