

ReneSola Ltd
Form 20-F
March 08, 2011
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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

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2010.

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Date of event requiring this shell company report _____

Commission file number: 001-33911

RENESOLA LTD

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)

British Virgin Islands

(Jurisdiction of incorporation or organization)

No. 8 Baoqun Road

Yaozhuang Town

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People's Republic of China

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

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Title of each class American Depositary Shares, each representing	Name of each exchange on which registered 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.
174,596,912 shares, no par value per share, as of December 31, 2010.

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

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

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

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

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

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

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

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

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

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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 legal currency of the United States; all references to £ and pounds sterling refer to the legal currency of the United Kingdom; all references to euro refer to the official currency of the European Union and the currency that is used in certain of its member states;

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

shares refers to our shares with no par value.

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

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

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

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

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

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

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

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Not Applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not Applicable.

ITEM 3. KEY INFORMATIONA. Selected Financial Data**Our Selected Consolidated Financial Data**

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

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

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Foreign exchange (loss) gain	364	(4,047)	(3,097)	(1,433)	(1,814)
Gain on repurchase of convertible bonds				7,995	6
Fair value change on derivative					9,428

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

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

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

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

B. Capitalization and Indebtedness

Not Applicable.

C. Reasons for the Offer and Use of Proceeds

Not Applicable.

D. Risk Factors**Risks Related To Our Business**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

reduction, delay or cancellation of orders from one or more of our significant customers;

unilateral change of contractual technological specifications by one or more of our customers;

failure to reach an agreement with our customers on the pricing terms or sales volumes under various contracts;

loss of one or more of our significant customers and our failure to identify additional or replacement customers; and

failure of any of our significant customers to make timely payment for our products.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

the significant amount of capital required to purchase additional equipment or to build additional facilities, which we may be unable to obtain on commercially viable terms or at all;

failure by our suppliers to make timely and satisfactory deliveries;

cost overruns and delays as a result of a number of factors, many of which are beyond our control, such as problems with equipment delivery;

delays or denial of required approvals by relevant government authorities;

failure to obtain production inputs in sufficient quantities or at acceptable cost; and

failure to execute our expansion plan effectively.

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

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

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

the ability to quickly adjust our manufacturing capacity and output while the industry is rapidly evolving;

the ability to maintain existing customer relationships, attract new customers and expand our market share;

the ability to implement new and upgraded operational and financial systems, procedures and controls to adapt to the strains associated with fast growth and expansion or rapid decrease in demand;

the ability to favorably renegotiate our equipment supply contracts previously entered into for our wafer production in accordance with changes in our expansion plan;

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the ability to maintain a financially healthy level of liquidity, and to manage our liquidity if we are unable to obtain additional funds and/or refinance existing debt on commercially viable terms or at all;

the occurrence of construction delays and cost overruns;

the ability to install and test new production equipment on a timely basis;

the delay or denial of required approvals by relevant government authorities; and

any significant diversion of management attention.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

cost-effectiveness, performance and reliability of solar power products compared to conventional and other renewable energy sources and products;

success of other alternative energy generation technologies, such as wind power, hydroelectric power and biomass;

fluctuations in economic and market conditions that affect the viability of conventional and other renewable energy sources, such as increases or decreases in the prices of oil and other fossil fuels or decreases in capital expenditures by end-users of solar power products;

fluctuations in interest rates, which may affect the effective prices paid for solar power products by end-users who rely on long-term loans to finance their purchases; and

deregulation of the electric power industry and the broader energy industry.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

our future financial condition, operations and reputation;

general market conditions in our industry; and

economic, political and other conditions in China and elsewhere.

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

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

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

fluctuations in currency exchange rates, such as exchange rate volatility between the euro and the U.S. dollar and the continuing trend of appreciation of the Renminbi against the U.S. dollar;

increased costs associated with maintaining marketing efforts in various countries;

difficulty and costs relating to compliance with the different commercial, environmental and legal requirements of the overseas markets in which we offer our products;

difficulty in engaging and retaining sales personnel who are knowledgeable about, and can function effectively in, overseas markets; and

trade barriers such as export requirements, tariffs, taxes and other restrictions and expenses, which could increase the prices of our products and make us less competitive in some countries.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risks Related To Doing Business In China

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We face risks related to health epidemics and other outbreaks.

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

Risks Related To Our ADSs

The market price for our ADSs may be volatile.

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

actual or anticipated fluctuations in our quarterly operating results;

changes in financial estimates by securities research analysts;

changes in the economic performance or market valuations of other solar power companies;

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announcements by us or our competitors of new products, patent litigation, issuance of patents, acquisitions, strategic partnerships, joint ventures or capital commitments;

technological breakthroughs in the solar and other renewable power industries;

reduction or elimination of government subsidies and economic incentives for the solar power industry;

potential litigation or administrative investigations;

addition or departure of key personnel;

fluctuations of exchange rates between the RMB and U.S. dollar or other foreign currencies;

release of lock-up or other transfer restrictions on our outstanding ADSs or shares or sales of additional ADSs; and

general market conditions or other developments affecting us or our industry.

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

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

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

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

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

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

shareholders. The incurrence of indebtedness

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

B. Business Overview

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

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

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

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

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

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

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

Our Competitive Strengths

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

Low-Cost Wafer Manufacturing

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

Our cost advantages are primarily attributable to:

reduction of our capital expenditures from our equipment improvements, including customization of equipment based on our specifications, purchases of domestic equipment and components and optimization of equipment mix to improve operating efficiency. Our capital expenditure per watt of wafer capacity was \$0.42 and \$0.26 for 2009 and 2010, respectively. We expect capital expenditure to reduce to \$0.20 per watt by the end of 2011;

improvement in our procurement strategy, including optimizing supply chain management through economies of scale, in-house production of certain key consumables, diversification of supplier base and in-house recycling of slurry and silicon by-products; and

our in-house production of polysilicon through our facility in Meishan, Sichuan Province, allowing us to better control our raw material costs across our business and operational segments and ensures a reliable polysilicon supply. Our polysilicon manufacturing facility utilizes a world-class advanced Siemens process for polysilicon production and is equipped with high-end equipment to achieve a fully closed-loop system that can recycle and convert certain waste into products through TCS that can be reused in the production process.

Large-Scale Manufacturing

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

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

Strong Technology Development Capabilities

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

Global Network of Customers and Suppliers

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

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

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

Experienced Management Team

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

Our Strategies

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

Continue to Pursue Cost Reduction

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

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

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

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Maintain Our Leadership in Wafer Manufacturing Through Expansion

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

Continue to Pursue Technological Innovation

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

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

Polysilicon production. We are seeking to fine-tune the closed-loop modified Siemens process system at our Meishan polysilicon manufacturing facility to reduce production costs, and are building new production capabilities with lower capital expenditure spending. We plan to reduce production costs by shortening the overall processing time, modifying the TCS production process, improving the recycling cycle's conversion ratio of converting by-products into TCS and exploring the use of domestic components.

Solar wafer manufacturing. We will continue to improve our wafer manufacturing process by, among others, speeding up the ingot-pulling speed, optimizing our manufacturing equipment and process routine, upgrading from manual programs to semi-automatic or automatic programs, increasing the purity of the ingots we produce, slicing thinner wafers, reducing wafer breakage rates, and enhancing the processes to reduce quality control cost. We plan to increase our utilization of bilateral cutting technology to improve the efficiency of our wafer slicing in 2011. We also plan to expand our in house slurry recycling program to reduce the amount of slurry we need to procure from third parties.

Solar cell manufacturing. We will continue to develop technologies to manufacture high-conversion efficiency solar cells with improved performance. As of December 31, 2010, we were able to achieve conversion efficiency rates of 17.4% for monocrystalline cells and 16.0% for multicrystalline cells manufactured using our solar wafers.

Solar module manufacturing. We will continue to improve the process of module manufacturing by shortening the lamination time to reduce time and power consumption. We will also improve the structure of the module frame to reduce the adhesive sealant on the front side of the module and reduce the time for cleaning the module. We will consider using tempered glass with anti-reflecting film on the module to increase the module efficiency.

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

Continue to Attract Leading Global Solar Customers

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

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

Industry Background

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

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

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

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

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

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

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

Our Products and Services

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

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

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

Manufacturing

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

Manufacturing Capacity

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

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

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

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

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

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

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

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

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

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

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Our manufacturing capacities comprise the following:

ingot production;

wafer slicing;

cell production;

module production; and

polysilicon production.

Ingot Production

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

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

Wafer Slicing

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

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

Cell Production

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

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Module Production

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

Polysilicon Production

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

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

Raw Materials

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

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

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

Sales and Customers

Wafer Sales

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

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

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

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

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

Module Sales

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

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

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

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

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

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

Quality Control

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

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

Competition

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

product quality;

price and cost competitiveness;

manufacturing technologies and efficiency;

strength of customer relationships;

economies of scale; and

reputation.

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

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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

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

Environmental Matters

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

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

Insurance

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

Regulation

Renewable Energy Law and Other Government Directives

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

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

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

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

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

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

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

Environmental and Safety Regulations

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

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

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

Restriction on Foreign Ownership

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

Regulation of Foreign Currency Exchange and Dividend Distribution

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

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

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

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

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

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

Intellectual Property Rights

Patent

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

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

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

Patent Cooperation Treaty (January 1, 1994); and

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

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

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

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

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

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

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

Trademark

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

C. Organizational Structure

We currently conduct our business through the following key subsidiaries:

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

ReneSola America, which was incorporated in the State of Delaware, the United States in November 2006 to facilitate our procurement of silicon raw materials in North America. Since 2010, there has been no operational activities at this subsidiary.

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

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

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

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

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The following diagram illustrates our current corporate structure:

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

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

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

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

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

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

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

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

A. Operating Results**Overview**

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

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

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

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

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

industry demand and product pricing;

manufacturing capabilities;

advancements in process technologies;

availability and prices of raw materials; and

government subsidies and incentives.

Industry demand and product pricing

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

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

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

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

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

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

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

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

Advancements in process technologies

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

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

Availability and prices of raw materials

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

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

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

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

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

Government subsidies and incentives

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

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

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

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

Overview of Financial Results**Net Revenues**

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

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

- (1) Includes approximately \$0.6 million and \$45,046 from sales of solar ingots in the years ended December 31, 2008 and 2009, respectively, and \$15.1 million, \$1.7 million and \$8.0 million from sales of other materials in the years ended December 31, 2008, 2009 and 2010, respectively. Does not include intercompany transactions.
- (2) Includes approximately \$8.9 million, \$4.3 million and \$4.0 million from sales of solar cells in the years ended December 31, 2008, 2009 and 2010, respectively. Does not include intercompany transactions.

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

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

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

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

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

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

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

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

Geographical Distribution

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

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

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

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

Cost of Revenues

Our cost of revenues consists primarily of costs for:

polysilicon raw materials;

consumables, including crucibles, steel sawing wires, slurry, glass and EVA film;

direct labor costs, including salaries and benefits for our manufacturing personnel;

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overhead costs, including equipment maintenance and utilities such as electricity and water used in manufacturing; and

depreciation of manufacturing facilities and equipment.

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

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

Gross Margin

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

increasing production yield by efficiently reducing silicon consumption through technical innovations and improving labor skills (to improve processing efficiency);

reducing manufacturing costs through enhanced supply chain management; and

providing processing services to selected customers to increase equipment utilization rate.

Operating Expenses

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

Sales and marketing expenses

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

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

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General and administrative expenses

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

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

Research and development expenses

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

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

Other Income and Expenses

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

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

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

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

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

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

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

Taxation

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

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

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

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

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

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

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

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

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

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

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

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

Disposal of Equity Interest in Linzhou Zhongsheng Semiconductor

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

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

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

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

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

Critical Accounting Policies

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

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

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Revenue recognition

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

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

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

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

Impairment of long-lived assets

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

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

Table of Contents***Income tax***

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

Inventory

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

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

Investments

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

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

Allowance for doubtful receivables and advances to suppliers

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

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

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

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

Fair value measurement

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

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

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

Derivative assets related to foreign currency forward contracts

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

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

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

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

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

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

Valuation of Derivative Financial Instruments

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

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

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

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

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

Segment Operations

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

wafer sales segment, which involves the manufacture and sales of monocrystalline and multicrystalline solar wafers; and

module sales segment, which involves the manufacture and sales of solar cells and modules.

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

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

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Results of Operations

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

	2008		Year Ended December 31, 2009		2010	
	(in thousands, except percentages)					
Net revenues	\$ 670,366	100.0%	\$ 510,405	100.0%	\$ 1,205,579	100.0%
Cost of revenues	(684,676)	(102.1)	(553,607)	(108.5)	(857,615)	(71.1)
Gross profit (loss)	(14,310)	(2.1)	(43,202)	(8.5)	347,964	28.9

Operating expenses: