ReneSola aims to enhance its competitiveness through increasing productivity by developing new technology and optimising production processes to continue to be the PV sector's leading wafer manufacturer seeking sustainable growth in a rapidly expanding global market.

ReneSola

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Highlights 2006

- Revenue increased to US$87.6 million
  (2005: US$8.4 million)
- Gross profit increased to US$24.8 million
  (2005: US$1.4 million)
- Profit before tax increased to US$22.5 million
  (2005: US$0.6 million)
- Convertible bond issue in March 2007 raising approximately US$120 million
- Successful IPO on AIM in August 2006 raising US$50 million
- Substantial growth achieved with annualised production capacity increased from 14 MW to 80 MW during 2006

Financial highlights

	2006 US$ '000	2005 US$ '000	Change on year
Turnover	**87,561**	8,422	Up 940%
Operating profit	**24,828**	1,383	Up 1,695%
Profit before tax	**22,527**	621	Up 3,528%
Operating cash flow before movements in working capital	**23,721**	1,069	Up 2,119%

Chairman's statement

I am pleased to be able to report a year of outstanding progress, during which ReneSola Ltd (the "Company") (together with its subsidiaries referred to as "ReneSola" or the "Group") successfully implemented the first stages of a rapid expansion plan to become one of the largest suppliers of solar wafers in the world.

Financial review

In only the second year of operations, the Group generated revenue of US$87.6 million, profit before tax of US$22.8 million and profit after tax of US$25.5 million. We consider this to be an excellent achievement which far exceeds forecasts made at the time of the IPO in August.

Consolidated gross profit for the year was US$24.8 million, an increase by 940% over 2006. Consolidated operating profit for the year was US$22.7 million, an increase by 340% over 2006. Consolidated profit before tax for the year was US$22.5 million, an increase by 3,528% over 2006.

The consolidated profit after tax figure for 2006 benefits from an income tax credit of US$2.7 million. This represents an unrealised tax credit from the Chinese tax authorities in relation to purchases of Chinese-made capital equipment in China. As at 31 December 2006, the consolidated balance sheet included a total deferred income tax credit of US$3.3 million.

Production capacity

CURRENT CAPACITY

During 2006, ReneSola's annualised production capacity grew from 14 MW to 80 MW, provided by 90 monocrystalline furnaces.

In the second half of the year, the Group commenced the installation of wire saws for in-house slicing of silicon ingots into wafers, which was previously sub-contracted to third parties. 24 wire saws are now in operation and provide the capability to slice in-house the whole of the 2006 year-end capacity of 80MW.

The initial operation of the wire saws involved a learning curve for staff, which was made steeper by a planned reduction in wafer thickness. This resulted in a higher than expected level of wafers which did not pass ReneSola's high quality control standards and therefore required reprocessing. The Directors are pleased to report that, whilst they will continue to seek improvements, this issue has now been largely resolved and that sawing efficiency is now in line with industry norms.

CAPACITY EXPANSION

On 30 November 2006, the Group announced an increase in its target for 2007 year-end capacity from 180 MW to 265 MW.

During March and April 2007, ReneSola took delivery of 96 new monocrystalline furnaces, bringing the total to 186. Of the new furnaces, 48 are installed and in operation while the other 48 are in trial production. All of the furnaces will soon be fully operational, bringing the annualised production capacity to 165 MW. The 96 furnaces are housed in a newly constructed 10,400 m^2 facility. 25 further wire saws to slice ingot from these new furnaces will also be housed in this facility.

Construction of the new 24,000 m^2 facility to house the multicrystalline capacity has been recently completed, ready for the installation of the first two multicrystalline furnaces, which will be in trial production next month. A further 18 multicrystalline furnaces are planned to be installed before the end of the year.

ReneSola maintains a long-term target of a balanced distribution between mono and multicrystalline capacity in order to service the requirements of its customers and to maintain flexibility with respect to future raw material supplies.

Sales

Demand for solar wafers has continued to grow. At the end of first quarter 2007, ReneSola had signed sales contracts for approximately 91 MW of monocrystalline wafers for 2007 delivery, representing approximately 83 per cent. of the planned 2007 monocrystalline wafer output. Customers include Suntech Power Co. Ltd. (20 MW), Motech Industries Inc. (19 MW), Jiangsu Linyang Solarfun Co. Ltd. (17 MW) and BP Solar (10 MW). The Directors expect that contracts for the remainder of the 2007 monocrystalline capacity will be signed within the next three months.

Negotiations over sales contracts for the output from the new multicrystalline furnaces with both existing and potential customers will commence following the completion of a phase of trial production, which is scheduled to occur at the start of the third quarter of 2007.

Procurement

The silicon feedstock procurement programme for 2007 is well advanced. The requirement for 1,500 tonnes of un-recycled raw material for the remainder of 2007 will be met by approximately 420 tonnes in stock, 450 tonnes under procurement contracts, 200 tonnes under tolling arrangements and 440 additional tonnes by further tolling arrangements or spot purchases.

Output

Total production output is anticipated to be approximately 150 MW in 2007, more than three times the output in 2006.

Production in the first quarter of 2007 was approximately 15 MW and is expected to rise to approximately 25 MW in the second quarter as production from the new monocrystalline furnaces comes on stream.

Funding

In addition to the placing at the time of the IPO, ReneSola raised US$120 million through the issue of convertible bonds in March 2007. The Group is also currently in discussions with an international bank regarding a potential loan to provide funds for the capacity expansion and to provide additional working capital.

Scrap polysilicon is loaded into a monocrystalline furnace.

Corporate developments

ReneSola established in Delaware, USA ReneSola America Inc. a wholly-owned subsidiary incorporated in the fourth quarter of 2006. The initial objectives of the subsidiary include identifying potential feedstock suppliers, establishing direct links with the ultimate feedstock suppliers and enhancing sourcing efficiency.

In addition, the Company has incorporated a wholly owned subsidiary in Singapore, which is mandated to source raw materials from, and manage operations in, South East Asian countries.

ReneSola is also seeking to expand its recycling operations in locations close to raw material sources. The first element of this strategy will be the establishment of a plant in Malaysia to increase the Group's recycling capacity.

ReneSola plans to open an office in Shanghai during the next few months. The office will act as the main base for the marketing, business development and investor relations divisions.

Outlook

ReneSola is on track with the implementation of the accelerated capacity expansion plan and progress with sales and feedstock procurement contracts are in line with the revised plan.

The Directors believe ReneSola is extremely well placed to take advantage of the growth in the sector and look forward to a year of further substantial progress.

Martin Bloom
Chairman
5 June 2007

Operating and financial review

Introduction

This section of the report contains a review of ReneSola's operations and performance during the year. 2006 was a year of significant achievements for Renesola characterised by rapid growth in our capacity, revenues and profits. Since the start of the year the Group has been transformed from a private company with a production capacity of 14 MW per annum to an international public company with a capacity of 80MW and over 2000 employees. In August 2006 the Company undertook an initial public offering on the London Stock Exchange plc's AIM market (the "AIM IPO"), which as well as raising net proceeds of US$46 million succeeded in raising the Group's profile both domestically and on the world stage.

The Group's expansion plans for 2007 will lead to ReneSola's capacity being increased in the year to 265 MW made up of both monocrystalline and multicrystalline production. I will explain below some of the key elements that have underpinned the Group's performance this year.

The solar sector

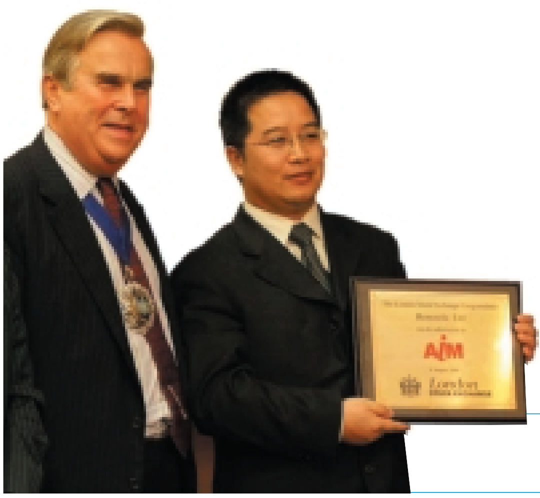
The expansion of our business has taken place against the background of rapid global growth in the renewable energy sector and more specifically the PV market. The market is widely believed to be set for continued growth of over 25% per annum in the short to medium term and sustained long term growth. We believe that the strategy we have implemented during 2006 has positioned ReneSola to capitalise on the current opportunity to address the capacity bottleneck in the ingot and wafer production space in particular and the sector growth in general. World solar PV installation reportedly reached a record high in 2007 of 1,744 MW representing growth of 19 per cent. over the previous year. Despite continued global polysilicon shortages, world global cell production increased to 2,204 MW from 1,656 MW in the previous year. Much of this expansion came from Chinese cell manufacturers, some of which have become the world's major cell manufacturers and are ReneSola's customers. Whilst polysilicon production increased by 16 per cent. in 2006, polysilicon supply shortages continued to be a major bottleneck in meeting the demand, driving price increases of both polysilicon raw materials and scrap feedstock during the year.

Capacity expansion

During 2006, ReneSola's annualized wafer production capacity grew from 14 MW to 80MW, provided by 90 monocrystalline furnaces and 24 wire saws.

The Group began the year with sixteen monocrystalline furnaces. During the first quarter of 2006, the Group retained a significant proportion of the wafers produced which were in turn processed into PV cells by third party manufacturers and assembled into PV modules by the Group. This continued in the first quarter at reduced volumes. The Group decided in April 2006 to cease this activity in order to concentrate on wafer production where it believes more attractive operating margins can be achieved.

The rapid growth of ReneSola has continued in the period since 1 April 2006. A further 38 monocrystalline furnaces have been brought into operation, raising the total of furnaces to 54 with total production capacity of 48MW in the second quarter of 2006. The Group also installed its first wafer slicing machine during the quarter with a further four machines installed in the third quarter. The installation of the wafer slicing technology allows a reduction in wafer thickness,



CEO Mr. Xian Shou Li is presented with an AIM certificate by Sir David Brewer, the then Lord Mayor of London

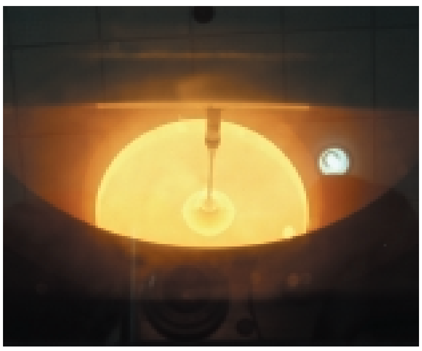
1

2

1 *Newly constructed 10,400m² monocrystalline facility.*

2 *Newly installed monocrystalline furnaces.*

3 *Molten polysilicon inside a monocrystalline furnace.*



3

Economic scrap silicon recovery

increasing the yield per ingot and resulting in further gross margin improvement.

In the third quarter, ReneSola completed a key milestone in its expansion programme with an increase in the monocrystalline furnaces in operation from 36 to 90, which resulted in in-house ingot production more than doubling. The 54 newly added monocrystalline furnaces were all fully operational by the end of the quarter. Along with furnace capacity expansion, one wire saw was fully commissioned and operational during the quarter and a further 4 were installed in October 2006.

An additional 19 wire saws were delivered at various dates before the end of 2006, bringing the total number of wire saws to 24. With these wire saws now installed and fully commissioned, the Group is able to slice all the ingot output by its existing production capacity which will help reduce wafer production cost considerably.

ReneSola installed a further 96 MW monocrystalline furnaces during April and May 2007, bringing the annualized production capacity to 165 MW. 25 further wire saws to slice all the ingot from these new furnaces will be housed in the same facility as that of the new furnaces.

Sales

While ReneSola had pre-sold all of its planned production output before the third quarter 2006, in the third and fourth quarter ReneSola entered into new long term contracts with some major cell and module manufacturers with terms between 1 to 5 years. Customers include Suntech Power, Motech Industries, Jiangsu Linyang Solarfun Co. Ltd., BP Solar, and JingAo Solar Co. Ltd. Together with the contracts signed during the second quarter, over 83% of the existing capacity for 2007 was pre-sold and feedstock required was secured.

Procurement

ReneSola has demonstrated its strong capability of sourcing enough raw materials required to meet its planned production output and its capacity expansion in advance through a well established global sourcing network and long term relationships with major waste management companies and trading houses in the world. The Group has on average maintained raw materials in inventory to meet raw material requirement for the succeeding three months' production output.

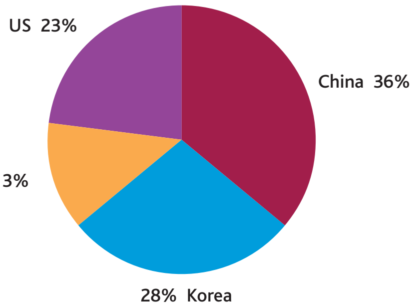
1

In tandem with the increasing raw materials sourcing during the year along with the production capacity expansion, ReneSola expanded the recycling capacity capable of meeting wafer production output planned for 2007.

As part of the Group's strategy to strengthen its global feedstock procurement capability, ReneSola has established ReneSola America Inc. a wholly-owned subsidiary which has been incorporated in Delaware, USA. The initial objectives of the subsidiary include identifying potential feedstock suppliers, establishing direct links with the ultimate feedstock suppliers and enhancing sourcing efficiency.

ReneSola has also incorporated a wholly owned subsidiary in Singapore which is mandated to source raw materials from, and manage operations in,

Sources of silicon feedstock



THE PRODUCTION PROCESS

1 *Feedstock sourced, sorted, tested and cleaned*
2 *Silicon feedstock melted in modified furnaces*
3 *Ingot pulled*
4 *Ingot squared prior to slicing*
5 *Ingot sliced*
6 *Wafers sold to global customers*

2

3

1 *Technicians monitor the monocrystalline furnaces.*
2 *Loading a crucible with feedstock.*
3 *Staff test feedstock.*
4 *Finished monocrystalline wafers.*

4

South East Asian countries. In addition, the Group is in the process of establishing an office in Europe to aim at increasing sourcing capability in Europe.

A strong procurement team at head offices in China, coupled with local presence in the US, Europe and South-eastern Asia, will enable the Group to expand the procurement global coverage to meet the increasing raw material requirement of the expansion plan.

R&D and technology improvement

ReneSola believes that continuing effort in R&D is an important corporate strategy to maintain its competitive edge over the competition. The R&D blueprint sets out a plan to develop new technology and to improve existing technology in two synergic core businesses of the Group: recycling and wafer production operations. The continuing R&D and significant resources allocated to technology improvement have benefited the Group and have helped increase the Group's competitiveness.

ReneSola tackled the challenge of increasing feedstock costs by many measures including constantly improving production efficiency through continuing R&D in recycling technologies to improve existing proprietary recycling technologies and inventing new ones, tireless effort in modification of equipment design to improve manufacturing performance, adoption of world class equipment to ensure superior product quality and continuing emphasis on staff training to increase employee productivity. During the course of 2006, ReneSola applied for patents over 9 proprietary recycling technologies in China and patent approval of these technologies is expected in 2007 and 2008. During the current year, ReneSola has applied for two further patents in ingot pulling.

With these measures implemented, ReneSola demonstrated its ability to mitigate the negative impact on gross margins due to rapid increase of feedstock costs.

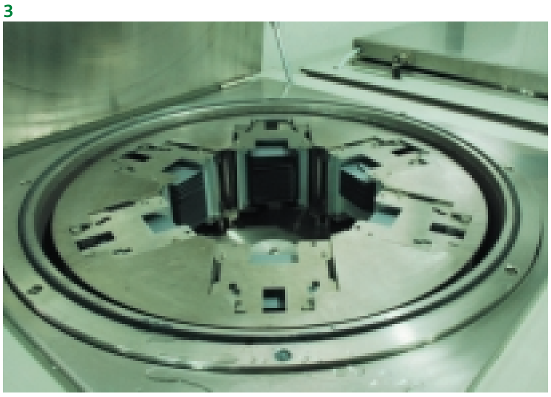
1

Global feedstock procurement

World class equipment

2

3



1 *Installed monocrystalline furnaces.*

2 *Technicians operate wire saws.*

3 *Freshly sliced wafers loaded in a drying machine.*

Cash

The net proceeds from the AIM IPO and convertible bond issue have been employed to increase capacity through the purchase of capital equipment, the securing of land, construction of new facilities and to purchase raw material feedstock. The Group's year end cash position of $9.8 million has been significantly improved by the issue of US$120 million of convertible bond in March 2007. The proceeds from the bond issue will principally be used to fund the purchase of capital equipment and for working capital.

Tax

The consolidated profit after tax figure for 2006 benefits from an income tax credit of US$2.7 million. This represents an unrealised tax credit from the Chinese tax authorities in relation to purchases of Chinese-made capital equipment in China. As at 31 December 2006, the consolidated balance sheet included a total deferred income tax credit of US$3.3 million.

Fast access to local markets and international port of Shanghai

The Group was not subject to income tax on earnings in China for either 2005 or 2006 due to a tax holiday. Zhejiang Yuhui Solar Energy Source Co. Ltd. ("Zhejiang Yuhui"), the wholly-owned trading subsidiary of the Company, has commenced the process of applying for a further tax holiday starting from 2006, during which ReneSola increased the registered capital of Zhejiang Yuhui. Until the application is approved by the relevant tax authority, a tax rate of approximately 12 per cent. will be applied to the earnings of Zhejiang Yuhui. The tax payable for 2007 will be assessed by the tax authority in early 2008 by taking into consideration the current tax holiday, the potential further tax holiday arising from increased registered capital of Zhejiang Yuhui in 2006 and the tax credit available for capital equipment purchased by the Group in China. Zhejiang Yuhui will be able to offset the tax credit of US$2.7 million against future tax liabilities.

Group reorganisation

In April 2006, ReneSola was interposed as the parent company of Zhejiang Yuhui by acquiring its entire issued share capital for an aggregate consideration of US$2,878,000 in which US$2,133,000 was gifted back to Zhejiang Yuhui Solar Energy Source Co., Ltd. to fund a bonus pool for the benefit of employees.

Management considered the detailed criteria for the requirement to consolidate common control transactions, which is excluded from the scope of IFRS 3 *Business Combination*, and in particular, whether all entities ultimately are controlled by the same party and that control is not transitory.

Management concluded that financial information can be prepared in accordance with the principles of merger accounting for the year ended 31 December 2005 to include the results and cash flows of the companies comprising the Group pursuant to the Group Reorganisation as if the Group structure as at 31 December 2006 had been in existence throughout the whole of 2005. The consolidated balance sheets of the Group as at 31 December 2005 have been prepared in accordance with the principles of merger accounting to present the assets and liabilities of the companies comprising the Group as if the Group structure as at 31 December 2006 date had been in existence as at 31 December 2005.

Growth prospects

We are pleased with the expansion achieved to date and are confident that ReneSola is extremely well placed to take advantage of the favourable industry conditions and deliver another year of substantial growth.

I want to close by thanking on behalf of myself and the Board all of our employees for their commitment and contribution throughout the year.

Xian Shou Li
Chief Executive Officer
5 June 2007

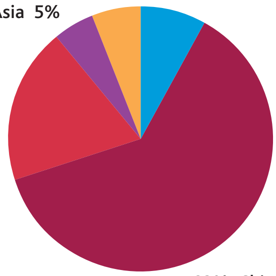
1

2

1 *ReneSola's Zhejiang Headquarters.*

2 *Office accommodation and training rooms.*

Geographic sales breakdown



Directors and executive officers

Martin Bloom

Xian Shou Li

Yun Cai Wu

Professor Jing Wang

Professor Binghua Huang

Martin Bloom
Non-Executive Chairman

Mr. Bloom has significant business experience in Asia. He is Special Adviser for Asia and a Board Member of international venture capital fund, Argopolo Capital Partners, and is the current chairman of the China UK Venture Capital Joint Working Group. He has been involved in many Europe/Asia projects including technology transfer schemes between the UK and Japan on behalf of the Department of Trade & Industry in the UK. An experienced venture capital investor, he is well versed in the opportunities and challenges that young companies face. (Aged 55)

Xian Shou Li
Chief Executive Officer

Mr. Li has been involved in solar manufacturing since starting Yu Huan Solar Energy Source Co. Ltd. in 2001, which manufactured solar cell and module products for both commercial and residential applications. Prior to this, Mr. Li worked as a government official at various government agencies. Realising the significant growth potential of scrap silicon recycling for wafer production, Mr. Li co-founded, along with Mr. Wu, Zhejiang Yuhui in April 2005.

Mr. Li received his bachelor's degree in industrial engineering management from Zhejiang Industrial University in 1991. (Aged 38)

Yun Cai Wu
Chief Operating Officer

Mr. Wu has been involved in solar ventures over the last five years, including two years at a solar cell and module manufacturer as Chief Operations Officer. Mr. Wu held various positions in Yu Huan County Government prior to his involvement in the solar business. He is in charge of day-to-day operations including wafer recycling and ingot production. Mr. Wu received his bachelor's degree in computer science from Zhejiang University in 1988. (Aged 39)

Professor Jing Wang
Non-Executive Director

Professor Wang is currently the chief economist at Minsheng Bank. Professor Wang has had significant international experience including time as an adviser at the World Bank and the Economic Development Institute. He currently serves as a non-executive director at Tianjin Binhai Energy & Development Co., Ltd and Tianjin Marine Shipping Co., Ltd, both of which are listed companies in China. (Aged 59)

Professor Binghua Huang
Chief Technology Officer

Professor Huang has been involved in the solar industry for over ten years. He is a senior engineer at the China Academy of Science and specialises in research on photovoltaic technology and polysilicon manufacturing technologies. He has been involved in research projects in both monocrystalline and polysilicon technology and technological implementation, including acting as the head of a technology team which set up a multicrystalline manufacturing line in Ningbo, the first of its kind in China.

Professor Huang gained a masters degree in metallurgical engineering from Beijing Science & Technology University in 1969 and undertook a four year research programme on the reduction process of silicon materials from McMaster University in Canada in the late 1980s. (Aged 64)

Executive officers

Charles Bai

Dr. Panjian Li

Dr. Ying Tao

Charles Bai

Chief Financial Officer

Mr. Bai has worked for over 15 years within investment banks and multinational companies. Having completed an MBA at IMD in Switzerland, he worked for four years at RBC Dominion Securities in Canada where he was a key team member in bringing a number of Chinese companies to the Toronto Stock Exchange. After moving to Asia he was an associate director at Deutsche Bank in Hong Kong for two years before moving to Ogden Energy Group, Inc. (now Coventa Energy) as Finance Director and Tractebel Energy as Vice-President responsible for corporate and project financing in the Greater China region. For three years until 2006, he was chief financial officer at FEnet Software in Guangzhou. (Aged 45)

Dr. Panjian Li

Vice President of International Business Development

Dr. Li is the current Vice President of International Business Development and CEO of ReneSola America Inc. Dr. Li graduated from China's Zhejiang University gaining a M.Sc. in ceramics in 1986. He then studied at the Institute for Chemical Research of Kyoto University, Japan in 1990 before he moved to the Netherlands where he undertook his doctorate studies obtaining a Ph.D. degree from Leiden University in 1993. He spent two years as postdoctoral fellow at the University of Pennsylvania before he joined Johnson & Johnson in 1996 as a research and development manager. Dr. Li is currently president of the International Society for Bioceramics and has been the recipient of several prestigious industry awards both in the United States and Europe. Dr. Li joined ReneSola America Inc. from Johnson & Johnson on 29 November 2006. (Aged 43)

Dr. Ying Tao

Consultant Adviser

Dr. Tao has extensive knowledge and experience in crystal growth, solidification, chemistry and processing mechanics over the last 20 years. He previously worked for MEMC Electronic Materials, Inc. in the US for nearly a decade as a senior member of technical staff, during which time he and his team invented and implemented a number of innovative processes and methods, including defect elimination in silicon crystal growing, iron reduction in crystalline growing and more accurate resistivity targeting. Dr. Tao graduated with a bachelor's degree in chemistry from University of Science & Technology of China in 1986 and gained a Ph.D. in materials science and engineering from University of Wisconsin-Madison in 1997. Dr. Tao owns three patents in crystalline processing methods and has published ten papers in international publications on bulk crystal growth, flow visualisation, heat transfer and surface energy in crystal growth. (Aged 43)

Directors' report

The Directors present their report and group financial statements of ReneSola for the period ended 31 December 2006.

The Company was incorporated on 17 March 2006 in the British Virgin Islands as ReneSol Ltd and changed its name to Renesola Ltd on 7 April 2006 and to ReneSola Ltd on 19 June 2006.

On 12 and 20 April 2006, the Company entered into equity transfer arrangements with the shareholders of Zhejiang Yu Huan Solar Energy Source Co., Ltd and Ruiyu Solar Energy Technology Co., Ltd to acquire the whole of the issued share capital of Zhejiang Yuhui for aggregate consideration of US$2,878,000 in cash.

The Group financial statements consolidate the financial statements of ReneSola Ltd and its subsidiaries.

Principal activity and review of the business

The principal activity of the Group during the period is the manufacture of solar wafers. The raw materials used in ReneSola's production process are sourced principally through recycling silicon, in the form of different types of part processed and broken wafers, pot scrap, ingot tops and tails and other off-cuts, from the semiconductor industry and increasingly, the PV industry. ReneSola sells solar wafers both to Chinese and international PV cell manufacturers.

The review of the business is contained in the Chairman's Statement and Operating and Financial Review on pages 4 to 13.

Results and dividends

The profit on ordinary activities for the year after taxation was US$25,206,000 (2005: US$1,221,000).

The Directors do not recommend the payment of a dividend for the period to 31 December 2006.

Future developments

An indication of future developments is contained in the Chairman's Statement and the Operating and Financial Review on pages 4 to 13.

Events after the balance sheet date

On 26 March 2007 ReneSola issued RMB 928,700,000 (approximately $120 million) US Dollar settled 1 per cent. convertible bonds due 2012 (the "Convertible Bond Issue") which are convertible into fully paid up new shares in the capital of the Company. Further details of the Convertible Bond Issue are detailed in note 28 to the accounts on page 43 of this report.

Directors and their interests

The Directors who served during the period were as follows:

Professor Binghua Huang (appointed 17 June 2006 as Non Executive Director and 29 November 2006 as Executive Director)

Xian Shou Li (appointed 22 May 2006)

Yun Cai Wu (appointed 22 May 2006)

Professor Jing Wang (appointed 17 June 2006)

Martin Bloom (appointed 24 July 2006 as Non Executive Director and 20 September 2006 as Non Executive Chairman)

Retirement by rotation

Mr. Xian Shou Li is retiring by rotation at the next AGM in accordance with the Company's articles of association and offers himself for re-election at the AGM.

Directors' share interests

The Directors' and their beneficial interests (including family interests) in the shares of the Company during the period were as follows:

	Shares 31 December 2006
Professor Binghua Huang	—
Xian Shou Li[1]	**39,534,019**
Yun Cai Wu[2]	**20,366,010**
Professor Jing Wang	—
Martin Bloom	—
	59,900,029

[1] Xian Shou Li's interest is held through Ruixin Holdings Ltd, a company incorporated and registered in the BVI.

[2] Yun Cai Wu's interest is held through Yuncai Holdings Ltd, a company incorporated and registered in the BVI.

Share capital

The Company's authorised and issued share capital as at 31 December 2006, together with details of shares issued during the year, is set out in note 22 to the financial statements.

Substantial shareholdings

On 21 May 2007, the latest practicable date prior to the publication of this report, the Company's share registrar recorded the following shareholdings of 3% or more of its issued share capital:

	Number of shares	%
Ruixin Holdings Ltd	**39,534,019**	**39.5**
Yuncai Holdings Ltd	**20,366,010**	**20.4**
Diverso Management Limited	**6,604,164**	**6.6**

Research and development

Research and development ("R&D") is a key part of the business and is under the leadership of CTO.

R&D Department has staff of eleven professionals, including one Ph.D., six holding masters degree and four with bachelors degree. There are a number of working groups focusing on recycling technologies, monocrystalline technologies, multicrystalline technologies, slicing technologies, polysilicon technologies and environmental protection technologies, respectively. Each team works under a R&D blueprint which sets out short term, mid-term and long term targets to ensure the Group's technological competitiveness in the long run.

In addition to developing new technologies and technical know-how, the R&D teams work closely with technical application staff to make technologies and know-how practically applicable to production. The technical application department is being established that will be the interface between the technical research and practical applications, under the leadership of the CTO.

Related party transaction

Details of transactions with related parties undertaken by the Group during the year are disclosed in note 24.

Fixed assets

The significant changes in fixed assets during the year are detailed in note 14 to the financial statements and are summarised in the Chairman's report and operating review.

Charitable contributions

During the period under review, the Group made charitable contributions totalling nil (2005: nil).

Policy and practice on payment of creditors and debtors

The Group has a set of restrictive measures to control credit risks in its business. Suppliers are classified into groups based on the creditworthiness and historical performance doing business with the Group. Appropriate payment terms and conditions are tailored for each such group based on risk profile of each supplier. Subsidiaries adopt the similar control measures. The classification is important due to regular prepayments made to suppliers to secure future supplies.

Above measures are reinforced by a set of approval procedures for contract signature and payment authorization to ensure the risks associated with each transaction are kept to a minimum.

Financial instruments

The Group's financial instruments comprise borrowings, cash and short-term deposit and various items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to fund the Group's operations as well as to manage working capital, liquidity and invest surplus funds.

It is, and has been throughout the period under review, the Group's policy not to enter into speculative derivative transactions. Derivative transactions that have been undertaken are plain villa in nature to solely mitigate foreign exchange risks which may arise from the Group's purchase of certain capital equipment from international suppliers. The Group faces few risks pertaining to financial instruments.

INTEREST RATE RISK

The Group finances its operations from the internally generated cash, the original issue of new equity, the issue of convertible bonds and commercial bank loans borrowed from domestic Chinese banks at various terms. Chinese commercial banks offer interest rate lending to both short term lending and mid-long term lending. However, the interest rate may be subject to change when the People's Bank of China, the central bank of China, changes the rates. The rate adjustment from the banks will only take effect in the next calendar year if the term of the borrowing extends beyond the current calendar year. As there is lack of financial instruments available to fix the interest rate for a mid-long term borrowing in China, the Group has early prepayment terms negotiated in its financing agreements with the banks to mitigate interest rate risk.

Surplus cash balances are held in cash and short term deposit products at the banks at fixed rates of interest.

LIQUIDITY RISK

The combined entity has sufficient cash and cash equivalents to meet its operational requirements.

FOREIGN EXCHANGE RISK

The Group's sales and purchases are mainly denominated in RMB or US dollars, depending on the locations of its customers and suppliers. Transactions are denominated in RMB when the contract counterparty is Chinese and a foreign currency is used when the contract counterparty is a foreign entity. The Group has achieved a natural hedge of currency risk through a balance of geographic product sales and raw material purchases, although ReneSola may be exposed to foreign exchange fluctuations.

CREDIT RISK

The credit risk is mitigated by strict internal control measures put in place as outlined **in Policy and practice on payment of creditors and debtors** and constant monitoring of contract performance and credit profile of a counter-party. The management undertakes a regular review of credit profile of a counter-party, implements preventive steps and revises the control measures accordingly. The monitoring is carried out by a designated person in Finance Department.

As none of the customers and raw material suppliers represents more than 20% of the business, the Group has no significant concentration of credit risk.

Statement of directors' responsibilities

BVI Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit and loss of the Group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare financial accounts on the going concern basis unless it is inappropriate to assume the Group will continue to be in business.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure the financial statements comply with the requirements of IFRS. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for maintenance and integrity of the corporate and financial information included on the Company's website.

Statement of disclosure to auditors

(a) So far as the Directors are aware, there is no relevant audit information of which the Group's auditors are unaware, and

(b) They have taken all the steps they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

Auditors

Deloitte Touche Tohmatsu were appointed auditors during the year. In accordance with regulation 21 of the Articles of Association of the Company, a resolution to re-appoint Deloitte Touche Tohmatsu as auditors will be proposed to the members at the Annual General Meeting.

Approved by the Board on 5 June 2007
and signed on its behalf by:

Xian Shou Li
Chief Executive Officer

Corporate governance

The Board of Directors is accountable to shareholders for the good corporate governance of the Group. The Directors acknowledge the importance of the Combined Code, have complied and will continue to comply with all aspects of the Code's requirement so far as is practicable and appropriate given the size and constitution of the Board. In addition, the Group also complies with the principles of the Corporate Governance Guidelines for AIM Companies published by the Quoted Companies Alliance in 2005.

The Company has adopted a model code for dealing in Ordinary Shares by Directors and employees which is appropriate for an AIM quoted company.

The Board and its committees

The composition of the Board is set out on pages 14 and 15. The Board comprises a non-executive Chairman, three executive directors and one non-executive director. The non-executive Chairman and the non-executive director are independent of management and free from any business or other relationship, which could materially interfere with the exercise of their independent judgement. The non-executive Chairman is Mr Martin Bloom.

The Board meets at least quarterly to review not only the current state of the business but also to determine its future strategic direction. The Board has a formal schedule of matters specifically reserved for its decision.

The Audit and Remuneration Committees consist exclusively of non-executive directors under the chairmanship of Martin Bloom and Professor Jing Wang, respectively.

The Audit and Remuneration Committees have formally delegated duties and responsibilities.

The Audit Committee meets as required, receives and reviews reports from management and the Company's auditors relating to the annual accounts and the accounting and internal control systems in use throughout the Group. The Audit Committee have unrestricted access to the Company's auditors. Executives' attendance is required.

The Remuneration Committee meets as required, sets and reviews the scale and structure of the executive directors' and the senior management's remuneration and the terms of their service contracts with due regard to the interests of the shareholders. The remuneration and terms and conditions of appointment of the non-executive directors are set by the remuneration committee. No director or member of the senior management is permitted to participate in discussions or decisions concerning his own remuneration.

Internal control

While the Group does not have an internal audit department at this time, the Group has a plan to set it up in the near future once the appropriate candidate(s) is appointed. In view of the Group's current operations and complexity, the Board does not view this as an issue and will continue to monitor the cost benefits when circumstances arise. The Board has considered the guidance published by the Institute of Chartered Accountants in England and Wales concerning the internal control requirement of the Combined Code and has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Group.

The Board is responsible for the Group's system of internal financial control, which is designed to provide reasonable, but not absolute, assurance against material misstatement or loss. The Group's system of internal control includes, but is not limited to:

- the Board, which now includes two non executive directors, has overall responsibility for the decision making in the Group;
- an annual budget is prepared in advance of the start of the financial year against which the Group's actual performance is monitored by the Directors;
- the Directors have put in place an organisational structure with clearly defined lines of responsibility and delegation of authority;
- the Group's management has a clear responsibility for identifying risks facing the business and for putting in place procedures to mitigate and monitor those risks; and
- there are clearly defined control policies and procedures for all transactions including appropriate authorisation levels.

The Directors have reviewed the effectiveness of the Group's internal control systems for the year ended 31 December 2006.

Steps continue to be taken to embed internal control and risk management further into the operations of the business and to deal with areas of improvement which come to management's and the Board's attention.

The Chairman's Statement and Chief Executive's Statement present a balanced and understandable assessment of the Company's position and prospects.

Relations with shareholders

The Board supports the principal of clear reporting of financial performance to shareholders. Shareholders will receive a full annual report and interim report. The Board regards the Annual General Meeting as an opportunity to communicate directly with investors. Directors will attend the Annual General Meeting and are available to answer questions from shareholders present. The Board actively encourages feedback and shareholder dialogue, whether verbal or written.

Corporate social responsibility and employees

Good corporate citizenship and respect for the communities in which we operate is central to the way in which ReneSola does business. We believe that this philosophy is good for our business and our profits by contributing to the development of a positive culture and increasing internal morale. Responsibility for demonstrating such values rests with divisional management and the human resources department.

ReneSola employs over 2,000 people principally at our headquarters in the PRC, but increasingly around the world. Attracting, recruiting, retaining and motivating a highly skilled and diverse pool of talent is one of ReneSola's highest priorities. The Group recognises that its people are fundamental to its success and goes beyond normal working practices to ensure that ReneSola has a loyal and dedicated workforce. The Group aims to attract and retain experienced and knowledgeable individuals by helping them to realise their potential through dedicated training schemes and various incentive plans.

The Group works to ensure compliance with health and safety legislation in force in its areas of operation and strives to create an environment for its employees which minimises any exposure to short or long term health problems, promoting a culture in which all employees contribute to the implementation of its Health and Safety policy. ReneSola has maintained a health and accident insurance plan for each of its employees and has a minimum employment age of 16. The average salary of its employees is more than 20% higher than those of other local companies.

ReneSola's corporate values encourage personal commitment to the Group's strategic goals and provide the means by which ReneSola seeks to achieve its stated aims.

Going concern

After making enquiries, the Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future. Consequently, they have continued to adopt the going concern basis in preparing the financial statements.

The Remuneration Committee (the "Committee"), comprising Martin Bloom and Professor Wang Jing with Professor Wang Jing as Chairman, meets as required during the year. Executive directors may also be invited to attend meetings but may not vote and are not involved in any matter relating to themselves.

Remuneration policy

The policy of the Committee is to ensure that the remuneration packages offered to the executive directors are competitive and designed to attract, retain and motivate executive directors and senior executives of a high calibre. These packages are reviewed as required and independent advice is taken when appropriate. They are structured to include both short and longer term incentives. None of the Committee has any personal financial interest, conflicts of interest or day-to-day involvement in running the business. No director plays a part in deciding their own remuneration.

The remuneration of the non-executive directors is determined by the Committee. The non-executive directors do not participate in the bonus scheme, nor do they receive any other benefits.

There are four main elements of the remuneration package for executive directors:

- basic salary;
- bonuses;
- pensions;
- other benefits.

BASIC SALARY

The basic salaries of the executive directors are determined after a review of the performance of the individual. It is the aim of the Committee to reward directors competitively and commensurate with their responsibilities and experience.

BONUSES

The basis of bonus payments is at the discretion of the Committee and are based on financial performance targets. The bonuses are paid annually in arrears.

PENSIONS

The Group contributes a pre-set percentage of pensionable earnings to defined contribution schemes for the current executive directors.

OTHER BENEFITS

The executive directors share a car in the Group's pool and are entitled to a housing allowance in line with market practice.

Service contracts

(a) Directors' service agreements and letters of appointment:

On 22 May 2006, each of the Company's executive directors entered into a service contract with the Company for an initial term of three years. The appointments are terminable by six months' notice on either side.

On 17 June 2006, Professor Huang and Professor Wang Jing each entered into a letter of appointment with the Company for an initial term of three years. The appointments are terminable by three months' notice on either side. The appointment of Professor Huang was revised on 29 November 2006 when Professor Huang ceased to act as non-executive chairman and became an executive director. The notice period of his appointment was accordingly changed to be conterminous with that of the other executive directors' being six months' notice on either side.

On 24 July 2006, Mr. Bloom entered into a letter of appointment with the Company as a non-executive director for an initial term of three years. The appointment is terminable by three months' notice on either side. On 20 September 2006, Mr. Bloom was elected as non-executive Chairman.

(b) Save as set out above there are no contracts providing for benefits upon termination of the employment of any Director.

On behalf of the board of directors
and signed on its behalf

Xian Shou Li
Chief Executive Officer

5 June 2007

Independent auditor's report

To the shareholders of ReneSola Ltd.

(incorporated in the British Virgin Islands with limited liability)

We have audited the accompanying consolidated financial statements of ReneSola Ltd. ("the Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheet as at 31 December 2006, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and the fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contracts of this report. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial positions of the Group as at 31 December 2006 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte Touche Tohmatsu CPA Ltd.

Shanghai, China

5 June 2007

Consolidated income statement

for the year ended 31 December 2006

	Notes	2006 US$'000	2005 US$'000
Revenue	6	**87,561**	8,422
Cost of sales		**(62,733)**	(7,039)
Gross profit		**24,828**	1,383
Other income		**189**	—
Selling and distribution expenses		**(350)**	(110)
Administrative expenses		**(1,968)**	(381)
Other expenses		**(20)**	(243)
Investment income	9	**312**	—
Finance costs	10	**(464)**	(28)
Profit before tax		**22,527**	621
Taxation	11	**2,679**	600
Profit for the year	12	**25,206**	1,221

		US$	US$
Basic earnings per share	13	**0.32**	0.04

Consolidated balance sheet

as at 31 December 2006

	Notes	2006 US$'000	2005 US$'000
Non-current assets			
Property, plant and equipment	14	**19,200**	2,480
Deposits for acquisition of property, plant and equipment		**15,810**	—
Prepaid lease payments	15	**4,187**	179
Deferred tax assets	17	**3,359**	603
		42,556	3,262
Current assets			
Inventories	18	**44,849**	2,967
Trade and other receivables	19	**34,202**	3,295
Prepaid lease payments	15	**108**	5
Cash and cash equivalents	19	**9,862**	404
		89,021	6,671
TOTAL ASSETS		**131,577**	9,933
Current liabilities			
Trade and other payables	20	**41,909**	6,437
Bank loans	21	**14,675**	712
		56,584	7,149
Net current assets (liabilities)		**32,437**	(478)
Total liabilities		**56,584**	7,149
NET ASSETS		**74,993**	2,784
EQUITY			
Share capital/paid-in capital	22	**—**	457
Reserves	23	**74,993**	2,327
TOTAL EQUITY		**74,993**	2,784

The financial statements were approved by the board of directors and authorised for issue on 5 June 2007.

They were signed on its behalf by:

Xian Shou Li

Yun Cai Wu

Directors

Consolidated statement of changes in equity

for the year ended 31 December 2006

	Share capital/ paid-in capital US$'000	Share premium US$'000	Retained earnings US$'000	Statutory surplus reserve US$'000	Translation reserve US$'000	Special reserve US$'000	Contribution reserve US$'000	**Total US$'000**
Balance as at 1 January 2005	457	—	26	6	—	—	—	**489**
Profit for the year	—	—	1,221	—	—	—	—	**1,221**
Exchange differences on translation from functional to presentation currency recognised directly in equity	—	—	—	—	31	—	—	**31**
Total recognised income for the year	—	—	1,221	—	31	—	—	**1,252**
Capital injection	1,043	—	—	—	—	—	—	**1,043**
Transfer	—	—	(57)	57	—	—	—	**—**
Balance as at 1 January 2006	1,500	—	1,190	63	31	—	—	**2,784**
Profit for the year	—	—	25,206	—	—	—	—	**25,206**
Exchange differences on translation from functional to presentation currency recognised directly in equity	—	—	—	—	1,218	—	—	**1,218**
Total recognised income for the year	—	—	25,206	—	1,218	—	—	**26,424**
Placing of shares issued during the year	—	50,000	—	—	—	—	—	**50,000**
Share issue costs	—	(13,684)	—	—	—	—	—	**(13,684)**
Transfer	—	—	(152)	152	—	—	—	**—**
Arising on group reorganization in 2006	(1,500)	—	—	—	—	(1,378)	—	**(2,878)**
Contribution from shareholders	—	—	—	—	—	—	12,347	**12,347**
Balance as at 31 December 2006	—	36,316	26,244	215	1,249	(1,378)	12,347	**74,993**

Consolidated cash flow statement

for the year ended 31 December 2006

	2006 *US$'000*	2005 *US$'000*
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**22,527**	621
Adjustments for:		
Investment income	**(312)**	—
Finance cost	**464**	28
Depreciation of property, plant and equipment	**740**	44
Release of prepaid lease payment	**31**	—
Loss on disposal of property, plant and equipment	**—**	245
Allowances for doubtful debts	**7**	131
Expense recognised in profit or loss respect of equity-settle share base payment	**264**	—
Operating cash flows before movements in working capital	**23,721**	1,069
Increase in inventories	**(40,859)**	(2,966)
Increase in trade and other receivables	**(31,319)**	(3,206)
Increase in trade and other payables	**35,254**	5,948
Cash (used in) generated by operations	**(13,203)**	845
Interest paid	**(464)**	(28)
Net cash (used in) generated by operating activities	**(13,667)**	817
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**312**	—
Proceeds on disposal of property, plant and equipment	**—**	3
Acquisition of property, plant and equipment	**(14,789)**	(1,975)
Deposits for acquisition of property, plant and equipment	**(15,810)**	—
Prepaid lease payment made	**(4,140)**	—
Payment to a shareholder for transfer of a subsidiary	**(2,878)**	—
Net cash used in investing activities	**(37,305)**	(1,972)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from share issue/capital injection	**50,000**	1,043
Share issue costs	**(3,734)**	—
Short-term bank borrowings raised	**27,880**	458
Repayment of bank loans	**(13,941)**	—
Net cash from financing activities	**60,205**	1,501
NET INCREASE IN CASH AND CASH EQUIVALENTS	**9,233**	346
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**404**	40
Effect of foreign exchange rate changes	**225**	18
CASH AND CASH EQUIVALENTS AT END OF YEAR	**9,862**	404

Notes to the consolidated financial statements

for the year ended 31 December 2006

NOTE 1 GENERAL INFORMATION

ReneSola Ltd. ("the Company", formerly known as Renesol Ltd.) is a company incorporated in the British Virgin Islands. The operations and principal activities of the Company and its subsidiaries (the "Group") are manufacturing of solar wafers and related products in the People's Republic of China ("PRC"), which are integrated into photovoltaic cells, the principal component of crystalline solar panels.

The consolidated financial statements are presented in US Dollars (US$) because this presentation is more useful for its users and potential investors although the Renminbi (RMB) is functional currency of the Company.

At the date of authorisation of the consolidated financial statements, the following standards, amendments and interpretations which have not been applied in these consolidated financial statements were in issue but not yet effective:

IAS 1 (Amendment)	Capital Disclosure[1]
IAS 23 (Amendment)	Borrowing Cost[2]
IFRS 7	Financial Instruments: Disclosures[1]
IFRS 8	Operating Segments[2]
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies[3]
IFRIC 8	Scope of IFRS 2[4]
IFRIC 9	Reassessment of Embedded Derivatives[5]
IFRIC 10	Interim Reporting and Impairments[6]
IFRIC 11	IFRS 2: Group and Treasury Share Transactions[7]
IFRIC 12	Service Concession Arrangements[8]

[1] *Effective for annual periods beginning on or after 1 January 2007.*
[2] *Effective for annual periods beginning on or after 1 January 2009.*
[3] *Effective for annual periods beginning on or after 1 March 2006.*
[4] *Effective for annual periods beginning on or after 1 May 2006.*
[5] *Effective for annual periods beginning on or after 1 June 2006.*
[6] *Effective for annual periods beginning on or after 1 November 2006.*
[7] *Effective for annual periods beginning on or after 1 March 2007.*
[8] *Effective for annual periods beginning on or after 1 January 2008.*

The directors anticipate that the adoption of these standards, amendments and interpretations in future periods will have no material impact on the result and financial statement position of the Group.

NOTE 2 BASIS OF PREPARATION

On 20 April 2006, Mr. Xian Shou Li, who controlled both the Company and Zhejiang Yuhui Solar Energy Source Co., Ltd. ("Zhejiang Yuhui"), implemented a group reorganisation ("Group Reorganisation"). Mr Xian Shou Li has transferred his interest in Zhejiang Yuhui to the Company at cash consideration of US$ 2,878,000.

The Group has accounted for the transfer of Zhejiang Yuhui, in accordance with the principles of merger accounting. The consolidated financial statements of the Group for the years ended 31 December 2005 and 2006 have been prepared as if the transfer of Zhejiang Yuhui had been in existence throughout the years ended 31 December 2005 and 2006.

Notes to the consolidated financial statements

Continued

NOTE **3** SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

The consolidated financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries consolidated during the year are included in the consolidated income statement from the effective date of acquisition.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Merger accounting for business combination involving entities under common control

Business combinations under common control are accounted for merger accounting. In applying merger accounting, financial statement items of the combining entities or businesses for the reporting period in which the common control combining occurs, and for any comparative periods disclosed are included in the consolidated financial statements of the combined entity as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party or parties. The combined entity recognises the assets, liabilities and equity of the combining entities or business at the carrying amounts in the consolidated financial statements of the controlling party or parties prior to the common control combinations.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and other sales related tax.

Sales of goods are recognised when goods are delivered and title has passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, leasehold land which title is not expected to pass to the lessee by the end of the lease term is classified as an operating lease unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is classified as a finance lease.

Foreign currencies

For the purpose of the consolidated financial statements, the results and financial position of Group is expressed in US$, which is the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group which are dominated in the functional currency of the respective group companies other than the presentation currency of the Group are translated into the presentation currency of the Group (i.e. US$) at the date of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

The Group adopts defined contribution retirement benefit schemes. Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme. Pursuant to the relevant regulations of PRC government, for the subsidiary established in the PRC included in the consolidated financial information has participated in central pension schemes (the "Schemes") operated by local municipal governments, whereby the subsidiary established by PRC is required to contribute a certain percentage of the basic salaries of their employees to the Schemes to fund their retirement benefits. The local municipal governments undertake to assume the retirement benefits obligations of all existing and future retired employees of the subsidiary in PRC. The only obligation of the subsidiary established in PRC with respect to the Schemes is to pay the ongoing required contributions under the Schemes mentioned above.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Share-based payment transaction

Shares granted to employees of the Group

The fair value of services received determined by reference to the fair value of shares granted at the granted dated is expensed on a straight-line basis over the vesting period.

At each balance sheet date, the Group revises its estimates of the number of the granted shares that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss over the remaining vesting period.

Shares granted to advisers of the Group

The fair value of the services received is measured at the date the adviser renders services. Unless the fair value of the services rendered cannot be reliably measured, the Group shall measure the services received by reference to the fair value of shares granted at the grant date.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current

Notes to the consolidated financial statements

Continued

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES *Continued*

tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on difference between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of raw materials comprises all costs of purchase and related costs which have been incurred in bringing the inventories to their present location and condition. Cost of finished goods comprise direct materials and, where applicable, direct labour costs and overheads.

Cost is calculated using first-in first-out method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables include trade and other receivables and bank balances. At each balance sheet date subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liability and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity investments are set out below.

Financial liabilities

Financial liabilities include trade and other payables and bank loans and are initially measured at fair value and are subsequently measured at amortised cost using effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Equity instruments

Equity instruments issued by Company are recorded at the proceeds received, net of direct issue costs.

Notes to the consolidated financial statements

Continued

NOTE 4 KEY SOURCES OF ESTIMATION UNCERTAINTY

Recognition of deferred tax assets

As at 31 December 2006, a deferred tax asset of US$3,319,000 in relation to unused tax credit has been recognised in the Group's balance sheet. In accordance with PRC tax jurisdiction, the Group was given credits against the income tax payable based on amounts of capital expenditure on domestic made machinery.

The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in the consolidated income statement for the period in which such a reversal takes place.

NOTE 5 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Credit risk

The Group's principal financial assets are bank balances and cash, trade and other receivables.

The credit risk on liquid funds is limited because the counterparties are approved banks and financial institutions in the PRC.

The Group has no significant concentration of credit risk as the Group has the policies to require customers to pay in advance prior to sales.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The Group closely monitors its cash position from its operation and the directors consider that the Group has sufficient liquid assets generated from its operations and sufficient available undrawn long term and short term borrowing facilities to enable the Group to meet in full its financial obligations as they fall due for the foreseeable futures.

Market risk

(i) Currency risk

A subsidiary has foreign currency sales and purchases, which exposes the Group to foreign currency risk. Certain bank balances, debtors, creditors and borrowings of the Group are denominated in foreign currencies as disclosed in the respective notes. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exposure and will consider hedging significant foreign currency exposure should the need arise.

(ii) Interest rate risk

The Group's interest rate risk primarily relates to bank balances and fixed rate bank borrowings. Bank balances are mainly short-term nature. Therefore, any future variations in interest rates will not have a significant impact on the results of the Group.

NOTE 6 REVENUE

An analysis of the Group's revenue is as follows:

	2006 *US$'000*	2005 *US$'000*
Sales of goods	**87,561**	8,422

NOTE 7 GEOGRAPHICAL AND BUSINESS SEGMENTS

There is no business segment or geographical segment analysis presented, as over 90% of revenue is from wafers business in the PRC and over 90% of the Group's operation and identifiable assets are located in the PRC.

NOTE 8 STAFF COSTS

The average monthly number of employees, including executive directors, was:

	2006	2005
Employees	**715**	305
Executive directors	**5**	5
Total	**720**	310

Their aggregate remuneration comprised:

	US$'000	*US$'000*
Wages and salaries	**2,877**	221
Defined contribution benefit	**188**	1
Other social security costs	**80**	11
Equity settled share-based payment	**264**	—
	3,409	233

NOTE 9 INVESTMENT REVENUE

Interest on bank deposits	**312**	—

NOTE 10 FINANCE COSTS

Interest on bank loans	**464**	28

Notes to the consolidated financial statements

Continued

NOTE **11** TAXATION

	2006 US$'000	2005 US$'000
Deferred tax (note 17)	**2,679**	600

Taxation for jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Staff costs

The charge for the year can be reconciled to the profit per consolidated income statement as follows:

	2006		2005	
	US$'000	**%**	*US$'000*	%
Profit before tax	**22,527**		621	
Tax at the PRC corporation tax rate of 24% (2005: 24%)	**5,406**	**24**	149	24
Tax effect of expenses that are not deductible in determining taxable profit	**30**	**—**	208	33
Effect of tax exemption	**(5,475)**	**(24)**	(357)	(57)
Unused tax credit	**(2,640)**	**(12)**	(600)	(97)
Tax credit for the year	**(2,679)**	**(12)**	(600)	(97)

NOTE **12** PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging/(crediting):

	2006 US$'000	2005 US$'000
Government grants	**(132)**	—
Net foreign exchange losses	**93**	2
Research and development cost	**39**	—
Depreciation of property, plant and equipment	**740**	44
Release of prepaid lease payment	**31**	—
Allowance for doubtful debts on trade and other receivables	**7**	131
Loss on disposals of property, plant and equipment	**—**	243
Cost of inventories recognised as an expense	**62,733**	6,682
Write-downs of inventories	**—**	357
Listing expenses	**389**	—
Auditors' remuneration	**201**	3

NOTE 13 EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the following data:

	2006 US$'000	2005 US$'000
Earnings for the purposes of basic earnings per share being profit attributable to equity holders of the parent	**25,206**	1,221
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**79,928,348**	32,650,333

The calculation of basic earnings per share for the year ended 31 December 2005 is assumed that the sub-division mentioned in note 22 had been completed on 1 January 2005.

NOTE 14 PROPERTY, PLANT AND EQUIPMENT

	Buildings US$'000	Machinery US$'000	Motor vehicles US$'000	Office equipment US$'000	Construction in progress US$'000	**Total US$'000**
Cost						
At 1 January 2005	—	—	31	1	440	**472**
Additions	105	1,763	20	26	382	**2,296**
Transfers	589	231	—	—	(820)	**—**
Disposals	—	(238)	(32)	(1)	—	**(271)**
Net exchange differences	3	—	1	—	11	**15**
At 1 January 2006	697	1,756	20	26	13	**2,512**
Additions	1,616	14,206	211	404	933	**17,370**
Transfers	948	—	—	—	(948)	**—**
Net exchange differences	27	57	—	2	2	**88**
At 31 December 2006	3,288	16,019	231	432	—	**19,970**
Accumulated depreciation						
At 1 January 2005	—	—	9	—	—	**9**
Charge for the year	9	28	6	1	—	**44**
Disposals	—	(8)	(15)	—	—	**(23)**
Net exchange differences	—	—	1	1	—	**2**
At 1 January 2006	9	20	1	2	—	**32**
Charge for the year	38	651	17	34	—	**740**
Net exchange differences	—	(2)	—	—	—	**(2)**
At 31 December 2006	47	669	18	36	—	**770**
Carrying value						
At 31 December 2006	3,241	15,350	213	396	—	**19,200**
At 31 December 2005	688	1,736	19	24	13	**2,480**

Notes to the consolidated financial statements

Continued

NOTE **14** PROPERTY, PLANT AND EQUIPMENT *Continued*

The Group has pledged building and machinery with a carrying amount of approximately US$11,614,000 (2005: US$2,212,000) to secure the Group's bank loans. The pledge contract cannot be cancelled until the bank loans are repaid. In addition, these pledged assets cannot be disposed of without relevant banks' written agreement.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method, on the following rate:

Buildings	2.5%
Machinery	10%
Motor vehicles	20%
Office equipment	20%

NOTE **15** PREPAID LEASE PAYMENTS

Within the carrying amount at 31 December 2006, US$4,187,000 (2005: US$179,000) to be amortised over one year is shown as non-current assets, US$108,000 (2005: RMB5,000) to be amortised within one year is shown as current assets.

The Group has pledged prepaid lease payments with a carrying amount of approximately US$2,422,000 (2005: US$184,000) to secure the Group's bank loans. The pledge contract cannot be cancelled until the bank loans are repaid. In addition, these pledged assets cannot be disposed of without relevant banks' written agreement.

Prepaid operating lease rental is released to consolidated income statement on a straight-line basis over the relevant lease period, which is 40 years.

NOTE **16** SUBSIDIARIES

Details of the Company's subsidiaries at 31 December 2006 are as follows:

Name	Place of registration and operation	Proportion of ownership interest %	Proportion of voting power held %	Principal activities
Zhejiang Yuhui	PRC	100	100	Manufacturing of solar wafers and related products
ReneSola America Inc.	US	100	100	Inactive

NOTE **17** DEFERRED TAX

The following are the major deferred tax liabilities and assets recognized by the Group and movements thereon during the current and prior reporting period.

	Accelerated accounting depreciation *US$'000*	Pre-operating expense *US$'000*	Unused tax credit *US$'000*	Tax losses *US$'000*	**Total** ***US$'000***
At 1 January 2005	—	—	—	—	**—**
Charge to income	—	—	600	—	**600**
Net exchange differences	—	—	3	—	**3**
At 1 January 2006	—	—	603	—	**603**
Charge to income	17	15	2,640	7	**2,679**
Net exchange differences	—	1	76	—	**77**
At 31 December 2006	17	16	3,319	7	**3,359**

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2006 ***US$'000***	2005 *US$'000*
Deferred tax assets	**3,359**	603

At the balance sheet date, the Group has unused tax losses of US$28,000 (2005: Nil) available for offset against future profit. A deferred tax asset has been recognized in respect of US$7,000 of such losses. The tax losses will expire in 5 years.

NOTE **18** INVENTORIES

	2006 ***US$'000***	2005 *US$'000*
Raw material	**34,244**	1,927
Work-in-progress	**9,945**	453
Finished goods	**660**	587
	44,849	2,967

The Group has pledged inventory with a carrying amount of approximately US$14,729,000 (2005: Nil) to secure the Group's bank loans.

Notes to the consolidated financial statements

Continued

NOTE **19** OTHER ASSETS

Trade and other receivables

	2006 *US$'000*	2005 *US$'000*
Trade debtors	**693**	280
Value added tax - input	**5,017**	611
Subsidy receivables of refunded value added tax	**1,649**	257
Deposits for purchase of raw materials	**24,416**	1,273
Amounts due from related parties (note 24)	**2,160**	722
Other debtors	**267**	152
	34,202	3,295

The average credit period on product sales is 2 days (2005: 6 days). No interest is charged on the receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance has been made for trade receivable of US$3,000 (2005: US$10,000). This allowance has been determined by reference to future discounted cash flow.

The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

Cash and cash equivalent comprise cash held by the Group and short-term bank deposits carry interest rate of 0.72% with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

NOTE **20** OTHER LIABILITIES

Trade payables	**5,562**	1,532
Other payables	**605**	81
Unsettled staff payroll and welfare payables	**683**	89
Advance from customer for future sales	**34,453**	4,430
Amounts due to related parties (note 24)	**606**	305
	41,909	6,437

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing basis costs. The average credit period for trade purchases is 12 days. The directors consider that the carrying amount of trade and other payables.

NOTE 21 BANK LOANS

	2006 US$'000	2005 US$'000
Bank loans	**14,675**	712

The borrowings are repayable within one year.

Analysis of borrowings denominated in foreign currency other than the functional currency of the group companies:

Bank loans	**4,455**	—

The average interest rates paid were as follows:

Bank loans	**5.862%**	7.308%

All bank loans are arranged at fixed interest rates and expose the Group to fair value interest rate risk.

The directors consider that the carrying amount of bank loans approximates to their fair value.

NOTE 22 SHARE CAPITAL

During the year, the following changes in share capital of the Company took place:

Ordinary shares of no par value

	Note	*Authorized shares*	*Issued and fully shares*
Incorporation of the Company	(1)	50,000	10,000
Creation of additional authorised shares	(2)	124,950,000	—
Shares before sub-division		125,000,000	10,000
Sub-division	(2)	125,000,000	66,666,699
Placing shares issued	(3)	—	33,333,333
		125,000,000	100,000,032

Notes:

(1) On 17 March 2006 the Company was incorporated with 50,000 authorized shares of no par value and issued 10,000 shares for cash.

(2) On 24 July 2006, the authorized shares capital was increased to 125,000,000 by the creation of an additional 124,950,000 shares of no par value and then each issued share was sub-dividend into 6,666.699 shares of no par value.

(3) ReneSola Ltd. issued placing shares of 33,333,333 shares at US$1.50 per share to raise US$50,000,000 before expenses.

The balances as of 1 January 2005 and 31 December 2005 represent the paid-in capital of Zhejiang Yuhui.

Notes to the consolidated financial statements

Continued

NOTE 23 RESERVES

Reserve fund

In accordance with the PRC Company Law and the Zhejiang Yuhui's Articles of Association, allocation to a reserve fund is decided by the shareholders in board meeting.

The appropriation to reserve fund may cease to apply if the balance of the reserve has reached an amount equal to 50% of the Zhejiang Yuhui's registered capital. Reserve fund can be used to offset prior years' accumulated losses, to expand Zhejiang Yuhui's operations or for conversion into share capital. Zhejiang Yuhui may, upon the approval by a resolution at the board meeting, convert its reserve fund into share capital and issue new shares to existing shareholders in proportion to their original shareholdings or increase the nominal value of each share. When converting Zhejiang Yuhui's reserve fund into share capital, the amount of such reserve remaining unconverted must not be less than 25% of the registered capital.

Special reserve

The special reserve of the Group represents the difference between the nominal amount of the shares issued by the Company, the aggregate amount of paid-in capital of the acquired subsidiary, Zhejiang Yuhui and the consideration of US$2,878,000 paid for the acquisition of Zhejiang Yuhui.

Contribution reserve

The contribution reserve of the Group represents the contribution received from shareholders. For the detail of the contents please refer to note 24(a).

NOTE 24 RELATED PARTY TRANSACTIONS

The nature of the Group's relationship with related parties is set out below:

Name	Relationship with the Group
Qian Chen Lin	Former director (ceased from January 2006)
Li Xian Shou	Director, substantial shareholder of the company
Wu Yun Cai	Director
Lian Zheng Ming	Director
Yu Huan County Solar Energy Co., Ltd.	Entity under common control
Zhejiang Yu Huan Solar Energy Co., Ltd.	Entity under common control
Newi Solar GMBH	Former investor of Zhejiang Yuhui (ceased from May 2006)
Diverso Management Limited.	Shareholder

NOTE 24 RELATED PARTY TRANSACTIONS *Continued*

(a) Related party transactions and balances

Transactions and balances between the Group and its related parties are as follows:

Amounts due to/from related parties:

	Amounts due from related parties		Amounts due to related parties	
	2006 US$'000	2005 US$'000	**2006 US$'000**	2005 US$'000
Lian Zheng Ming	**—**	11	**—**	17
Li Xian Shou	**—**	39	**—**	37
Wu Yun Cai	**—**	4	**—**	—
Zhejiang Yu Huan Solar Energy Co., Ltd.	**2,133**	667	**606**	—
Yu Huan County Solar Energy Co., Ltd.	**27**	—	**—**	138
Qian Chen Lin	**—**	—	**—**	113
Newi Solar GMBH	**—**	1	**—**	—
	2,160	722	**606**	305

The amounts due from/to related companies are interest-free, unsecured and repayable on demand.

Transactions

	Sales of goods		Sales of fixed assets		Purchase of fixed assets		Prepaid lease payment made	
	2006 US$'000	2005 US$'000	**2006 US$'000**	2005 US$'000	**2006 US$'000**	2005 US$'000	**2006 US$'000**	2005 US$'000
Zhejiang Yu Huan Solar Energy Co., Ltd.	**—**	—	**—**	288	**1,296**	—	**335**	—
Yu Huan Country Solar Energy Solar Energy Co., Ltd.	**—**	65	**—**	—	**—**	—	**—**	—
Newi Solar GMBH	**825**	969	**—**	—	**—**	—	**—**	—
	825	1,034	**—**	288	**1,296**	—	**335**	—

Contribution from shareholders

	2006 US$'000	2005 US$'000
Equity settled share-based payment paid to employees (note 26)	**264**	—
Equity settled share-based payment paid to adviser (note 26)	**9,950**	—
Contribution from a shareholder	**2,133**	—
	12,347	—

(b) Remuneration of key management personnel

The remuneration of the directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*.

Short-term employee benefits	**374**	16
Post-employment benefits	**1**	—
Equity settled share-based payment	**264**	—
	639	16

Notes to the consolidated financial statements

Continued

NOTE **25** SIGNIFICANT NON-CASH TRANSACTIONS

During the year ended 31 December 2006, the Group has following non cash transactions:

1) share-based payment for advisory services of US$9,950,000, details of which are referred to in note 26; and
2) contribution from a shareholder of US$2,133,000 being included in other receivables.

NOTE **26** SHARE BASED PAYMENT TRANSACTIONS

(a) Employees

On 2 August 2006, an agreement was signed between the shareholders of the Company and Bai Xiao Shu ("Mr. Bai"), the chief financial officer of the Group. Pursuant to the relevant terms, the shareholders of the Company transferred their 333,333 shares of the Company ("Transferred Shares") to Mr. Bai at nil consideration. These Transferred Shares were divided into three batches. Upon the agreement date, one third of the Transferred Shares, i.e. 111,111 shares have been transferred to Mr. Bai. The remaining two thirds of the Transferred Shares will be equally transferred to the employee on the first anniversary of the listing date and on 20 May 2008 respectively ("Vesting Dates"). If Mr. Bai resigns or terminates the employment before the Vesting Dates, he will not be entitled to the remaining Transferred Shares which are not transferred to him. The estimated fair trade value of the Transferred Shares was US$1.50 per share which was based on the market price on the grant date.

On 29 November 2006, the Company entered into an employee agreement with Pan Jian Li ("Mr. Li"), the chief executive officer of ReneSola America Inc., a subsidiary of the Company. Mr. Li is entitled to 40,000 shares of the Company each year during the employment period of 5 years started from January 2008.

On 29 November 2006, the Company entered into another employee agreement with Bin Hua Huang ("Mr. Bin"), the chief technology officer of the Company. Mr. Bin is entitled to 20,000 shares of the Company each year during the employment period of 3 years started from January 2008.

If Mr. Li and Mr. Bin resign during their respective employment periods, they will not be entitled to any Company's shares thereafter. The cost of shares is measured at the market price of GBP2.29 on the grant date of 29 November 2006.

During the year ended 31 December 2006, the Group has recognised equity settled share-based payments of US$264,000 in the consolidated income statement.

(b) Adviser

On 27 February 2006, an agreement was signed between Zhejiang Yuhui and Diverso Management Limited. Diverso Management Limited provided extensive services including mobilization of investors' interest, assistance for the preparing of documents which are for the purpose of fund raising in Alternative Investment Market (AIM). Pursuant to relevant terms, Diverso Management Limited shall be entitled to get 10 per cent of the financing amount raised through the services with an option to convert into shares of the Company.

During the year ended 31 December 2006, the Group has recognised equity settled share-based payments to an adviser of US$9,950,000 with a corresponding increase in contributions from shareholders since the shareholders have transferred their shares to the adviser.

NOTE 27 CAPITAL COMMITMENT

	2006 *US$'000*	2005 *US$'000*
Commitments for the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**29,604**	40

NOTE 28 SUBSEQUENT EVENT

The Company issued Renminbi-denominated, US dollar-settled 1% convertible bonds due 2012 (the 'Convertible Bonds') which are convertible into fully paid-up new shares (the 'New Shares') in the capital of the Company (the 'Offering') on March 26, 2007.

The Convertible Bonds are issued at par and are convertible into New Shares at a price of £5.88 per share ('Conversion Price'), subject to adjustment for specified dilutive events. The Convertible Bonds will not be admitted to trading on AIM or any other stock exchange.

The Convertible Bonds may be converted into New Shares at the option of the holder at any time on and after 10 April 2007 up to the close of business on 11 March 2012. The Convertible Bonds will accrue interest at 1.00 per cent. per annum, payable on a semi-annual basis. The Company has the option to redeem all the Convertible Bonds at an early redemption amount with accrued interest (1) at any time, if less than 10 per cent. of the Convertible Bonds originally issued in the Offering remain outstanding, (2) at any time after the second anniversary, if the closing price of the Company's shares was at least 130 per cent. of the early redemption amount divided by the conversion ratio, or (3) at any time upon certain changes relating to applicable taxation law.

Holders of the Convertible Bonds have the option to require the Company to redeem all or some of their Convertible Bonds at a certain redemption amount plus accrued interest on the third anniversary. Holders of the Convertible Bonds also have the option to require the Company to redeem all or some only of their Convertible Bonds at the early redemption amount plus accrued interest upon the occurrence of a change of control or a delisting of the Company's shares.

The number of New Shares to be allotted and issued by the Company on full conversion of the Convertible Bonds is approximately 10,485,683 based on the Conversion Price, which represents approximately 9.49 per cent. of the current issued shares of the Company following the Offering. The Company has undertaken to make a block listing application to AIM in respect of the 10,485,683 New Shares which may be issued and allotted following conversion of the Convertible Bonds.

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