

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM F-1  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

**RENESOLA LTD**

(Exact name of Registrant as specified in its charter)

Not Applicable

(Translation of Registrant's name into English)

3674

(Primary Standard Industrial  
Classification Code Number)

No. 8 Baoqun Road, YaoZhuang  
Jiashan, Zhejiang 314117  
People's Republic of China  
(86-573) 8477-3058

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

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

Not Applicable  
(I.R.S. Employer  
Identification Number)

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

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

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

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

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

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Proposed maximum aggregate offering price <sup>(1)</sup>	Amount of registration fee
Shares of no par value <sup>(2)(3)</sup>	\$ 200,000,000	\$ 7,860

(1) Estimated solely for the purpose of determining the amount of registration fee in accordance with Rule 457(o) under the Securities Act of 1933.

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

(3) American depositary shares issuable upon deposit of the shares registered hereby will be registered under a separate registration statement on Form F-6 (Registration No.333- ). Each American depositary share represents two shares.

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

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

SUBJECT TO COMPLETION, DATED \_\_\_\_\_, 2008

PROSPECTUS

American Depositary Shares



**ReneSola Ltd**  
Representing Shares

We are selling \_\_\_\_\_ American depositary shares, or ADSs, and the selling shareholders named in this prospectus are selling \_\_\_\_\_ ADSs. Each ADS represents \_\_\_\_\_ shares of no par value. We will not receive any proceeds from the sale of ADSs by the selling shareholders. We and certain of the selling shareholders have granted the underwriters an option to purchase up to \_\_\_\_\_ ADSs to cover over-allotments.

Prior to this offering, there has been no public market for our ADSs. Our shares are currently traded on the Alternative Investment Market of the London Stock Exchange, or AIM. The closing price of our shares on AIM on January 8, 2008 was £4.45, which was equivalent to approximately \$17.56 per ADS based on the federal reserve noon buying rate of £1.00 to \$1.9731 in effect on that date. The initial public offering price of the ADSs being sold in this offering will be determined by reference to the closing price of our shares on AIM on the pricing date after taking into account prevailing market conditions and other factors, and will not be greater than 5% above the closing price, nor less than 10% below the closing price, of our shares on AIM on the pricing date, adjusting to account for the ratio of two shares per ADS.

We have applied to list the ADSs on the New York Stock Exchange under the symbol "SOL."

Investing in the ADSs involves risks. See "[Risk Factors](#)" beginning on page 10.

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

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

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

**Credit Suisse**

**Piper Jaffray**

**CIBC World Markets**

**Deutsche Bank Securities**

**Lazard Capital Markets**

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



**ReneSola**  
Inspired by the Sun



A leading Chinese manufacturer of solar wafers

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

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

## PROSPECTUS SUMMARY

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

### Overview

We are a leading Chinese manufacturer of solar wafers, which are thin sheets of crystalline silicon material primarily used in the production of solar cells. Our customers include some of the leading global manufacturers of solar cells and modules, such as JA Solar Co., Ltd., Motech Industries Inc., Solarfun Power Holding Ltd., Suntech Power Co. Ltd. and Topco Technologies Corp.

We have focused historically on manufacturing monocrystalline wafers and have accumulated extensive experience and expertise in developing and using monocrystalline wafer production technologies. We primarily offer 125 mm by 125 mm monocrystalline wafers with a thickness of 200 microns. In the second quarter of 2007, we also began to offer 156 mm by 156 mm monocrystalline wafers with a thickness of 200 microns at customers' requests. As part of our expansion plan, we began the production of multicrystalline wafers in the third quarter of 2007. Monocrystalline cells are made from monocrystalline wafers. Solar power products that use monocrystalline cells generally yield higher conversion efficiencies, which refers to the ability of solar power products to convert sunlight into electrical energy. On the other hand, multicrystalline wafers are less expensive to produce and have less stringent raw material requirements. With our production of multicrystalline wafers, we expect to realize cost synergies by utilizing some of the silicon materials reclaimable from our monocrystalline wafer production process.

We possess one of the largest solar wafer manufacturing plants in China based on production output in 2006. As of December 31, 2007, we had annual ingot manufacturing capacity of approximately 378 megawatts, or MW, consisting of monocrystalline ingot manufacturing capacity of approximately 218 MW and multicrystalline ingot manufacturing capacity of approximately 160 MW, and solar wafer manufacturing capacity of approximately 305 MW. We calculate our solar wafer manufacturing capacity based on the ingot manufacturing capacity and solar wafer slicing capacity of our installed equipment on an annualized basis. We measure our wafer manufacturing capacity in MW according to certain assumed conversion efficiency rates for solar cells using our solar wafers. See "[Conventions Used in this Prospectus](#)." To further capitalize on rising global demand for solar wafers, we intend to increase our annual ingot manufacturing capacity to approximately 645 MW, consisting of monocrystalline ingot manufacturing capacity of approximately 325 MW and multicrystalline ingot manufacturing capacity of approximately 320 MW, and our solar wafer manufacturing capacity to approximately 585 MW by the end of 2008. However, we cannot assure you that we will achieve our 2008 expansion plan. See "[Risk Factors—Risks Related to Our Business—Our dependence on a limited number of third-party suppliers for key manufacturing equipment could prevent us from timely fulfillment of customer orders and successful execution of our expansion plans](#)."

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

We believe we are well positioned to address the challenges presented by the current industry-wide shortage of silicon raw materials. We have established an extensive global network of suppliers and maintain dedicated

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procurement personnel in China, the United States and Singapore to facilitate close contact with our suppliers. Aiming to enhance our competitive advantage as a low-cost producer and to secure a reliable long-term supply of feedstock, we have taken steps to expand into upstream polysilicon manufacturing.

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

### **Our Industry**

Solar power is one of the rapidly growing renewable energy sources today, and the solar power market has grown significantly over the past decade. According to Solarbuzz LLC, or Solarbuzz, an independent solar energy research firm, the global solar power market, as measured by annual solar power system installed capacities, grew at a compound annual growth rate, or CAGR, of 42.2% from 427 MW in 2002 to 1,744 MW in 2006. In one of Solarbuzz's forecasts, annual solar power system installed capacities may further increase to 7,630 MW in 2011, and solar power industry revenue may increase from \$10.6 billion in 2006 to \$31.5 billion in 2011. However, historical and current market data on the solar power industry are not as readily available as those for established industries where trends can be assessed more reliably from data gathered over a longer period of time.

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

### **Our Strengths**

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

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

### **Our Strategies**

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

- expand manufacturing capacity;

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

### **Our Challenges**

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

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

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

### **Corporate History and Structure**

Our predecessor, Zhejiang Fengding Construction Material Machinery Manufacturing Co., Ltd., or Fengding Construction, was established as a limited liability company in the PRC in 2003. Following a series of share transfers, Fengding Construction was renamed Zhejiang Yuhui Solar Energy Source Co., Ltd., or Zhejiang Yuhui, in June 2005 and commenced the solar power business in July 2005. As companies incorporated overseas can more efficiently and conveniently issue equity securities to overseas investors without going through lengthy PRC governmental approval procedures, our company, ReneSola Ltd, or ReneSola, was incorporated as a limited liability company in the British Virgin Islands on March 17, 2006. Our choice of the British Virgin Islands as the jurisdiction of incorporation of our company was motivated in part by its relatively well-developed body of corporate law, various tax and other incentives and its acceptance among internationally recognized securities exchanges as a jurisdiction for companies seeking to list securities. As a limited liability company under the laws of the British Virgin Islands, the liability of our shareholders to our company is limited to: (i) any amount unpaid on a share held by the shareholder and (ii) any liability to repay a distribution by our company that was not made in accordance with the laws of the British Virgin Islands.

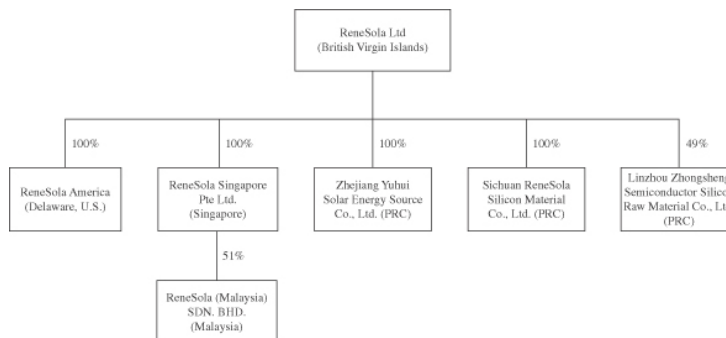
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ReneSola acquired all of the equity interests in Zhejiang Yuhui in April 2006 through a series of transactions that have been accounted for as a reorganization. In August 2006, we placed 33,333,333 shares on the Alternative Investment Market of the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

- Zhejiang Yuhui, our principal operating company in China;
- ReneSola America Inc., or ReneSola America, which was incorporated in the State of Delaware, the United States, in November 2006 to facilitate our procurement of silicon raw materials in North America;
- ReneSola Singapore Pte Ltd., which was incorporated in Singapore in March 2007 to facilitate our procurement of silicon raw materials in Southeast Asia and hold our investment in the Malaysian subsidiary;
- ReneSola (Malaysia) SDN. BHD., in which we hold a 51% equity interest since July 2007, was incorporated in Malaysia in February 2007 to process reclaimable silicon for Zhejiang Yuhui; and
- Sichuan ReneSola Silicon Material Co., Ltd., which was established in Sichuan Province, China in August 2007 to engage in the production of raw materials.

In addition, in August 2007, we invested in a 49% interest in Linzhou Zhongsheng Semiconductor Silicon Material Co., Ltd., or Linzhou Zhongsheng Semiconductor, a polysilicon manufacturing company located in Henan Province, China. Linzhou Zhongsheng Steel Co., Ltd., or Zhongsheng Steel, invested 51% in the joint venture in the form of equipment, factory premises and land use rights.

The following diagram illustrates our current corporate structure:



**Corporate Information**

Our principal executive offices are located at No. 8 Baoqun Road, Yaozhuang County, Jiashan Town, Zhejiang Province 314117, People's Republic of China. Our telephone number at this address is (86-573) 8477 3058. Our registered office in the British Virgin Islands is located at the offices of Harney Corporate Services Limited, Craigmuir Chambers P.O. Box 71, Road Town Tortola, British Virgin Islands. Our



agent for service of process in the United States is CT Corporation System, located at 111 Eighth Avenue, New York, New York 10011.

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

#### Conventions Used in this Prospectus

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

- “we,” “us,” “our company,” “our” or “ReneSola” refers to ReneSola Ltd, a British Virgin Islands company, its predecessor entities and its subsidiaries, and in the context of describing our financial results, also include Linzhou Zhongsheng Semiconductor, a variable interest entity of our company;
- “China” or “PRC” refers to the People’s Republic of China, excluding Taiwan, Hong Kong and Macau;
- all references to “RMB” or “Renminbi” refer to the legal currency of China; all references to “\$,” “dollars” and “U.S. dollars” refer to the legal currency of the United States; all references to “£” and “pounds sterling” refer to the legal currency of the United Kingdom.

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

- no exercise by the underwriters of their option to purchase up to additional ADSs; and
- a 6,666.67-for-one share split that became effective on July 24, 2006.

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

**THE OFFERING**

Offering price	The initial public offering price of the ADSs being sold in this offering will be determined by reference to the closing price of our shares on AIM on the pricing date after taking into account prevailing market conditions and other factors, and will not be greater than 5% above the closing price, nor less than 10% below the closing price, of our shares on AIM on the pricing date, adjusting to account for the ratio of two shares per ADS. The closing price of our shares on AIM on [redacted], 2008 was £ [redacted], which was equivalent to approximately \$ [redacted] per ADS based on the federal reserve noon buying rate of £1.00 to \$ [redacted] in effect on that date.
ADSs offered by us	ADSs.
ADSs offered by the selling shareholders	ADSs.
ADSs outstanding immediately after this offering	ADSs ( [redacted] ADSs if the underwriters exercise their over-allotment option in full).
Shares outstanding immediately after this offering	shares ( [redacted] shares if the underwriters exercise their over-allotment option in full).
The ADSs	<p>Each ADS represents two of our shares of no par value. The depositary will hold the shares underlying your ADSs. You will have rights as provided in the deposit agreement.</p> <p>You may turn in your ADSs to the depositary in exchange for shares. The depositary will charge you fees for any exchange. We may amend or terminate the deposit agreement without your consent. If you continue to hold your ADSs, you agree to be bound by the deposit agreement as amended.</p> <p>To better understand the terms of the ADSs, you should carefully read the "Description of American Depositary Shares" section of this prospectus. You should also read the deposit agreement, which is filed as an exhibit to the registration statement that includes this prospectus.</p>
Use of proceeds	<p>Our net proceeds from this offering are expected to be approximately \$ [redacted] million, assuming a public offering price per ADS of \$ [redacted], based on the closing price of our shares on AIM on [redacted], 2008. We plan to use the net proceeds we receive from this offering for the following purposes:</p> <ul style="list-style-type: none"><li>• approximately \$ [redacted] million to expand our solar wafer manufacturing facilities and purchase additional equipment for our wafer capacity expansion plan in 2008; we believe such amount will cover approximately [redacted] % of the anticipated financing for our 2008 wafer expansion plan;</li></ul>

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- approximately \$            million to invest in polysilicon manufacturing production in 2008; we believe that such amount will cover approximately            % of the current anticipated investment amount for polysilicon manufacturing production in 2008; and
- the remaining amount to pay or prepay for raw materials and for other general corporate purposes.

We will not receive any of the proceeds from the sale of ADSs by the selling shareholders.

Trading market for shares

Our shares are currently traded on AIM. The last reported closing price of our shares on AIM on January 8, 2008 was £4.45.

Listing

We have applied to list the ADSs on the New York Stock Exchange under the symbol "SOL." We will make an application for the shares to be issued in this offering to be admitted for trading on AIM.

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

Risk factors

See "Risk Factors" and other information included in this prospectus for a discussion of risks you should carefully consider before investing in our ADSs.

Depository

The Bank of New York.

The number of shares that will be outstanding immediately after this offering excludes (i) approximately 10,485,231 shares issuable upon the conversion of our RMB928,700,000 U.S. Dollar Settled 1% Convertible Bonds due 2012 calculated based on the conversion price in effect on the date of this prospectus, and (ii) 4,450,000 shares issuable upon the exercise of options outstanding as of the date of this prospectus, at a weighted average exercise price of £3.071 or \$6.252 per share. The number of shares issuable upon the conversion of our RMB928,700,000 U.S. Dollar Settled 1% Convertible Bonds due 2012 will be adjusted if we issue shares in our offering at a price below 95% of the current market price on the last trading day preceding the date of announcement of the terms of our offering. Current market price at a particular date is the average closing price of our AIM shares for the five consecutive trading days ending on the trading day immediately preceding such date. See "Dilution" for more details.

**OUR SUMMARY CONSOLIDATED FINANCIAL AND OPERATING DATA**

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

The summary consolidated statements of income data for the years ended December 31, 2005 and 2006 and the six months ended June 30, 2007 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. Our consolidated financial statements are prepared and presented in accordance with accounting principles generally accepted in the United States, or U.S. GAAP, and reflect our current corporate structure as if it has been in existence throughout the relevant periods. The historical results are not necessarily indicative of results to be expected in any future period.

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

	For the Year Ended December 31,			For the Six Months Ended June 30,		For the Nine Months Ended September 30,	
	2004	2005	2006	2006	2007	2006	2007
(in thousands, except percentage, share, per share, per ADS and operating data)							
<b>Consolidated Statement of Income Data</b>							
Net revenues:							
Product sales	—	\$ 5,088	\$ 78,515	\$ 23,330	\$ 76,195	\$ 49,009	\$ 143,996
Processing services	—	—	5,856	712	4,193	3,090	8,931
<b>Total net revenues</b>	—	<b>5,088</b>	<b>84,371</b>	<b>24,042</b>	<b>80,388</b>	<b>52,099</b>	<b>152,927</b>
Cost of revenues:							
Product sales	—	(3,677)	(57,141)	(16,662)	(60,085)	(34,954)	(114,195)
Processing services	—	—	(2,505)	(210)	(2,201)	(1,298)	(4,855)
<b>Total cost of revenues</b>	—	<b>(3,677)</b>	<b>(59,646)</b>	<b>(16,872)</b>	<b>(62,286)</b>	<b>(36,252)</b>	<b>(119,050)</b>
Gross profit	—	1,411	24,725	7,170	18,102	15,847	33,877
Total operating income (expenses)	25	(809)	(2,490)	(777)	(3,102)	(1,641)	(5,444)
Income from operations	25	602	22,235	6,393	15,000	14,206	26,433
Income before income tax	2	574	22,500	6,287	12,513	14,301	24,443
Income tax benefit	5	617	2,721	751	176	1,697	985
Minority interest	—	—	—	—	—	—	37
Net income attributable to equity holder	7	1,191	25,301	7,038	12,689	15,998	25,465
Earnings per share <sup>(1)</sup>							
Basic	—	0.02	0.32	0.11	0.13	0.22	0.25
Diluted	—	0.02	0.32	0.11	0.13	0.22	0.25
Earnings per ADS							
Basic	—	0.04	0.63	0.21	0.25	0.44	0.51
Diluted	—	\$ 0.04	\$ 0.63	\$ 0.21	\$ 0.25	\$ 0.44	\$ 0.51
Weighted average number of shares used in computing earnings per share: <sup>(1)</sup>							
Basic	—	66,666,699	80,000,032	66,666,699	100,000,032	73,260,106	100,000,032
Diluted	—	66,666,699	80,122,052	66,666,699	100,156,848	73,260,106	100,147,666
<b>Other Consolidated Financial Data</b>							
Gross margin	—	27.7%	29.3%	29.8%	22.5%	30.4%	22.2%
Operating margin	—	11.8	26.4	25.6	18.7	27.3	18.6
Net margin	—	23.4%	30.0%	29.3%	15.8%	30.7%	16.7%
<b>Selected Consolidated Operating Data</b>							
Solar wafers shipped (in MW)	—	0.01	26.0	7.0	32.6	15.2	61.9
Average selling price (\$/W) <sup>(2)</sup>	—	\$ 1.55	\$ 2.16	\$ 2.09	\$ 2.21	\$ 2.14	\$ 2.25

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

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

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The following table presents a summary of the balance sheet data as of September 30, 2007:

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

	As of September 30, 2007	
	Actual	As adjusted
	(in thousands)	
<b>Consolidated Balance Sheet Data</b>		
Cash and cash equivalents	\$ 68,935	\$ 94,263
Inventories	94,263	34,379
Advances to suppliers	34,379	34,379
Total current assets	241,258	
Property, plant and equipment, net	94,400	94,400
Advances for purchases of property, plant and equipment	22,874	22,874
Total assets	369,509	
Short-term borrowings	74,554	74,554
Advances from suppliers and customers	35,451	35,450
Total current liabilities	124,772	124,772
Total shareholders' equity	103,846	
Total liabilities and shareholders' equity	\$ 369,509	\$ 369,509

## RISK FACTORS

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

### Risks Related To Our Business

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

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

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

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

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

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

We purchase our silicon raw materials from a limited number of suppliers, including waste management companies and trading companies that have connections with semiconductor manufacturers. Our top five suppliers collectively accounted for over 40% of the silicon raw material supplies procured in both 2006 and the nine months ended September 30, 2007. Shangrao Desheng Industrial Co., Ltd., or Shangrao Desheng, accounted for more than 10% of the silicon raw material supplies procured in 2006 and the nine months ended September 30, 2007. The pricing terms under some of our supply agreements are to be determined based on future negotiations, and in the event that we cannot reach agreement on the pricing terms with the suppliers in the future, those agreements may not be enforceable. In addition, some of our suppliers may fail to timely perform

their delivery obligations. The failure of any major supplier to supply raw materials that meet our quality, quantity and cost requirements in a timely manner could impair our ability to manufacture our products or increase our costs. In the nine months ended September 30, 2007, the reclaimable silicon raw materials we sorted and cleaned contained, in terms of volume, around 10% of scrap raw materials with low resistivity and unusable materials. If the reclaimable raw materials we purchase contain an unexpected high level of scrap raw materials with low resistivity or unusable materials and to the extent that we have no recourse against the suppliers who sold such raw materials, our cost of revenues will increase and we may need to procure more supplies to satisfy our raw material requirements. This could materially and adversely affect our gross margins. Furthermore, if we fail to maintain our relationships with our major suppliers or fail to develop new relationships with other suppliers, we may be unable to manufacture our products or our products may only be produced at a higher cost or after a long delay, and we could be prevented from delivering our products to our customers in the required quantities and at prices that are profitable.

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

We rely on a limited number of equipment suppliers for some of our principal manufacturing equipment and spare parts, including wire saws that we use to slice ingots into wafers. Our major equipment suppliers include ALD Vacuum Technologies GmbH, Beijing Oriental Keyun Crystal Technologies Co., Ltd., Shanghai Hanhong Precision Machinery Co., Ltd., Miyamoto Trading Limited and Meyer Burger AG. These suppliers have supplied most of our current equipment and spare parts, and we will also rely on them to provide a substantial portion of the principal manufacturing equipment and spare parts contemplated in our expansion program. However, due to the strong market demand for manufacturing equipment, we have experienced, and may continue to experience, delays in the delivery of such equipment or the provision of technical support. We currently do not have all the supply contracts necessary to secure equipment for our 2008 wafer capacity expansion plan. If we fail to develop new relationships or maintain existing relationships with equipment suppliers, or should any of our major equipment suppliers encounter difficulties in the manufacturing or shipment of its equipment to us, including due to natural disasters or otherwise, it will be difficult for us to find alternative providers for such equipment on a timely basis or on commercially reasonable terms. As a result, the implementation of our expansion plan may be interrupted and our production may be adversely impacted.

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

The solar power market is highly competitive and continually evolving. We believe the key competitive factors in the solar wafer market include product quality, price and cost competitiveness, manufacturing technologies and efficiency, strength of supplier relationships, economies of scale and reputation. We expect to face increased competition, which may result in price reductions, reduced profit margins or loss of market share. Our competitors include specialized solar wafer manufacturers such as LDK Solar Co., Ltd., Jiangsu Shunda PV-Tech Co., Ltd. and Jinggong P-D Shaoxing Solar Energy Technology Co., Ltd. Our competitors also include solar wafer manufacturing divisions of large conglomerates such as Deutsche Solar AG, Kyocera Corporation and M. SETEK Co. Ltd. Many of our competitors have a longer operating history, stronger market position, greater resources, better name recognition and better access to silicon raw materials than we do. For example, some of our competitors have a history of long-term relationships with reclaimable and virgin polysilicon suppliers, and, as a result, such competitors may have an advantage over us in pricing as well as obtaining silicon raw material supplies at times of silicon shortage. Many of our competitors also have more established distribution networks and larger customer bases. In addition, many of our competitors have well-established relationships with our customers and have extensive knowledge of our target markets. As a result, they may be able to devote greater resources to the research, development, promotion and sale of their products or respond more quickly to evolving industry standards and changes in market conditions than we can. Furthermore, due to the expected growth in demand for solar wafers, we expect an increase in the number of our competitors over the next few years. The key barriers to enter into our industry at present consist of access to sufficient silicon raw materials, key manufacturing equipment, capital resources and skilled personnel. If these barriers disappear or

become more easily surmountable, new competitors may successfully enter our industry. If we fail to compete successfully, our business would suffer and we may lose or be unable to gain market share.

Moreover, due to the lack of sufficient market information, it is difficult for us to ascertain our competitive position vis-a-vis our competitors on some important competitive factors. For example, conversion efficiency of solar power products is not only determined by the quality of solar wafers but is also dependent on the solar cell and module production processes and technologies. Therefore, solar wafer manufacturers usually assume the conversion efficiency of their solar wafers based on the conversion efficiency of solar cells and modules manufactured by their customers, and there is a lack of publicly available information on the conversion efficiency of the solar wafers. Accordingly, investors may not be able to obtain a comprehensive view of our competitive position vis-a-vis our competitors.

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

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

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

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

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

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



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

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

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

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

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

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

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

We sell a substantial portion of our solar wafers to a limited number of customers. In 2006 and the nine months ended September 30, 2007, our top five customers accounted for 59.1% and 78.8% of our net revenues, respectively. Sales to each of Konca Solar Energy (Wuxi) Co., Ltd, Motech Industries Inc. and Suntech Power Co. Ltd. accounted for over 10% of our net revenues in 2006. In the nine months ended September 30, 2007, sales to each of Motech Industries Inc., Solarfun Power Holding Ltd. and Suntech Power Co. Ltd. accounted for over 10% of our net revenues, with sales to each of Motech Industries Inc. and Suntech Power Co., Ltd. representing over 20% of our net revenues. Sales to our major customers are typically made under multiple-year

framework agreements. The framework agreements typically provide for the sales volumes and price of our solar wafers for the first year, which terms are binding. The pricing terms, and sometimes the sales volumes, for subsequent years are subject to annual renegotiation. Therefore, if prices for later years cannot be determined through renegotiation, the framework agreements will be terminated or become unenforceable. In addition, we have entered into one-year sales contracts with some of our customers which provide for an agreed sales volume at a fixed price. We anticipate that our dependence on a limited number of customers will continue for the foreseeable future. Consequently, any one of the following events may cause material fluctuations or declines in our revenues:

- reduction, delay or cancellation of orders from one or more of our significant customers;
- failure to reach an agreement with our customers on the pricing terms or sales volumes under our framework agreements during annual renegotiations;
- loss of one or more of our significant customers and our failure to identify additional or replacement customers; and
- failure of any of our significant customers to make timely payment for our products.

**Our proposed polysilicon projects may not succeed, which may cause a setback to our growth strategy.**

In August 2007, we invested in a 49% interest in Linzhou Zhongsheng Semiconductor, a polysilicon manufacturing company located in Henan Province, China. This joint venture is expected to begin production of polysilicon in 2008. Production from the first phase with a planned annual capacity of 300 metric tons is expected to begin in the first quarter of 2008, and the estimated output in 2008 is 200 to 300 metric tons. The schedule for the construction of the second phase of 450 metric tons of annual capacity is currently under consideration. We have committed to purchase 90% of the joint venture's production output to meet our raw material requirements for wafer manufacturing. We have also taken steps to build a polysilicon production facility in Meishan, Sichuan Province, China, and our subsidiary, Sichuan ReneSola Silicon Material Co., Ltd., was established in Sichuan Province in August 2007, which is expected to have a planned manufacturing capacity of 1,500 metric tons by the end of 2009. We do not have any operating experience in polysilicon production. Manufacturing polysilicon is a highly complex process and these projects may not be able to produce polysilicon of sufficient quantity and quality or on schedule to meet our wafer manufacturing requirements. Minor deviations in the manufacturing process can cause substantial decreases in yield and in some cases cause production to be suspended or yield no output. If any of the polysilicon projects experiences a major delay or is unable to supply us with polysilicon as planned, we will suffer a setback to our raw material procurement strategy. Furthermore, if any of the polysilicon projects fails, we may be unable to recoup our investments. This could materially and adversely affect our growth strategy and our results of operations.

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

In order to secure a greater supply of silicon raw materials, we make advance payments to most of our silicon raw material suppliers, which is consistent with the industry practice. As of December 31, 2006 and September 30, 2007, our advances to suppliers amounted to approximately \$17.0 million and \$34.4 million, respectively. We depend on a limited number of suppliers and we make such advance payments without receiving any collateral. As a result, our claims for such advance payments would rank only as unsecured claims, exposing us to the credit risks of the suppliers in the event of their insolvency or bankruptcy. We may not be able to recover such advance payments and would suffer losses should the suppliers fail to fulfill their delivery obligations under the contracts. Accordingly, defaults by our suppliers may materially and adversely affect our financial condition, results of operations and liquidity.

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

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

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

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

Today, when upfront system costs are factored into cost per kilowatt, the cost of solar power substantially exceeds the cost of power furnished by the electric utility grid in many locations. As a result, national and local governmental bodies in many countries, most notably in Germany, Spain, Italy, the United States and China, have provided subsidies and economic incentives in the form of feed-in tariffs, rebates, tax credits and other incentives to end users, distributors, system integrators and manufacturers of solar power products to promote the use of solar energy in on-grid applications and to reduce dependence on other forms of energy. These government economic incentives could potentially be reduced or eliminated altogether. Although the solar power industry is currently moving towards the economies of scale necessary for solar power to become cost-effective in a non-subsidized market, reductions in, or eliminations of, subsidies and economic incentives for on-grid solar energy applications could result in decreased demand for our products and cause our revenues to decline.

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

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

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

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

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

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

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

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

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

The technology for the manufacture of solar wafers is continuously being modified in an effort to improve yields and product performance. Microscopic impurities such as dust and other contaminants, difficulties in the manufacturing process or malfunctions of the equipment or facilities used can lower yields or silicon consumption rate, cause quality control problems, interrupt production or result in losses of products in process. For example, during the initial training period for our employees when we began slicing wafers, we encountered a higher than expected levels of solar wafers which did not pass our quality control standards and therefore required reprocessing. From time to time, a small portion of our wafers sold were returned because these wafers did not meet the quality standards required by some of our customers. Moreover, during the second quarter of 2007, a number of our monocrystalline furnaces were temporarily shut down for upgrades, which resulted in a shortfall from our planned production output for that quarter. We may also experience floods, droughts, power losses, labor disputes and similar events within or beyond our control that would affect our operations. Because our manufacturing capabilities are concentrated in our manufacturing facilities in Jiashan, China, any problem in our facilities may limit our ability to manufacture products and to fulfill our commitments to customers on a timely basis. Our manufacturing processes also use hazardous equipment, such as ingot furnaces, squarers and wire saws. Unexpected accidents may result in production curtailments or shutdowns or periods of reduced production, which would negatively affect our results of operations. In addition, such events could cause damage to properties, personal injuries or deaths. Any such event could result in civil lawsuits or regulatory enforcement proceedings, which in turn could lead to significant liabilities.

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

Our future success depends substantially on the continued services of our executive officers and key employees, especially Mr. Xianshou Li, our chief executive officer, Mr. Charles Xiaoshu Bai, our chief financial

officer, Mr. Yuncai Wu, our vice president, and Mr. Binghua Huang, our chief technology officer. If one or more of our executive officers or key employees were unable or unwilling to continue in their present positions, we might not be able to replace them easily, in a timely manner, or at all. Our business may be severely disrupted, our financial conditions and results of operations may be materially and adversely affected and we may incur additional expenses to recruit, train and retain personnel. If any of our executive officers or key employees joins a competitor or forms a competing company, we may lose customers, suppliers, know-how and key professionals and staff members. Each of our executive officers and key employees has entered into an employment agreement with us, which contains non-competition provisions. However, if any dispute arises between our executive officers and us, these agreements may not be enforceable in China, where these executive officers reside, in light of uncertainties with China's legal system. See "—Risks Related to Doing Business in China—Uncertainties with respect to the PRC legal system could adversely affect us."

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

Our products may contain defects that are not detected until after they are shipped or installed. From time to time, we encounter sales returns due to non-conformity with customers' specifications and are required to replace our products promptly. Our products may contain defects that are not detected until after they are shipped or installed. For example, recently, we have been in dispute with one of our former customers regarding the return or refund of certain shipments of solar modules which were sold in 2005. While we are still disputing the alleged defects, any proven defects could lead to return or refund of our products under our warranties, cause us to incur additional costs and divert the attention of our personnel from our operations. Similarly, if we fail to maintain the consistent quality of our other products via effective quality control, we may deliver products with defects or other quality problems, which may result in increased costs associated with replacements or other remedial measures. Product defects and the possibility of product defects could also cause significant damage to our market reputation and reduce our product sales and market share.

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

We require a significant amount of cash to fund our operations, in particular for payments to suppliers to secure our raw materials requirements. We will also need capital to fund the expansion of our manufacturing capacity and our research and development activities in order to remain competitive in this market. We believe our available cash resources, together with the net proceeds from this offering, will be sufficient to meet our anticipated cash needs for the next 12 months. However, future expansions, changes in market conditions or other developments may cause us to require additional funds. Our ability to obtain external financing in the future is subject to a number of uncertainties, including:

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

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

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

We import a substantial amount of reclaimable silicon raw materials from overseas suppliers into China. China has implemented rules regulating the import of waste materials into China, under which waste materials are categorized as "permitted," "restricted" or "prohibited." If certain imported material is recognized as waste

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

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

In 2006 and the nine months ended September 30, 2007, 32.9% and 41.9%, respectively, of our net revenues were generated from customers outside of China. We continue to sell our products outside of China. The marketing, distribution and sale of our solar power products in international markets expose us to a number of risks, including:

- fluctuations in currency exchange rates;
- increased costs associated with maintaining marketing efforts in various countries;
- difficulty and costs relating to compliance with the different commercial and legal requirements of the overseas markets in which we offer our products;
- difficulty in engaging and retaining sales personnel who are knowledgeable about, and can function effectively in, overseas markets; and
- trade barriers such as export requirements, tariffs, taxes and other restrictions and expenses, which could increase the prices of our products and make us less competitive in some countries.

**If we are unable to attract, train and retain qualified personnel, our business may be materially and adversely affected.**

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

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

We will be subject to reporting obligations under U.S. securities laws. The U.S. Securities and Exchange Commission, or the SEC, as required by Section 404 of the Sarbanes-Oxley Act of 2002, or Sarbanes-Oxley Act, adopted rules requiring every public company to include a management report on such company’s internal

control over financial reporting in its annual report, which contains management's assessment of the effectiveness of the company's internal control over financial reporting. In addition, an independent registered public accounting firm must audit and report on the effectiveness of the company's internal control over financial reporting. These requirements will first apply to our annual report on Form 20-F for the fiscal year ending on December 31, 2008. Our reporting obligations as a public company will place a significant strain on our management, operational and financial resources and systems for the foreseeable future.

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

We are in the process of implementing measures to remedy these material weaknesses and deficiencies to meet the deadline imposed by Section 404 of the Sarbanes-Oxley Act. If we fail to timely achieve and maintain the adequacy of our internal controls, our management may conclude that our internal control over financial reporting is not effective. Moreover, effective internal control over financial reporting are necessary for us to produce reliable financial reports and are important to help prevent fraud. As a result, our failure to achieve and maintain effective internal control over financial reporting could result in the loss of investor confidence in the reliability of our financial statements, which in turn could harm our business and negatively impact the market price of our ADSs.

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

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

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

Our success depends largely on our ability to use and develop our technology and know-how without infringing the intellectual property rights of third parties. The validity and scope of claims relating to solar power technology patents involve complex scientific, legal and factual questions and analysis and, therefore, may be highly uncertain. We may be subject to litigation involving claims of patent infringement or violation of other intellectual property rights of third parties. The defense and prosecution of intellectual property suits, patent opposition proceedings, and related legal and administrative proceedings can be both costly and time-consuming and may significantly divert the efforts and resources of our technical and management personnel. An adverse determination in any such litigation or proceedings to which we may become a party could subject us to significant liability to third parties, require us to seek licenses from third parties, to pay ongoing royalties, or to redesign our products or subject us to injunctions prohibiting the manufacture and sale of our products or the use of our technologies. Protracted litigation could also result in our customers or potential customers deferring or limiting their purchase or use of our products until resolution of such litigation.

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

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

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

We consume a significant amount of electricity in our operations. Moreover, with the rapid development of the PRC economy, demand for electricity has continued to increase. There have been shortages in electricity supply in various regions across China, especially during peak seasons, such as summer. To mitigate the effect of possible interruption or shortage of electricity, we have installed backup power transformer substations at our site with an aggregate capacity of 11 million volt-amperes. The capacity of our backup transformer substation is not sufficient to fully support our current production. In view of our operations and planned production expansion, we cannot assure you that there will be no risk of interruption or shortages in our electricity supply or that there will be sufficient electricity available to meet our future requirements. We also cannot assure you that our electricity cost will not rise significantly or that we will be able to pass the increased cost to our customers. Increases in electricity costs may adversely affect our profitability.

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

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



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

As the insurance industry in China is still in an early stage of development, the product liability insurance and business interruption insurance available in China offer limited coverage compared to that offered in many other countries. We do not have any product liability insurance or business interruption insurance. Any business disruption or natural disaster could result in substantial costs and a diversion of resources, which would have an adverse effect on our business and results of operations.

As with other solar power product manufacturers, we are exposed to risks associated with product liability claims if the use of our solar power products results in injury. Since our solar wafers are made into electricity generating devices and our solar modules generate electricity, it is possible that users could be injured or killed by our products as a result of product malfunctions, defects, improper installation or other causes. We only began commercial shipment of our solar power products in July 2005, and, because of our limited operating history, we cannot predict whether product liability claims will be brought against us in the future or the effect of any resulting negative publicity on our business. The successful assertion of product liability claims against us could result in potentially significant monetary damages and require us to make significant payments. Historically, our solar modules were typically sold with a warranty for minimum power output warranty of up to 20 years following the date of sale. We also provided warranties for our solar modules against defects in materials and workmanship for a period of two years from the date of sale. We do not provide similar warranties for our solar wafers. We have sold solar modules only since July 2005, and discontinued the sale of our solar modules in April 2006. Due to the short usage history of our products, we cannot assure you that our assumptions regarding the durability and reliability of our products are reasonable. Our warranty provisions may be inadequate, and we may have to incur substantial expense to repair or replace defective products in the future. See “—Problems with product quality or product performance could result in increased costs, damage to our reputation and loss of revenues and market share.” Any increase in the defect rate of our products would cause us to increase the amount of our warranty reserves and have a correspondingly negative impact on our operating results. Furthermore, widespread product failures may damage our market reputation, reduce our market share and cause our sales to decline.

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

We have significant borrowings and issued RMB928,700,000 U.S. Dollar Settled 1% Convertible Bonds due 2012 in March 2007 which are used primarily for working capital purposes and capital expenditures. We expect to incur new debt obligations to finance our operations and, as a result, we will be required to allocate a significant portion of our cash flow to service these obligations. This could impair our ability to make necessary capital expenditures, develop business opportunities or make strategic acquisitions. We cannot assure you that our business will generate sufficient cash flow from operations in the future to service our debts and make necessary capital expenditures, in which case we may seek additional financing, dispose of certain assets or seek to refinance some or all of our debts. We cannot assure you that any of these alternatives can be implemented on satisfactory terms, if at all, or without breach of the terms and conditions of existing or future financing arrangements. In the event that we are unable to meet our obligations when they become due or if our creditors take legal action against us for payment, we may have to liquidate our long-term assets to repay our creditors. We may have difficulty converting our long-term assets into current assets in such a situation and may suffer losses from the sale of our long-term assets. This would materially and adversely affect our operations and prevent us from successfully implementing our business strategy.

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

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

#### **Risks Related To Doing Business In China**

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

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

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

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

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

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

In March 2007, the National People's Congress of China enacted a new Enterprise Income Tax Law, which became effective on January 1, 2008. In December 2007, the State Council of China promulgated the Implementing Regulation of the new Enterprise Income Tax Law, which became effective on January 1, 2008. The new tax law imposes a unified state income tax rate of 25% on all domestic enterprises and foreign-invested enterprises unless they qualify under certain limited exceptions. Under the new tax law and relevant rules, Zhejiang Yuhui is subject to a state enterprise income tax rate of 25% as of January 1, 2008. In addition, enterprises that were established and already enjoyed preferential income tax treatments before March 16, 2007 will continue to enjoy the original preferential tax exemptions or reductions until the expiration of the specified terms, except that the relevant exemption or reduction starts from January 1, 2008, if the first profitable year for the relevant enterprise is later than January 1, 2008. Therefore, Zhejiang Yuhui will continue to be entitled to the above preferential tax exemption and reduction currently enjoyed by it during such transition period.

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

Moreover, under the new tax law, enterprises organized under the laws of jurisdictions outside China with their de facto management bodies located within China may be considered PRC resident enterprises and, therefore, subject to PRC enterprise income tax at the rate of 25% on their worldwide income. The Implementing Regulation of the new tax Law defines a "de facto management body" as an establishment which exerts substantial overall management and control over the operation, personnel, financial affairs, assets and other aspects of the enterprise. If a majority of the members of our management team continue to be located in China after the effective date of the new tax law, we may be considered a PRC resident enterprise and therefore subject to PRC enterprise income tax at the rate of 25% on our worldwide income. If our current tax benefits expire or otherwise become unavailable to us for any reason, our profitability may be materially or adversely affected. In addition, our PRC subsidiary, Zhejiang Yuhui, is required to pay value added tax, or VAT, with respect to the gross sales proceeds. Historically, when exporting products, Zhejiang Yuhui was entitled to a 13% refund of VAT that it has already paid or borne. However, as of July 1, 2007, the VAT refund is reduced to 5%, which materially affects the gross margin of our overseas sales. If this VAT refund is further reduced, our profitability may be materially and adversely affected.

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

We rely on dividends paid by our PRC subsidiary, Zhejiang Yuhui, for our cash needs, including the funds necessary to pay dividends and other cash distributions, if any, to our shareholders, to service any debt we may incur and to pay our operating expenses. The payment of dividends by entities organized in China is subject to limitations. Regulations in the PRC currently permit payment of dividends only out of accumulated profits as determined in accordance with accounting standards and regulations in China. Zhejiang Yuhui is also required to set aside at least 10% of its after-tax profit based on PRC accounting standards each year to its general reserves until the accumulative amount of such reserves reaches 50% of its registered capital. These reserves are not distributable as cash dividends. Zhejiang Yuhui is also required to allocate a portion of its after-tax profits, as determined by its board of directors, to its staff welfare and bonus funds, which may not be distributed to equity

owners. In addition, when Zhejiang Yuhui incurs debt on its own behalf, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. For example, according to certain loan agreements between Zhejiang Yuhui and its banks, Zhejiang Yuhui is not permitted to pay dividends for any given year if it has no after-tax profit or any principal or interest due in that year has not been paid.

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

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

A substantial portion of our sales, costs and expenses is denominated in Renminbi and U.S. dollars, with the remainder in Euros and Japanese Yen. Fluctuations in exchange rates, particularly among the U.S. dollar and Renminbi, could affect our net profit margins and could result in foreign exchange losses and operating losses. For example, we recognized foreign exchange loss of \$2.9 million in the nine months ended September 30, 2007. In addition, our foreign currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert Renminbi into foreign currencies.

The change in value of the Renminbi against the U.S. dollar and other currencies is affected by, among other things, changes in China's political and economic conditions. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi to the U.S. dollar. Under the new policy, the Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. This change in policy has resulted in an approximately 12.2% appreciation of the RMB against the U.S. dollar between July 21, 2005 and January 8, 2008. While the international reaction to the Renminbi revaluation has generally been positive, there remains significant international pressure on the PRC government to adopt an even more flexible currency policy, which could result in a further and more significant appreciation of the Renminbi against the U.S. dollar. As a substantial portion of our costs and expenses is denominated in Renminbi, the revaluation beginning in July 2005 and potential future revaluation has and could further increase our costs in U.S. dollar terms. For example, to the extent that we need to convert U.S. dollars we receive from this offering into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we receive from the conversion. Conversely, if we decide to convert our Renminbi into U.S. dollars for the purpose of making payments for dividends on our shares or ADSs or for other business purposes, appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amount available to us. In addition, appreciation or depreciation in the value of the Renminbi relative to the U.S. dollar would affect our financial results reported in U.S. dollar terms without giving effect to any underlying change in our business or results of operations.

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

A significant portion of our revenues and expenses are denominated in Renminbi. If our revenues denominated in Renminbi increase or expenses denominated in Renminbi decrease in the future, we may need to convert a portion of our revenues into other currencies to meet our foreign currency obligations, including, among others, payment of dividends declared, if any, in respect of our shares or ADSs. Under China's existing foreign exchange regulations, Zhejiang Yuhui is able to pay dividends in foreign currencies, without prior

approval from the State Administration of Foreign Exchange, or SAFE, by complying with certain procedural requirements. However, we cannot assure you that the PRC government will not take further measures in the future to restrict access to foreign currencies for current account transactions.

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

**If we are required to obtain the prior approval of the China Securities Regulatory Commission, or CSRC, for the listing and trading of our ADSs on the New York Stock Exchange, this offering could be delayed until we obtain approval.**

On August 8, 2006, six PRC regulatory agencies, including the Ministry of Commerce, the State Assets Supervision and Administration Commission, the State Administration for Taxation, the State Administration for Industry and Commerce, CSRC and SAFE, jointly issued the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, which became effective on September 8, 2006. These regulations include, among other things, provisions that purport to require that an offshore special purpose vehicle formed for purposes of overseas listing of equity interests in PRC companies and controlled directly or indirectly by PRC companies or individuals obtain CSRC approval prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange. On September 21, 2006, CSRC published on its official website procedures regarding its approval of overseas listings by special purpose vehicles. CSRC approval procedures require the filing of a number of documents with CSRC and it would take several months to complete the approval process. The application of this new regulation remains unclear with no consensus currently existing among leading PRC law firms regarding the scope of the applicability of the CSRC approval requirement.

Our PRC counsel, Boss & Young, has advised us that, based on their understanding of the current PRC laws and regulations as well as the procedures announced on September 21, 2006, CSRC currently has not issued any definitive rule or interpretation concerning whether offerings like ours under this prospectus are subject to this new procedure; and in spite of the above, given that we have completed our restructuring and established an offshore holding structure before September 8, 2006, the effective date of the new regulation, this regulation does not require an application to be submitted to CSRC for its approval of the listing and trading of our ADSs on the New York Stock Exchange, unless we are clearly required to do so by possible later CSRC rules.

If CSRC requires that we obtain its approval prior to the completion of this offering, this offering will be delayed until we obtain CSRC approval, which may take several months. If prior CSRC approval is required but not obtained, we may face regulatory actions or other sanctions from CSRC or other PRC regulatory agencies. These regulatory agencies may impose fines and penalties on our operations in the PRC, limit our operating privileges in the PRC, delay or restrict the repatriation of the proceeds from this offering into the PRC, or take other actions that could have a material adverse effect on our business, financial condition, results of operations, reputation and prospects, as well as the trading price of our ADSs. CSRC or other PRC regulatory agencies also may take actions requiring us, or making it advisable for us, to halt this offering before settlement and delivery of the ADSs offered hereby. Consequently, if you engage in market trading or other activities in anticipation of and prior to settlement and delivery, you do so at the risk that settlement and delivery may not occur.

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

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

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

We have urged our shareholders who are PRC residents to make the necessary applications and filings as required under Notice 75 and other related rules. However, as a result of uncertainty concerning the reconciliation of Notice 75 with other approval or registration requirements, it remains unclear how Notice 75, and any future legislation concerning offshore or cross-border transactions, will be interpreted, amended and implemented by the relevant government authorities. To our knowledge, our primary shareholders have completed the necessary filings as required under Notice 75 and other related rules, except that (i) Mr. Xianshou Li, our chief executive officer and director, and Mr. Yuncai Wu, our vice president and director, are in the process of updating their filing in connection with their transfers of shares in our company to their respective holding vehicles and the change in our company's shareholding structure due to our AIM admission, which filings are expected to be completed in the near term; and (ii) Mr. Zhengmin Lian and Mr. Xiangjun Dong have inquired with the relevant local branch of the SAFE with respect to the filings of the shares which Mr. Li and Mr. Wu hold on trust for them as described in "Related Party Transactions—Restructuring," but were advised that such applications could not be accepted as there is a lack of precedents for filing such trust arrangements. We attempt to comply, and attempt to ensure that our shareholders who are subject to these rules comply, with the relevant requirements. However, we cannot provide any assurances that all of our shareholders who are PRC residents will comply with our request to make or obtain any applicable registrations or comply with other requirements required by Notice 75 or other related rules. The failure or inability of our PRC resident shareholders to make any required registrations or comply with other requirements may subject such shareholders to fines and legal sanctions and may also limit our ability to contribute additional capital into or provide loans to (including using the proceeds from this offering) our PRC subsidiary, limit our PRC subsidiary's ability to pay dividends or otherwise distribute profits to us, or otherwise adversely affect us.

**We face risks related to health epidemics and other outbreaks.**

Our business could be adversely affected by the effects of avian flu, severe acute respiratory syndrome, or SARS, or another epidemic or outbreak. From 2005 to 2007, there have been reports on the occurrence of avian flu in various parts of China and elsewhere in Asia, including a few confirmed human cases and deaths. Any prolonged recurrence of avian flu, SARS or other adverse public health developments in China may have a material adverse effect on our business operations. Our operations may be impacted by a number of health-related factors, including, among other things, quarantines or closures of our facilities which could severely disrupt our operations, the sickness or death of our key officers and employees, and a general slowdown in the Chinese economy. Any of the foregoing events or other unforeseen consequences of public health problems could adversely affect our business and results of operations. We have not adopted any written preventive measures or contingency plans to combat any future outbreak of avian flu, SARS or any other epidemic.

**Risks Related To Our ADSs and This Offering**

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

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

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

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

**The market price for our ADSs may be volatile.**

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

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

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

In addition, the securities market has from time to time experienced significant price and volume fluctuations that are not related to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of our ADSs.

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

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

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

Mr. Xianshou Li, our chief executive officer and director, and Mr. Yuncai Wu, our vice president and director, currently hold, indirectly, 39.5% and 20.3% of our outstanding share capital and will hold, indirectly, approximately % and % of our outstanding share capital upon completion of this offering, respectively. As such, Mr. Li and Mr. Wu have substantial influence over our business, including decisions regarding mergers, consolidations and the sale of all or substantially all of our assets, election of directors and other significant corporate actions. This concentration of ownership may discourage, delay or prevent a change in control of our company, which could deprive our shareholders of an opportunity to receive a premium for their shares as part of a sale of our company and might reduce the price of our ADSs. For example, holders of a majority of our shares entitled to vote in a duly convened and constituted shareholders' meeting may pass a shareholders' resolution to issue preferred shares in one or more series and to fix the powers and rights of these shares, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences, any or all of which may be greater than the rights associated with our existing shares. Preferred shares could thus be issued with terms that would delay or prevent a change in control or make removal of management more difficult. These actions may be taken even if they are opposed by our other shareholders and holders of our ADSs, including those who purchase our ADSs in this offering.

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

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

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

Additional sales of our shares or ADSs in the public market after this offering, or the perception that these sales could occur, could cause the market price of our ADSs to decline. All ADSs sold in this offering will be freely transferable without restriction or additional registration under the Securities Act of 1933, or the Securities Act. Each of our directors, executive officers and certain shareholders has agreed, subject to certain exceptions, not to transfer or dispose of any of our shares, in the form of ADSs or otherwise, for a period of 180 days after the date of this prospectus. After the expiration of the 180-day period, the shares held by these shareholders may be sold subject to volume and other restrictions under Rule 144 under the Securities Act. Further, any or all of these shares may be released prior to expiration of the lock-up period at the discretion of the lead underwriters



for this offering. To the extent shares are released before the expiration of the lock-up period and these shares are sold into the market, the market price of our ADSs could decline.

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

As a holder of ADSs, you will not be treated as one of our shareholders. Instead, the depository will be treated as the holder of the shares underlying your ADSs. However, you may exercise some of the shareholders' rights through the depository, and you will have the right to withdraw the shares underlying your ADSs from the deposit facility as described in "Description of American Depositary Shares—Deposit, Withdrawal and Cancellation" and "Description of American Depositary Shares—Your Right to Receive the Shares Underlying Your ADSs." Except as described in this prospectus and in the deposit agreement, holders of our ADSs will not be able to directly exercise voting rights attaching to the shares evidenced by our ADSs on an individual basis. Holders of our ADSs will appoint the depository or its nominee as their representative to exercise the voting rights attaching to the shares represented by the ADSs. You may not receive voting materials in time to instruct the depository to vote, and it is possible that you, or persons who hold their ADSs through brokers, dealers or other third parties, will not have the opportunity to exercise a right to vote.

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

We may from time to time distribute rights to our shareholders, including rights to acquire our securities. Under the deposit agreement for the ADSs, the depository will not offer those rights to ADS holders unless both the rights and the underlying securities to be distributed to ADS holders are either registered under the Securities Act of 1933, as amended, or exempt from registration under the Securities Act with respect to all holders of ADSs. We are under no obligation to file a registration statement with respect to any such rights or underlying securities or to endeavor to cause such a registration statement to be declared effective. In addition, we may not be able to take advantage of any exemptions from registration under the Securities Act. Accordingly, holders of our ADSs may be unable to participate in our rights offerings and may experience dilution in their holdings as a result.

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

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

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

We are incorporated in the British Virgin Islands, and conduct substantially all of our operations in China through our wholly owned subsidiary in China. Most of our officers and directors reside outside the United States and some or all of the assets of those persons are located outside of the United States. As a result, it may be difficult or impossible for you to bring an original action against us or against these individuals in a British Virgin Islands or China court in the event that you believe that your rights have been infringed under the U.S. federal securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the British Virgin Islands and of China may render you unable to enforce a judgment against our assets or the assets

of our directors and officers. There is no statutory recognition in the British Virgin Islands of judgments obtained in the United States, although the courts of the British Virgin Islands will generally recognize and enforce a non-penal judgment of a foreign court of competent jurisdiction without retrial on the merits. For more information regarding the relevant laws of the British Virgin Islands and China, see “Enforceability of Civil Liabilities.”

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

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

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

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

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

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

#### FORWARD-LOOKING STATEMENTS

We make “forward-looking statements” in the “Prospectus Summary,” “Risk Factors,” “Use of Proceeds,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business” sections and elsewhere throughout this prospectus, such as our expected manufacturing capacity, our estimated silicon raw material requirements for 2008 and our estimated silicon consumption rate for 2008. Whenever you read a statement that is not simply a statement of historical fact (such as when we describe what we “believe,” “expect” or “anticipate” will occur, what “will” or “could” happen, and other similar statements), you must remember that our expectations may not be correct, even though we believe that they are reasonable. We do not guarantee that the transactions and events described in this prospectus will happen as described or that they will happen at all. You should read this prospectus completely and with the understanding that actual future results may be materially different from what we expect. The forward-looking statements made in this prospectus relate only to events as of the date on which the statements are made. We undertake no obligation, beyond that required by law, to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made, even though our situation will change in the future.

Whether actual results will conform with our expectations and predictions is subject to a number of risks and uncertainties, many of which are beyond our control, and reflect future business decisions that are subject to change. Some of the assumptions, future results and levels of performance expressed or implied in the forward-looking statements we make inevitably will not materialize, and unanticipated events may occur which will affect our results. The “Risk Factors” section of this prospectus describes the principal contingencies and uncertainties to which we believe we are subject.

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

**USE OF PROCEEDS**

We estimate that we will receive net proceeds from this offering of approximately \$            million or approximately \$            million if the underwriters exercise their option to purchase additional ADSs in full, after deducting underwriting discounts and commissions and the estimated offering expenses payable by us. These estimates are based upon an assumed public offering price of \$            per ADS, the closing price of our shares on AIM on           , 2008 and adjusted to account for the ratio of            shares per ADS. We will not receive any of the proceeds from the sale of ADSs by the selling shareholders. A \$1.00 increase (decrease) in the assumed public offering price of \$            per ADS would increase (decrease) the net proceeds of this offering by \$            million, assuming the sale of            ADSs at \$            per ADS, after deducting underwriting discounts and commissions and the estimated offering expenses payable by us. We intend to use the net proceeds we receive from this offering for the following purposes:

- approximately \$            million to expand our solar wafer manufacturing facilities and purchase additional equipment for our wafer capacity expansion plan in 2008; we believe such amount will cover approximately            % of the anticipated financing for our 2008 wafer expansion plan;
- approximately \$            million to invest in polysilicon manufacturing production in 2008; we believe that such amount will cover approximately            % of the anticipated investment amount for polysilicon manufacturing production in 2008; and
- the remaining amount to pay or prepay for raw materials and for other general corporate purposes.

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

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

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

#### DIVIDEND POLICY

We have no present plan to declare and pay any dividends on our shares or ADSs in the near future. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business.

We are a limited liability holding company incorporated in the British Virgin Islands. We rely on dividends from Zhejiang Yuhui, our subsidiary in China, and any newly formed subsidiaries to fund the payment of dividends, if any, to our shareholders. Current PRC regulations permit our subsidiaries to pay dividends to us only out of their retained profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, our subsidiary in China is required to set aside a certain amount of its retained profits each year, if any, to fund certain statutory reserves. These reserves may not be distributed as cash dividends. Furthermore, when Zhejiang Yuhui or any newly formed subsidiaries incurs debt on its own behalf, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. For example, according to certain short-term loan agreements between Zhejiang Yuhui and its banks, Zhejiang Yuhui is not permitted to pay dividends for any given year if it has no after-tax profit or any principal or interest due in that year has not been paid. In addition, the new PRC Enterprise Income Tax Law and its Implementation Regulation, which became effective on January 1, 2008, eliminates the current enterprise income tax exemption for dividends derived by foreign investors from their directly invested enterprise in China, such as Zhejiang Yuhui, and imposes on the invested enterprise, an obligation to withhold a 10% tax on dividend distributions, if we, as the foreign investor of Zhejiang Yuhui, are considered as non-resident enterprises without any establishment or place within China or if the dividends payable have no connection with the establishment or place of the foreign investors within China.

Our board of directors has complete discretion as to whether to distribute dividends, subject to the approval of our shareholders. Even if our board of directors decides to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the board of directors may deem relevant. According to the terms of our RMB928,700,000 U.S. Dollar Settled 1% Convertible Bonds due 2012, if we pay any dividends, the conversion price of such bonds will be adjusted downward by multiplying a fraction, the numerator of which is the current market price per share of our company on the last trading day preceding the date on which the dividend is announced, or the market price of the preceding day, minus the fair market value of the dividend per share on the date of such announcement, and the denominator of which is the market price of the preceding day. If we pay any dividends, we will pay our ADS holders to the same extent as holders of our shares, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder. See “Description of American Depositary Shares.”

**CAPITALIZATION**

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

- on an actual basis;
- on an as adjusted basis to reflect the sale of \_\_\_\_\_ shares in the form of ADSs by us in this offering at an assumed public offering price of \$ \_\_\_\_\_ per ADS, the closing price of our shares on AIM on \_\_\_\_\_, 2008 and adjusted to account for the ratio of two shares per ADS, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us;
- on a pro forma as adjusted basis to reflect: (i) the conversion of approximately 10,485,231 shares pursuant to RMB928,700,000 U.S. Dollar Settled 1% Convertible Bonds due 2012 calculated based on the conversion price in effect on the date of this prospectus, and (ii) the sale of \_\_\_\_\_ shares in the form of ADSs by us in this offering at an assumed public offering price of \$ \_\_\_\_\_ per ADS, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us.

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

	As of September 30, 2007		
	Actual	As adjusted (in thousands)	Pro forma as adjusted
Convertible bonds payable	\$ 124,384	\$ 124,384	—
Long-term borrowings	6,657	\$ 6,657	\$ 6,657
<b>Shareholders’ equity:</b>			
Shares (no par value; 250,000,000 shares authorized and 100,000,032 shares issued and outstanding as of September 30, 2007)	36,266		
Additional paid-in capital <sup>(1)</sup>	14,157		
Retained earnings	48,729	48,729	48,729
Accumulated other comprehensive income	4,694	4,694	4,694
Total shareholders’ equity <sup>(1)</sup>	103,846		
<b>Total capitalization<sup>(1)</sup></b>	<b>\$ 369,509</b>	<b>\$</b>	<b>\$</b>

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

**DILUTION**

Our net tangible book value as of September 30, 2007 was approximately \$96.5 million, or \$0.97 per share, and \$1.93 per ADS. Net tangible book value per share represents the amount of total tangible assets (net of prepaid land rent), minus the amount of total liabilities, divided by the total number of shares outstanding. Dilution is determined by subtracting net tangible book value per share from the assumed public offering price per share.

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

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

	Per Ordinary Share	Per ADS
Assumed public offering price	\$	
Net tangible book value as of September 30, 2007	0.97	
Pro forma net tangible book value per share after giving effect to conversion of RMB928,700,000 U.S. Dollar Settled 1% Convertible Bonds due 2012		
Pro forma as adjusted net tangible book value per share after giving effect to conversion of RMB928,700,000 U.S. Dollar Settled 1% Convertible Bonds due 2012 and this offering		
Amount of dilution in net tangible book value to new investors in the offering	\$	

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

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

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

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Where:

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

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

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

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

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

The following table summarizes, on a pro forma basis as of September 30, 2007, the differences between the shareholders as of September 30, 2007 and the new investors with respect to the number of shares purchased from us, the total consideration paid and the average price per share paid at an assumed public offering price of \$ per ADS, assuming the conversion of approximately 10,485,231 shares pursuant to our convertible bonds calculated based on the conversion price in effect on the date of this prospectus and before deducting estimated underwriting discounts and commissions and estimated offering expenses. The total number of shares does not include ADSs issuable pursuant to the exercise of the over-allotment option granted to the underwriters.

	Shares Purchased		Total Consideration		Average Price Per Share	Average Price Per ADS
	Number	Percent	Amount	Percent		
Existing shareholders	(1)	%	\$	%	\$	\$
New investors			\$		\$	\$
<b>Total</b>		%	\$	%		

(1) Assuming the conversion of approximately 10,485,231 shares pursuant to RMB928,700,000 U.S. Dollar Settled 1% Convertible Bonds due 2012 calculated based on the conversion price in effect on the date of this prospectus.



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A \$1.00 increase in the assumed public offering price of \$ \_\_\_\_\_ per ADS would increase total consideration paid by new investors, total consideration paid by all shareholders, average price per share and per ADS paid by all shareholders by \$ \_\_\_\_\_ million, \$ \_\_\_\_\_ million, \$ \_\_\_\_\_ per share and \$ \_\_\_\_\_ per ADS, respectively, assuming the conversion of approximately 10,485,231 shares pursuant to our convertible bonds based on the conversion price in effect on the date of this prospectus and sale of \_\_\_\_\_ ADSs at \$ \_\_\_\_\_, after deducting underwriting discounts and commissions and other offering expenses payable by us.

A \$1.00 decrease in the assumed public offering price of \$ \_\_\_\_\_ per ADS would decrease total consideration paid by new investors, total consideration paid by all shareholders, average price per share and per ADS paid by all shareholders by \$ \_\_\_\_\_ million, \$ \_\_\_\_\_ million, \$ \_\_\_\_\_ per share and \$ \_\_\_\_\_ per ADS, respectively, assuming the conversion of approximately \_\_\_\_\_ shares of our convertible bonds based on the conversion price resulted from such decrease in the assumed public offering price (after taking into effect anti-dilution adjustments) and sale of \_\_\_\_\_ ADSs at \$ \_\_\_\_\_, after deducting underwriting discounts and commission and other offering expenses payable by us.

A 10% decrease in the assumed public offering price of \$ \_\_\_\_\_ per ADS would decrease total consideration paid by new investors, total consideration paid by all shareholders, average price per share and per ADS paid by all shareholders by \$ \_\_\_\_\_ million, \$ \_\_\_\_\_ million, \$ \_\_\_\_\_ per share and \$ \_\_\_\_\_ per ADS, respectively, assuming the conversion of approximately \_\_\_\_\_ shares of our convertible bonds based on the conversion price resulted from such decrease in the assumed public offering price (after taking into effect anti-dilution adjustments) and sale of \_\_\_\_\_ ADSs at \$ \_\_\_\_\_, after deducting underwriting discounts and commission and other offering expenses payable by us.

**EXCHANGE RATE INFORMATION**

Our business is conducted in China and a substantial portion of our revenues are denominated in RMB. However, periodic reports made to shareholders will be expressed in U.S. dollars using the then current exchange rates. This prospectus contains translations of RMB amounts into U.S. dollars at specific rates solely for the convenience of the reader. The conversion of RMB into U.S. dollars in this prospectus is based on the noon buying rate in The City of New York for cable transfers of RMB as certified for customs purposes by the Federal Reserve Bank of New York. Unless otherwise noted, all translations from RMB to U.S. dollars and from U.S. dollars to RMB in this prospectus were made at a rate of RMB7.4928 to \$1.00, the noon buying rate in effect as of September 28, 2007. We make no representation that any RMB or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or RMB, as the case may be, at any particular rate, the rates stated below, or at all. The PRC government imposes control over its foreign currency reserves in part through direct regulation of the conversion of RMB into foreign exchange and through restrictions on foreign trade. On January 8, 2008, the noon buying rate was RMB7.2670 to \$1.00.

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

Period	Noon Buying Rate			
	Period End	Average <sup>(1)</sup> (RMB Per \$1.00)	Low	High
2003	8.2767	8.2771	8.2800	8.2765
2004	8.2765	8.2768	8.2774	8.2764
2005	8.0702	8.1940	8.2765	8.0702
2006	7.8041	7.9579	8.0702	7.8041
2007	7.2946	7.5806	7.7714	7.2946
July	7.5720	7.5757	7.6055	7.5580
August	7.5462	7.5734	7.6181	7.5420
September	7.4928	7.5196	7.5540	7.4928
October	7.4682	7.5016	7.5158	7.4682
November	7.3850	7.4212	7.4582	7.3800
December	7.2946	7.3682	7.4120	7.2946
2008				
January (through January 8)	7.2670	7.2754	7.2946	7.2670

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

The conversion of pounds sterling into U.S. dollars in this prospectus is based on the noon buying rate in The City of New York for cable transfers of pounds sterling as certified for customs purposes by the Federal Reserve Bank of New York. Unless otherwise noted, all translations from pounds sterling to U.S. dollars and from U.S. dollars to pounds sterling in this prospectus were made at a rate of £1.00 to \$2.0389, the noon buying rate in effect as of September 28, 2007. We make no representation that any pounds sterling or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or pounds sterling, as the case may be, at any particular rate, the rates stated below, or at all. On January 8, 2008, the noon buying rate was £1.00 to \$1.9731.

The conversion of euros into U.S. dollars in this prospectus is based on the noon buying rate in The City of New York for cable transfers of euros as certified for customs purposes by the Federal Reserve Bank of New York. Unless otherwise noted, all translations from euros to U.S. dollars and from U.S. dollars to euros in this prospectus were made at a rate of €1.00 to \$1.4219, the noon buying rate in effect as of September 28, 2007. We make no representation that any euros or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or euros, as the case may be, at any particular rate, the rates stated below, or at all. On January 8, 2008, the noon buying rate was €1.00 to \$1.4717.

**MARKET PRICE INFORMATION**

In August 2006, our shares were admitted to trading on AIM, in conjunction with a placing of 33,333,333 shares at \$1.50 per share. AIM was launched in 1995 as an alternative investment market to the main London Stock Exchange. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies.

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

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

The following table sets forth, for the periods indicated:

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

	Price per share		Average daily trading volume	FTSE AIM All Share Index	
	High	Low		High	Low
	£			£	
2006 (from August 8)	4.77	0.79	1,131,083	10.55	9.73
Third quarter	1.94	0.79	954,798	10.54	10.01
Fourth quarter	4.77	1.80	1,255,367	10.55	9.73
2007	6.39	2.10	815,149	12.37	10.11
First quarter	6.39	4.12	656,726	11.46	10.46
January	5.90	4.12	628,912	10.79	10.46
February	6.39	5.30	734,523	11.43	10.88
March	5.25	4.74	613,815	11.46	10.81
Second quarter	5.71	4.36	756,848	12.26	11.44
April	5.62	4.36	711,608	11.81	11.44
May	5.32	4.75	862,926	12.13	11.77
June	5.71	5.35	691,700	12.26	11.97
Third quarter	5.52	2.10	1,051,842	12.37	10.64
July	5.52	4.74	418,209	12.37	11.81
August	4.51	2.10	1,670,869	11.79	10.64
September	3.62	2.25	1,067,909	11.14	10.84
Fourth quarter	4.94	2.99	792,446	11.51	10.11
October	4.85	2.99	1,100,963	11.51	11.15
November	4.75	3.32	634,937	11.44	10.35
December	4.94	3.53	601,356	10.49	10.11
2008					
January (through January 8)	4.96	4.45	605,288	10.56	10.44

## ENFORCEABILITY OF CIVIL LIABILITIES

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

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

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

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

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

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

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

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

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

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

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

**SELECTED CONSOLIDATED FINANCIAL DATA**

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

The following selected consolidated statements of income data for the years ended December 31, 2005 and 2006 and the six months ended June 30, 2007 and the selected consolidated balance sheet data as of December 31, 2005 and 2006 and June 30, 2007 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. Our consolidated financial statements are prepared and presented in accordance with U.S. GAAP, and reflect our current corporate structure as if it has been in existence throughout the relevant periods. The historical results are not necessarily indicative of results to be expected in any future period.

Our selected consolidated statement of income data for the period from August 7, 2003, the date of the inception of our predecessor entity to December 31, 2003 and the year ended December 31, 2004 and our consolidated balance sheets as of December 31, 2003 and 2004 have been derived from our unaudited consolidated financial statements, which are not included in this prospectus. Our selected consolidated statement of income data for the six months ended June 30, 2006 and the nine months ended September 30, 2006 and 2007 and the selected consolidated balance sheet data as of September 30, 2007 have been derived from our unaudited financial statements included elsewhere in this prospectus. Our unaudited consolidated financial statements have been prepared on the same basis as our audited consolidated financial statements.

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

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

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

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

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

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

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

### Overview

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

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

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

### Industry demand

The solar power market has grown significantly over the past decade. According to Solarbuzz, the global solar power market, as measured by annual solar power system installed capacities, grew at a CAGR of 42.2% from 427 MW in 2002 to 1,744 MW in 2006. In one of Solarbuzz's forecasts, annual solar power system installed capacities may further increase to 7,630 MW in 2011, and solar power industry revenue may increase from \$10.6 billion in 2006 to \$31.5 billion in 2011, which we believe is driven largely by surging market demand, rising product prices and government initiatives. See "Business—Our Industry" for a discussion of the factors affecting the growth of the solar power industry.

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

***Our manufacturing capacity***

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

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

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

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

We rely on a combination of supply contracts and framework agreements with our suppliers in order to secure a steady supply of raw materials. With the exception of a few contracts, our supply contracts generally have fixed quantity and fixed price. Our framework agreements provide for fixed quantity, but the pricing terms are subject to negotiations. Under the framework agreements, a purchase order is generally issued for each shipment of products. Moreover, to satisfy our raw material requirements, we secure silicon raw materials from some of our customers and sell solar wafers or ingots to them in return. We also provide some of our customers with wafer and ingot processing services. These agreements not only enhance the utilization rate of our manufacturing capacity and mitigate the risk of raw material price increases, they also strengthen our strategic partnerships with customers. We also source a portion of our silicon raw materials from the spot market from time to time depending on the price and our requirement.

Based on the supply agreements that we entered into over the last few years, including the more recent supply agreements, the prices of silicon raw materials have been increasing, which resulted in a material increase in our cost of revenues. See "Business—Raw Materials" for more details on the recent supply agreements we



entered into. For delivery of silicon raw materials in 2008, some of the agreements stipulate a fixed price below the current spot price, whereas other agreements stipulate a price at a percentage below the market price calculated on a periodic basis. We believe the expected increase in cost of revenues due to our contracts with a fixed price will be consistent with the historical increase that we have experienced. However, depending on the increase in the price of silicon raw materials in 2008, the increase in cost of revenues resulting from our contracts without a fixed price may be greater than the historical increase we have experienced.

To enhance our access to virgin polysilicon, in August 2007, we and Zhongsheng Steel established Linzhou Zhongsheng Semiconductor, a joint venture to engage in virgin polysilicon production in Linzhou, Henan Province, China. We have committed to invest approximately RMB102.9 million (\$13.7 million) in cash for a 49% interest and have paid \$8.0 million. We plan to pay the remaining \$5.7 million from our current cash and cash equivalents and anticipated cash flow from operations within one year. For the 51% interest in the joint venture, Zhongsheng Steel is obligated to contribute approximately RMB107.1 million (\$14.1 million) in the form of equipment, factory premises and land use rights. Production from the first phase with a planned annual capacity of 300 metric tons is expected to begin in the first quarter of 2008, and the estimated output in 2008 is 200 to 300 metric tons. The schedule for the construction of the second phase of 450 metric tons of annual capacity is currently under consideration. We have committed to purchase 90% of the joint venture's polysilicon output, which is expected to provide up to 15% of our silicon raw material requirements in 2008. Zhongsheng Steel is entitled to appoint three directors, while we are entitled to appoint two directors, the general manager and the finance manager.

***Advancement in process technologies***

Advancement in our process technologies is important to our financial performance, as it improves the production yields, reduces the manufacturing costs and enhances the quality and performance of our products. We have developed advanced processes for sorting, cleaning and testing reclaimable silicon, which enable us to process a wide range of reclaimable silicon raw materials that are difficult to process and are less expensive. Our experience in using reclaimable silicon raw materials, particularly semiconductor-grade silicon raw materials, enables us to produce silicon ingots and solar wafers comparable in quality and performance to those made from solar-grade virgin polysilicon. We have also developed other proprietary technologies in our wafer manufacturing processes. For example, we are able to produce more monocrystalline ingots by adding silicon raw materials in the furnaces after each production cycle without waiting for the furnaces to cool. This innovation enables us to increase the yield of our ingots, reduce electricity costs and enhance the utilization rate of our furnaces and consumables, such as crucibles. Our advanced technologies for using silicon powder to produce ingots expands the range of reclaimable silicon raw materials for our production. Furthermore, we have customized our manufacturing equipment and trained our employees to enhance our product quality and manufacturing efficiency while maintaining relatively low production costs.

***Product pricing***

Our wafer prices are based on a variety of factors, including silicon raw material costs, supply and demand conditions globally, the quality of our wafers, and the terms of our customer contracts, including sales volumes and the terms on which certain customers supply us with silicon raw materials under buy-and-sell arrangements. In 2005 and 2006, the average selling price of our wafers increased due to strong demand. The average selling price of our wafers remained relatively stable in the nine months ended September 30, 2007. We expect wafer prices to decline in the next few years due to increased production efficiencies, expected increases in global polysilicon supplies, declines in polysilicon prices and increased wafer manufacturing capacity in our industry.

***Product mix***

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

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

**Gross margin**

Our gross margin is affected by changes in our net revenues and cost of revenues. Our net revenues are determined by the average selling prices of our products, as well as MW of products that we are able to sell. Our cost of revenues is affected by our ability to manage raw material costs and to efficiently manage our manufacturing process. Our gross margin increased from 27.7% in 2005 to 29.3% in 2006. The increase was primarily due to our increased wafer production, which has higher margin, and discontinuance of module production, which has lower margin. Our gross margin decreased from 30.4% in the nine months ended September 30, 2006 to 22.2% in the nine months ended September 30, 2007. The decrease was due primarily to the increase in silicon raw material prices. We were able to alleviate some of the pressure on our gross margin by:

- controlling raw material costs through sourcing reclaimable silicon raw materials from various sources, and
- increasing production yield by enhancing process technologies and improving labor skills.

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

**Net revenues**

We derive revenue primarily from the sale of solar wafers and solar modules. To focus on the production and sale of solar wafers, we discontinued the sale of solar modules in April 2006. We also sold solar cells in 2005 and 2006 and silicon raw materials in 2006 and the nine months ended September 30, 2007 to meet our liquidity needs. In 2005, 2006 and the nine months ended September 30, 2007, we derived a portion of our revenues from the sale of ingots, when our ingot manufacturing capacity was larger than our wafer slicing capacity. In 2006, a portion of our revenues related to our disposition of solar cells after we discontinued the sale of solar modules. In 2006 and the nine months ended September 30, 2007, we also processed silicon raw materials into silicon ingots or solar wafers for customers and generated processing services revenues. Set forth below is the breakdown of our net revenues by product and service, in absolute amount and as a percentage of total net revenues, for the periods indicated.

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

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Our net revenues derived from product sales are net of valued-added tax, sales returns and exchanges. Factors affecting our net revenues derived from product sales include our unit sales volume and average selling prices. We increased sales of our solar wafers in 2006 and the nine months ended September 30, 2007 due to strong market demand and increased production output. We discontinued the sale of solar modules in April 2006 to focus on upstream solar power products as we believed our solar module business would face increased competition and margin pressure. Selling prices of our solar power products increased overall in 2006 from 2005 primarily due to increases in silicon raw material costs. Selling prices of our solar wafers remained relatively stable in the nine months ended September 30, 2007.

A substantial portion of our sales, particularly our sales to our major customers, including JA Solar Co., Ltd., Motech Industries Inc., Solarfun Power Holding Ltd. and Suntech Power Co. Ltd., are made under multiple-year framework agreements. The framework agreements typically stipulate the sales volumes and prices of our solar wafers for the first year in binding terms. The pricing terms, and sometimes the sales volumes, for subsequent years are subject to annual renegotiation. In addition, we have entered into one-year sales contracts with some of our customers which provide for an agreed sales volume at a fixed price. Compared to spot sales contracts, we believe our framework agreements and sales contracts not only provide us with better visibility into future revenues, but also help us enhance relationships with our customers. Generally the prices of our solar wafers are determined near the end of the previous year or at the time when the contracts or framework agreements are entered into. In 2005, 2006 and the nine months ended September 30, 2007, our sales contracts and framework agreements typically required our customers to make a prepayment depending on the credit status of our customers, market demand and the term of the contracts, with the remaining price to be paid within a short period after shipment.

In 2005, 2006 and the nine months ended September 30, 2007, our top five customers collectively accounted for 62.1%, 59.1% and 78.8%, respectively, of our net revenues. Sales to each of Konca Solar Energy (Wuxi) Co., Ltd., Motech Industries Inc. and Suntech Power Co. Ltd. accounted for over 10% of our net revenues in 2006. In the nine months ended September 30, 2007, sales to each of Motech Industries Inc., Solarfun Power Holding Ltd. and Suntech Power Co. Ltd. accounted for over 10% of our net revenues. Our largest customers have changed from 2005 to 2006, primarily because we discontinued the sale of solar modules in 2006. Changes in our product mix have also resulted in changes in our market concentration from year to year. For example, our sales to Europe decreased substantially in 2006 as we discontinued the sale of solar modules, the primary customers of which are based in Europe. Moreover, we entered into a contract to sell 18.9 MW of solar wafers in 2007 to Motech Industries Inc. with deliveries on a monthly basis. Accordingly, Motech Industries Inc. accounted for 28.1% of our net revenues in the nine months ended September 30, 2007. We determine the geographical market of our net sales based on the immediate destination of our shipped goods. The following table sets forth the breakdown of our net revenues by geographic market, in absolute amount and as a percentage of total net revenues, for the periods indicated.

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

**Cost of Revenues**

Our cost of revenues consists primarily of costs for:

- reclaimable silicon raw materials, including part-processed and broken wafers, broken solar cells, pot scrap, silicon powder, ingot tops and tails, and other off-cuts;
- consumables, including crucibles, steel sawing wires, chemicals and packaging materials;
- direct labor costs, including salaries and benefits for our manufacturing personnel;
- overhead costs, including equipment maintenance and utilities such as electricity and water used in manufacturing;
- depreciation of manufacturing facilities and equipment;
- processing fees, which we incurred for outsourcing the processing of ingots or wafers into solar cells before we discontinued the sale of solar modules; and
- warranty costs.

All the above costs increased from 2005 to 2006 and the nine months ended September 30, 2007, as we expanded our manufacturing capacity and increased our sales volume. The increase in our silicon raw materials costs was attributable to increases in prices of reclaimable silicon raw materials and purchase volume from 2005 to 2006 and the nine months ended September 30, 2007, as well as a change in raw material mix in 2007 as we purchased higher quality raw materials.

In 2005 and 2006, our cost of revenues included provisions for warranties in respect to our solar modules. We sold solar modules until April 2006 typically with a warranty for minimum power output of up to 20 years following the date of sale. We also provided a warranty for our solar modules against defects in materials and workmanship for a period of two years from the date of sale. We accrued warranty costs generated from solar module sales of approximately \$41,000, \$22,000 and nil in 2005, 2006 and the nine months ended September 30, 2007, respectively. We determine our warranty costs based on several factors. See “—Critical Accounting Policies—Warranty.” We do not provide similar warranty for our solar wafers.

**Operating Expenses**

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

***Sales and marketing expenses***

Sales and marketing expenses consist primarily of salaries, bonuses and benefits for our sales personnel, commission paid to our sales agents, expenses for attending industrial exhibitions and other sales and marketing expenses.

We expect our selling expenses to increase in the near term as we increase our sales efforts, hire additional sales personnel, and target new markets and initiate additional marketing programs to build our brand. However, because most of our wafers are sold under arrangements where our customers bear the transportation costs, absent other factors, we do not expect sales and marketing expenses to increase at a proportionate rate with increases in net revenues. Accordingly, as a result of economies of scale, sales and marketing expenses, as a percentage of net revenues, may decrease with increased sales.

***General and administrative expenses***

General and administrative expenses consist primarily of salaries, bonuses and benefits for our administrative and management personnel, consulting and professional service fees, travel, and related costs of

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our administrative and management personnel. In 2006 and the nine months ended September 30, 2007, we recognized share-based compensation expenses in connection with share awards to certain members of our management. In the nine months ended September 30, 2007, our general and administrative expenses increased due primarily to increased salaries and benefits as we hired more staff to manage our growing business, as well as expenses related to setting up our offices in Malaysia, Singapore and the United States. During the same period, we also experienced an increase in professional fees and compliance expenses as we became a public company listed on AIM. We expect our general and administrative expenses to continue to increase as we hire additional personnel and advisors and incur expenses to facilitate our listing in the United States and to support our future operations as a U.S. listed public company, including compliance-related costs.

### **Research and development expenses**

Research and development expenses primarily relate to equipment and raw materials used in our research and development activities, research and development personnel costs, and other costs related to the design, development, testing and enhancement of our products and processes. We did not incur research and development expenses in 2005. In 2006 and the nine months ended September 30, 2007, our research and development expenses amounted to approximately \$39,000 and \$0.2 million, respectively. We expect our research and development expenses to increase substantially in the near future as we hire more research and development personnel and devote greater resources to research and development efforts. Our research and development efforts are undertaken primarily to enhance our manufacturing processes, reduce manufacturing cost and enhance product performance.

### **Other Income and Expenses**

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

Our interest income represents interest on our cash balances. Our interest expenses relate primarily to our short-term borrowings from banks and our convertible bonds issued in March 2007, less capitalized interest expenses to the extent they relate to our capital expenditures.

Our foreign currency exchange gain or loss results from our net exchange gains and losses on our monetary assets and liabilities denominated in foreign currencies during the relevant period. Our functional currency is Renminbi. Foreign currency transactions have been translated into functional currency at the exchange rate prevailing on the date of transactions. Foreign currency denominated monetary assets and liabilities are translated into our functional currency at exchange rates prevailing on the balance sheet date. Due to the continued appreciation of Renminbi against U.S. dollar from 2005, we incurred foreign exchange losses when we held more U.S. dollar-denominated assets than our U.S. dollar-denominated liabilities. Our reporting currency is U.S. dollar. Assets and liabilities have been translated into our reporting currency using exchange rates prevailing on the balance sheet date. Income statement items have been translated into our reporting currency using the weighted average exchange rate for the relevant periods. Translation adjustments have been reported as a component of accumulated other comprehensive income in the consolidated balance sheets. In 2005 and the nine months ended September 30, 2007, we had foreign currency exchange losses of approximately \$2,000 and \$2.9 million, respectively. In 2006, we had a foreign exchange gain of \$0.4 million.

Other income and expenses primarily represent losses from the disposal of fixed assets and cash incentives received from the PRC government to support the solar power industry.

### **Taxation**

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

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

Zhejiang Yuhui, a foreign-invested enterprise engaged in manufacturing and established in Jiashan, which is within a coastal economic zone, was entitled to a preferential state enterprise income tax rate of 24% and a preferential local enterprise income tax of 2.4%, or an aggregate 26.4% tax rate, prior to January 1, 2008. As a foreign-invested enterprise in a manufacturing business with an authorized term of operation of more than ten years, Zhejiang Yuhui is entitled to a two-year exemption from the enterprise income tax from the first profitable year, which are 2005 and 2006, and to a 50% reduction of its applicable income tax rate for the following three years, which are 2007, 2008 and 2009. Accordingly, Zhejiang Yuhui was qualified for a preferential enterprise income tax rate of 13.2% for 2007.

In March 2007, the National People's Congress of China enacted a new Enterprise Income Tax Law, which became effective on January 1, 2008. The new tax law imposes a unified income tax rate of 25% on all domestic enterprises and foreign-invested enterprises unless they qualify under certain limited exceptions. Under the new tax law, Zhejiang Yuhui is subject to a state enterprise income tax rate of 25% as of January 1, 2008. In addition, enterprises that were established and already enjoyed preferential tax treatment before March 16, 2007 will continue to enjoy the original preferential tax exemptions or reductions until the expiration of the specified terms, except that the relevant exemption or reduction starts from January 1, 2008, if the first profitable year for the relevant enterprise is later than January 1, 2008. Therefore, Zhejiang Yuhui will continue to enjoy the above preferential tax exemption and reduction during such transition period.

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

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

Zhejiang Yuhui is also entitled to tax credits for up to 40% of the purchase price of certain domestic equipment purchases. Such tax credits can be used to offset up to the incremental amount of Zhejiang Yuhui's income tax compared to that of the year before such purchases, and the tax credit can be carried forward for up to seven years.

### **Critical Accounting Policies**

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

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

### **Revenue Recognition**

We recognize revenue when persuasive evidence of an arrangement with the customer exists, the product is shipped and title has passed, provided that we do not have significant post delivery obligations, the amount due from the customer is fixed or determinable and collectibility is reasonably assured. We extend credit terms only to a limited number of customers and receive cash for the majority of the sales transactions before delivery of products, which are recorded as advances from customers. For customers to whom credit terms are extended, we assess collectibility based on a number of factors, including past transaction history with the customer and creditworthiness of the customer.

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

### **Warranty**

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

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

We evaluate our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When these events occur, we measure impairment by comparing the carrying amount of the assets to future undiscounted net cash flows expected to result from the use of the assets and their eventual disposition. We recognize an impairment loss in the event the carrying amount exceeds the estimated future cash flows attributable to such assets, measured as the difference of the assets and the fair value of the impaired assets. There was no impairment of loss of long-lived assets in any of the years presented.

### **Income tax**

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

**Share-based compensation**

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

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

**Inventory**

Our inventory consists of raw materials, work-in-progress and finished goods. Silicon raw materials in our inventory mainly include unprocessed raw materials and scrap materials with low resistivity. We usually acquire reclaimable silicon raw materials in batches for a fixed price. Upon signing a purchase order for such materials, some of the raw materials contained within each batch may be of greater value than others and, as a result, we have implemented a process whereby the value of each batch is allocated to the various classes of raw materials contained within each batch. Specifically, the reclaimable raw materials are tested for resistivity on a piece-by-piece basis and are allocated into one of three different classes of raw materials: “waste,” having no future value; “scrap,” having low resistivity but some future alternative uses; and “qualified,” being ready for immediate use. The total purchase price for a given batch is then allocated based on these categories as follows: waste—zero; scrap—market value; and qualified—the residual amount of the fixed price of the batch. Our work-in-progress mainly includes qualified silicon raw materials that are being used as feedstock for ingot production and ingots. As of September 30, 2007, our inventory contains \$37.0 million of unprocessed reclaimable raw materials, \$1.8 million of scrap raw materials with low resistivity, \$39.8 million of qualified raw materials and \$15.7 million of ingots, wafers and other materials in inventory.

Our scrap raw material inventory was less than \$2 million as of December 31, 2006 and September 30, 2007. The market value of these materials is primarily based upon a limited number of sales transactions and reference to an independent website containing estimated values for comparable scrap raw materials.

We state inventory at the lower of cost or market value. Cost is determined by the first-in-first-out method. Cost comprises direct materials, direct labor and those overhead costs that have been incurred in bringing the inventories to their present location and conditions. Adjustments are recorded to write down the cost of obsolete and excess inventory to the estimated market value based on historical and forecast demand.



**Internal Control over Financial Reporting**

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

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

**Selected Quarterly Results of Operations**

The following table presents our unaudited consolidated quarterly results of operations for the seven quarterly periods ended September 30, 2007. You should read the following table in conjunction with our audited consolidated financial statements and related notes included elsewhere in this prospectus. We have prepared the unaudited consolidated quarterly financial information on the same basis as our audited consolidated financial statements. This unaudited consolidated financial information includes all adjustments, consisting only of normal recurring adjustments, that we consider necessary for a fair representation of our financial position and operating results for the quarters presented. Because our business is relatively new, our operating results for any particular quarter are not necessarily indicative of our future results. Furthermore, our quarterly operating results may fluctuate from period to period based on changes in customer demand and the seasonality of consumer spending and industry demand for solar power products. For additional risks, see "Risk Factors—Risks Related to Our Business."

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

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

For the seven quarters ended September 30, 2007, our net revenues grew quarter to quarter, primarily as a result of continued growth in the sale of our solar wafers and related products driven by strong market demand for solar wafers and the expansion of our manufacturing capacity. Our cost of revenue also increased quarter to quarter due primarily to increased cost of silicon raw materials.

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Our gross profit increased from quarter to quarter, except for the first quarter of 2007, which decrease was due primarily to growth in the prices of silicon raw materials. Our gross margin declined from the fourth quarter of 2006 to the third quarter of 2007, as compared with the previous quarters, reflecting increases in the cost of silicon raw materials primarily due to higher raw material prices while the average selling prices for our wafers remained relatively stable. The impact of the increase in the cost of silicon raw materials was partially offset by the effects of (i) reduction of processing fees paid to third parties after our establishment of in-house wafer-slicing capabilities in the third quarter of 2006, (ii) controlling raw material costs through sourcing of reclaimable silicon raw materials from various sources and (iii) increasing production yield by enhancing process technologies and improving labor skills.

Our income from operations increased from quarter to quarter, in line with our gross profit trend, except for the first quarter of 2007. On the non-operating expenses, our interest expenses increased in the second and third quarters of 2007 as a result of our issuance of convertible bonds in March 2007 and incurrence of more short-term and long-term borrowings in the nine months ended September 30, 2007. We also experienced a significant foreign exchange loss in the second quarter of 2007 primarily due to the appreciation of the Renminbi against the U.S. dollar and our holding of large amounts of U.S. dollar denominated assets.

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

**Results of Operations**

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

	Year Ended December 31,				For the Six Months Ended June 30,				For the Nine Months Ended September 30,			
	2005		2006		2006		2007		2006		2007	
	(in thousands, except percentages)											
Net revenues:												
Product sales	\$ 5,088	100.0%	\$ 78,515	93.1%	\$ 23,330	97.0%	\$ 76,195	94.8%	\$ 49,009	94.1%	\$ 143,996	94.2%
Processing services	—	0.0	5,856	6.9	712	3.0	4,193	5.2	3,090	5.9	8,931	5.8
Total net revenues	5,088	100.0	84,371	100.0	24,042	100.0	80,388	100.0	52,099	100.0	152,927	100.0
Cost of revenues:												
Product sales	(3,677)	(72.3)	(57,141)	(67.7)	(16,662)	(69.3)	(60,085)	(74.7)	(34,954)	(67.1)	(114,195)	(74.7)
Processing services	—	—	(2,505)	(3.0)	(210)	(0.9)	(2,201)	(2.7)	(1,298)	(2.5)	(4,855)	(3.2)
Total cost of revenues	(3,677)	(72.3)	(59,646)	(70.7)	(16,872)	(70.2)	(62,286)	(77.4)	(36,252)	(69.6)	(119,050)	(77.8)
Gross profit	1,411	27.7	24,725	29.3	7,170	29.8	18,102	22.6	15,847	30.4	33,877	22.2
Operating expenses:												
Sales and marketing	(210)	(4.1)	(335)	(0.4)	(204)	(0.8)	(263)	(0.3)	(250)	(0.5)	(416)	(0.3)
General and administrative	(356)	(7.0)	(2,285)	(2.6)	(566)	(2.4)	(2,765)	(3.4)	(1,518)	(2.9)	(5,119)	(3.3)
Research and development	—	—	(39)	0.0	(22)	(0.1)	(163)	(0.2)	(28)	—	(244)	(0.2)
Other general (expenses) income	(243)	(4.8)	169	0.2	15	0.1	89	0.1	155	0.3	335	0.2
Total operating expenses	809	15.9	2,490	3.0	777	3.2	(3,102)	(3.9)	1,641	3.1	5,444	3.6
Income from operations	602	11.8	22,235	26.4	6,393	26.6	15,000	18.7	14,206	27.3	28,433	18.6
Interest income	1	—	312	0.4	6	0.0	1,154	1.4	150	0.3	1,705	1.1
Interest expenses	(27)	(0.5)	(331)	(0.4)	(103)	(0.4)	(1,338)	(1.7)	(278)	(0.5)	(2,822)	(1.8)
Foreign exchange gain (loss)	(2)	—	364	0.4	(9)	0.0	(2,303)	(2.9)	223	0.3	(2,873)	(1.9)
Income before income tax	574	11.3	22,580	26.8	6,287	26.2	12,513	15.5	14,301	27.4	24,443	16.0
Income tax benefit	617	12.1	2,721	3.2	751	3.1	1,777	2.2	1,697	3.3	985	0.6
Minority interest	—	—	—	—	—	—	—	—	—	—	37	—
Net income attributable to equity holders	\$ 1,191	23.4%	\$ 25,301	30.0%	\$ 7,038	29.3%	\$ 12,690	15.7%	\$ 15,998	30.7%	\$ 25,465	16.7%

**Nine Months Ended September 30, 2006 Compared to Nine Months Ended September 30, 2007**

**Net revenues.** Our net revenues increased significantly from \$52.1 million in the nine months ended September 30, 2006 to \$152.9 million in the nine months ended September 30, 2007 due primarily to an increase in solar wafer sales. We discontinued the sale of solar modules in April 2006 to focus on the production and sale of solar wafers. We built up our wafer slicing capacity in 2006 and increased our annual manufacturing capacity of solar ingots to 215 MW as of September 30, 2007, which contributed to our significant revenue growth. As a result, our revenues generated from the sale of solar wafers increased from approximately \$32.6 million in the nine months ended September 30, 2006 to \$139.6 million in the nine months ended September 30, 2007, and our revenues derived from the sale of modules decreased from \$2.2 million to nil during the same period. We sold 15.2 MW and 61.9 MW of solar wafers in the nine months ended September 30, 2006 and 2007, respectively. We sold 0.5 MW and nil of solar modules in the nine months ended September 30, 2006 and 2007, respectively.

In the nine months ended September 30, 2006 and 2007, we derived a portion of our revenues from the sale of ingots, when our ingot manufacturing capacity was larger than our wafer slicing capacity. Our revenues generated from the sale of ingots decreased from \$9.1 million in the nine months ended September 30, 2006 to \$1.1 million in the nine months ended September 30, 2007 as we built up our wafer slicing capability. We also generated revenues of \$2.4 million from sale of solar cells in the nine months ended September 30, 2006 in connection with the purchase and sale of solar cells and the disposal of our solar cell inventories after we discontinued the sale of solar modules in April 2006. Our revenues generated from sale of silicon raw materials increased from \$2.7 million in the nine months ended September 30, 2006 to \$3.3 million in the nine months ended September 30, 2007.

In the nine months ended September 30, 2006 and 2007, \$3.1 million and \$8.9 million of our net revenues were generated from processing silicon raw materials into silicon ingots or solar wafers for customers. This increase is primarily due to increased demand from customers for such processing services.

**Cost of revenues.** Our cost of revenues increased from \$36.3 million in the nine months ended June 30, 2006 to \$119.1 million in the nine months ended September 30, 2007. Our reclaimable silicon raw material costs increased significantly due primarily to increases in silicon raw material prices and purchased volume, as well as a change in raw material mix as we purchased higher quality raw materials. In the nine months ended September 30, 2007, our average silicon cost per watt increased approximately 38.2% compared to the cost in the nine months ended September 30, 2006. Our costs of consumables, overhead costs, labor costs and depreciation also increased due to increased sales and processing services.

**Gross profit.** Our gross profit increased by \$18.1 million from \$15.8 million in the nine months ended September 30, 2006 to \$33.9 million in the nine months ended September 30, 2007. Our gross margin decreased from 30.4% in the nine months ended September 30, 2006 to 22.2% in the nine months ended September 30, 2007, primarily due to increases in the cost of reclaimable silicon raw materials as described above while prices of our wafers remained relatively stable. The impact of the increase in the cost of raw materials was offset in part by our efforts to (i) control raw material costs through sourcing reclaimable silicon raw materials from various sources, and (ii) increase production yield by enhancing process technologies and improving labor skills.

**Sales and marketing expenses.** Sales and marketing expenses increased from \$0.3 million in the nine months ended September 30, 2006 to \$0.4 million in the nine months ended September 30, 2007. The increase in sales and marketing expenses was primarily attributable to an increase in expenses for attending industrial exhibitions and advertising and promotion expenses and an increase in sales and marketing personnel as we expanded our wafer business. As a percentage of net revenues, sales and marketing expenses decreased from 0.5% in the nine months ended September 30, 2006 to 0.3% in the nine months ended September 30, 2007 primarily due to our increased scale, a decrease in commissions paid to sales agents because we engaged in more direct sales and a decrease in warranty costs as we discontinued the sale of solar modules in April 2006.

**General and administrative expenses.** General and administrative expenses increased from \$1.5 million in the nine months ended September 30, 2006 to \$5.1 million in the nine months ended September 30, 2007. The increase in our general and administrative expenses was primarily attributable to increased salaries, bonuses and benefits as we hired more staff to manage the manufacture and sale of multicrystalline wafers and our growing business, and our professional fees and compliance expenses increased as we became a public company listed on AIM. As a percentage of net revenues, general and administrative expenses increased from 2.9% in the nine months ended September 30, 2006 to 3.3% in the nine months ended September 30, 2007.

**Research and development expenses.** Research and development expenses increased from \$28,000 in the nine months ended September 30, 2006 to approximately \$0.2 million in the nine months ended September 30, 2007. The increase in our research and development expenses in the nine months ended September 30, 2007 included increases in salaries and benefits of our research and development employees, chemicals and other materials used in our research and development activities and depreciation of relevant equipment.

**Interest income and expenses.** Our interest income was \$0.1 million in the nine months ended September 30, 2006 compared to \$1.7 million in the nine months ended September 30, 2007. Our cash balances increased in the nine months ended September 30, 2007 compared to the same period in 2006, primarily due to the net proceeds we received from our issuance of convertible bonds, part of which were placed in interest-bearing deposit accounts. Our interest expenses increased from \$0.3 million in the nine months ended September 30, 2006 to \$2.8 million in the nine months ended September 30, 2007 primarily as a result of increased short-term and long-term borrowings to finance equipment purchases, construction of plants and the working capital requirements of our growing business, as well as interests on our convertible bonds issued in March 2007.

**Foreign exchange gain (loss), net.** We recognized a foreign exchange loss of \$2.9 million in the nine months ended September 30, 2007, compared to a foreign exchange gain of \$0.2 million in the nine months ended September 30, 2006. Our foreign exchange loss in the nine months ended September 30, 2007 was primarily due to the appreciation of the Renminbi against the U.S. dollar and increases in our U.S. dollar denominated assets, such as cash and cash equivalents and advances to suppliers. Our foreign exchange gain in the nine months ended September 30, 2006 was primarily due to the appreciation of Renminbi against the U.S. dollar and increases in our U.S. dollar dominated liabilities, such as advance from customers.

**Income tax benefit.** Our income tax benefit decreased from \$1.7 million in the nine months ended September 30, 2006 to \$1.0 million in the nine months ended September 30, 2007, primarily due to the utilization of tax credit carryforwards to offset the income tax of the current period and the increase in our deferred tax liabilities.

**Net income.** As a result of the foregoing, our net income increased from \$16.0 million, or 30.7% of net revenues, in the nine months ended September 30, 2006 to \$25.5 million, or 16.7% of net revenues, in the nine months ended September 30, 2007.

#### **Six Months Ended June 30, 2006 Compared to Six Months Ended June 30, 2007**

**Net revenues.** Our net revenues increased significantly from \$24.0 million in the six months ended June 30, 2006 to \$80.4 million in the six months ended June 30, 2007 due primarily to an increase in solar wafer sales. We discontinued the sale of solar modules in April 2006 to focus on the production and sale of solar wafers. We built up our wafer slicing capacity in 2006 and increased our annual manufacturing capacity of solar ingots to 165 MW as of June 30, 2007, which contributed to our significant revenue growth. As a result, our revenues generated from the sale of solar wafers increased from approximately \$14.3 million in the six months ended June 30, 2006 to \$72.1 million in the six months ended June 30, 2007, and our revenues derived from the sale of modules decreased from \$2.2 million to nil during the same period. We sold 6.9 MW and 32.6 MW of solar wafers in the six months ended June 30, 2006 and 2007, respectively. We sold 0.5 MW and nil of solar modules

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in the six months ended June 30, 2006 and 2007, respectively. As we entered into a contract to sell 18.9 MW of solar wafers to Motech Industries Inc. in 2007 with monthly deliveries, Motech Industries Inc. accounted for 42.9% of our net revenues in the six months ended June 30, 2007.

In the six months ended June 30, 2006 and 2007, we derived a portion of our revenues from the sale of ingots, when our ingot manufacturing capacity was larger than our wafer slicing capacity. Our revenues generated from the sale of ingots decreased from \$4.3 million in the six months ended June 30, 2006 to \$0.8 million in the six months ended June 30, 2007 as we built up our wafer slicing capability. We also generated revenues of \$1.9 million from sale of solar cells in the six months ended June 30, 2006 in connection with the purchase and sale of solar cells and the disposal of our solar cell inventories after we discontinued the sale of solar modules in April 2006. Our revenues generated from sale of silicon raw materials increased from \$0.6 million in the six months ended June 30, 2006 to \$3.3 million in the six months ended June 30, 2007.

In the six months ended June 30, 2006 and 2007, \$0.7 million and \$4.2 million of our net revenues were generated from processing silicon raw materials into silicon ingots or solar wafers for customers. This increase is primarily due to increased demand from customers.

**Cost of revenues.** Our cost of revenues increased from \$16.9 million in the six months ended June 30, 2006 to \$62.3 million in the six months ended June 30, 2007. Our reclaimable silicon raw material costs increased significantly due primarily to increases in sales volume and silicon prices. Our costs of consumables, overhead costs, labor costs and depreciation also increased due to increased sales and processing services.

**Gross profit.** Our gross profit increased by \$10.9 million from \$7.2 million in the six months ended June 30, 2006 to \$18.1 million in the six months ended June 30, 2007. Our gross margin decreased from 29.8% in the six months ended June 30, 2006 to 22.5% in the six months ended June 30, 2007, primarily due to increases in the cost of reclaimable silicon raw materials while prices of our wafers remained relatively stable. The impact of the increase in the cost of raw materials was offset in part by our efforts to (i) control raw material costs through sourcing a wider range of reclaimable silicon raw materials, and (ii) increase production yield by enhancing process technologies and improving labor skills.

**Sales and marketing expenses.** Sales and marketing expenses increased from \$0.2 million in the six months ended June 30, 2006 to \$0.3 million in the six months ended June 30, 2007. The increase in sales and marketing expenses was primarily attributable to an increase in expenses for attending industrial exhibitions and advertising and promotion expenses and an increase in sales and marketing personnel as we expand our wafer business. As a percentage of net revenues, sales and marketing expenses decreased from 0.8% in the six months ended June 30, 2006 to 0.3% in the six months ended June 30, 2007 primarily due to our increased scale, a decrease in commissions paid to sales agents because we engaged in more direct sales and a decrease in warranty costs as we discontinued the sale of solar modules in April 2006.

**General and administrative expenses.** General and administrative expenses increased from \$0.6 million in the six months ended June 30, 2006 to \$2.8 million in the six months ended June 30, 2007. The increase in our general and administrative expenses was primarily attributable to increased salaries, bonuses and benefits as we hired more staff to manage for the manufacture and sale of multicrystalline wafers and our growing business, and our professional fees and compliance expenses increased as we became a public company listed on AIM. As a percentage of net revenues, general and administrative expenses increased from 2.4% in the six months ended June 30, 2006 to 3.4% in the six months ended June 30, 2007.

**Research and development expenses.** Research and development expenses increased from \$0.02 million in the six months ended June 30, 2006 to approximately \$0.2 million in the six months ended June 30, 2007. Our research and development expenses in the six months ended June 30, 2007 included salaries and benefits of our research and development employees, chemicals and other materials used in our research and development activities and depreciation of relevant equipment.

**Interest income and expenses.** Our interest income was \$7,000 in the six months ended June 30, 2006 compared to \$1.2 million in the six months ended June 30, 2007. Our cash balances increased in the six months ended June 30, 2007 compared to the same period in 2006, primarily due to the net proceeds we received from our AIM listing and the issuance of convertible bonds, part of which were placed in interest-bearing deposit accounts. Our interest expenses increased from \$103,000 in the six months ended June 30, 2006 to \$1.4 million in the six months ended June 30, 2007 primarily as a result of increased short-term and long-term borrowings to finance equipment purchases, construction of plants and the working capital requirements of our growing business, as well as interests on our convertible bonds issued in March 2007.

**Foreign exchange gain (loss), net.** We recognized foreign exchange losses of \$9,000 and \$2.3 million in the six months ended June 30, 2006 and 2007, respectively. Our foreign exchange losses were primarily due to the appreciation of the Renminbi against the U.S. dollar and increases in our U.S. dollar denominated assets, such as cash and cash equivalents and advances to suppliers, in the six months ended June 30, 2007 compared to the six months ended June 30, 2006.

**Income tax benefit.** Our income tax benefit decreased from \$0.8 million in the six months ended June 30, 2006 to \$0.2 million in the six months ended June 30, 2007, primarily due to the utilization of tax credit carry forwards to offset the income tax of the current period and the increase in our deferred tax liabilities.

**Net income.** As a result of the foregoing, our net income increased from \$7.0 million, or 29.3% of net revenues, in the six months ended June 30, 2006 to \$12.7 million, or 15.6% of net revenues, in the six months ended June 30, 2007.

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

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

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

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

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

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

**General and administrative expenses.** General and administrative expenses increased from \$0.4 million in 2005 to \$2.3 million in 2006. The increase in our general and administrative expenses was attributable to increases in employee salaries and benefits as we hired more staff to manage our growing business, and share-based compensation with respect to the grant of restricted shares to certain members of our management. As a percentage of net revenues, general and administrative expenses decreased from 7.0% in 2005 to 2.7% in 2006 because of our increased scale.

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

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

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

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

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

### **Liquidity and Capital Resources**

We have financed our operations primarily through short-term borrowings, long-term borrowings, the proceeds from our initial public offering on AIM, the proceeds from our convertible bonds offering, equity contributions by our shareholders and cash generated from operations. As of December 31, 2005 and 2006 and September 30, 2007, we had \$0.4 million, \$9.9 million and \$68.9 million, respectively, in cash and cash equivalents, and \$0.7 million, \$14.7 million and \$81.2 million, respectively, in outstanding borrowings. In 2005, 2006 and nine months ended September 30, 2007, we had bank credit facilities of \$0.7 million, \$15.6 million and \$182.4 million, respectively, of which \$0.7 million, \$14.7 million and \$81.2 million were drawn down. As of December 31, 2005 and 2006 and September 30, 2007, nil, \$0.9 million and \$101.2 million were available under these facilities.



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As of December 31, 2005 and 2006 and September 30, 2007, we had outstanding short-term borrowings of \$0.7 million, \$14.7 million and \$74.6 million, respectively. These short-term borrowings expire at various times throughout the year. Our short-term borrowings outstanding as of December 31, 2005 and 2006 and September 30, 2007 were RMB-denominated and bore an weighted average interest rate of 7.3%, 6.0% and 5.8%, respectively. Some of our short-term borrowings are secured by our inventories, facilities and equipment. We have other short-term borrowings guaranteed by Mr. Li, our chief executive officer and director, and his wife. Furthermore, according to certain loan agreements, our operating subsidiary Zhejiang Yuhui is not permitted to pay dividends for any given year if it has no after-tax profit or any principal or interest due in that year has not been paid. See "Dividend Policy."

As of September 30, 2007, we had outstanding long-term loans of \$6.7 million. We obtained two long-term loans in RMB equivalent of approximately \$2.6 million and \$2.1 million in June 2007 and one long-term loan in RMB equivalent of approximately \$2.0 million in July 2007 from Industrial and Commercial Bank of China. The loans were used to finance the construction of our multicrystalline wafer facilities and purchase of equipment. All of our bank loans are unsecured and have variable interest rates tied to a percentage below the applicable benchmark interest rate set by the People's Bank of China. The loans in the amount of \$2.1 million, \$2.6 million and 2.0 million will be due for repayment upon maturity in 2009, 2010 and 2010, respectively. The weighted average interest rate for such loans was approximately 6.2% for the nine months ended September 30, 2007.

In August 2006, we raised net proceeds of \$46.3 million from share issuances in connection with our admission to AIM. We issued RMB928,700,000 U.S. Dollar Settled 1% Convertible Bonds due 2012 in March 2007. The bonds are convertible into our ordinary shares at an initial conversion price of £5.88 per share. The conversion price will be adjusted upon occurrence of certain events, including among others, issuance of our shares at a price below 95% of the current market price on the last trading day preceding the date of announcement of the terms of our offering. Current market price at a particular date is the average closing price of our AIM shares for the five consecutive trading days ending on the trading day immediately preceding such date. The bonds mature on March 26, 2012 at 105.9% of their principal amount plus accrued interest. We may redeem the bonds at any time on or after March 26, 2009, at a premium giving holders a yield of 2.125% per annum, compounded semi-annually, plus accrued interest. Holders may require us to redeem the bonds on March 26, 2010 at 103.47% of their principal amount plus accrued interest. As of September 30, 2007, the carrying value of our convertible bonds was \$124.4 million.

We have significant working capital commitments because many of our suppliers of silicon raw materials require us to make prepayments in advance of shipment. Due to the industry-wide shortage of polysilicon, working capital and access to financing to allow for the purchase of silicon raw materials are critical to growing our business. Our short-term borrowings increased primarily as a result of our need to fund our expanded working capital, including advances to suppliers and increases in our inventory. Our advances to suppliers increased significantly from \$1.2 million as of December 31, 2005 to \$17.0 million as of December 31, 2006 and \$34.4 million as of September 30, 2007 due to the significant expansion of our solar wafer manufacturing capacity and output. We expect that our inventories will continue to increase as our business grows.

We generally require customers to make prepayment before delivery. Accordingly, although our business has grown significantly, our accounts receivable only increased from \$0.2 million as of December 31, 2005 to \$0.7 million as of December 31, 2006 and \$5.6 million as of September 30, 2007. The increase in our accounts receivable as of September 30, 2007 compared to December 31, 2006 was primarily due to a delivery of our products to one of our major customers at the end of the third quarter of 2007. The payment for this delivery has since been received. Because of the prepayment requirements that we imposed on our customers, our allowance for doubtful accounts was not significant.

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

	Year Ended December 31,		Nine Months Ended	
	2005	2006	September 30,	2007
	(in thousands)			
Net cash provided by (used in) operating activities	\$ 1,082	\$ (15,499)	\$ (7,469)	\$ (56,226)
Net cash used in investing activities	(2,237)	(32,205)	(15,857)	(69,702)
Net cash provided by financing activities	1,499	57,218	55,085	182,255
Net increase in cash and cash equivalents	364	9,458	31,870	59,074
Cash and cash equivalents at the beginning of the year	40	404	404	9,862
Cash and cash equivalents at the end of the year	\$ 404	\$ 9,862	\$ 32,275	\$ 68,935

**Operating activities**

Net cash used in operating activities in the nine months ended September 30, 2007 was \$56.2 million, primarily attributable to (i) an increase in inventories of \$46.8 million as we expended substantially more cash to increase our inventories to meet production output, (ii) an increase in advances to suppliers of \$16.5 million to secure raw materials for our increased production output, (iii) an increase in prepaid expenses and other current assets of \$11.8 million primarily related to our entitlement to tax credits for the purchase of certain domestic equipment and our prepayment of income tax. The substantial cash outflow was offset in part by a net income of \$25.5 million. We believe the net cash outflow will continue, although we expect to fund our net cash outflow from drawing down our bank facilities and proceeds from this offering. Net cash used in operating activities in the nine months ended September 30, 2006 was \$7.5 million, partly attributable to an increase in inventories of \$22.0 million and an increase in advances to suppliers of \$12.8 million to secure raw materials for our increased production output, partly offset by a net income of \$16.0 million and an increase in advances from customers of \$30.0 million resulting from increased sales.

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

**Investing activities**

Net cash used in investing activities in the nine months ended September 30, 2007 was \$69.7 million, primarily due to the construction of our wafer and ingot processing plant and the purchase of production equipment, as well as advances for the purchase of production equipment and land use rights. Net cash used in investing activities in the nine months ended September 30, 2006 was \$15.9 million, primarily due to the purchase of production equipment, advances for the purchase of production equipment and the acquisition of factory premises.

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

**Financing activities**

Net cash provided by financing activities was \$182.3 million in the nine months ended September 30, 2007, primarily attributable to an increase in short-term borrowings (\$64.6 million in the nine months ended September 30, 2007) and the net proceeds of \$115.8 million received from our convertible bonds issued in March 2007.

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

**Capital Expenditures**

We had capital expenditures of \$0.3 million, \$2.2 million, \$17.6 million and \$62.5 million in 2004, 2005, 2006 and the nine months ended September 30, 2007, respectively. We had advances for purchases of property, plant and equipment of \$53,000, \$14.6 million and \$7.2 million in 2005, 2006 and the nine months ended September 30, 2007, respectively. As of December 31, 2006 and September 30, 2007, commitments outstanding for purchase of property, plant and equipment were \$29.6 million and \$126.3 million, respectively. Our capital expenditures were used primarily to build our wafer and ingot processing plant, purchase production equipment and acquire land use rights.

We expect our capital expenditures to increase in the future as we implement a business expansion program to capture what we believe to be an attractive market opportunity in the solar wafer industry. We estimate that our capital expenditures will be approximately \$196 million in 2008. As of December 31, 2007, we had annual ingot manufacturing capacity of approximately 378 MW, consisting of monocrystalline ingot manufacturing capacity of approximately 218 MW and multicrystalline ingot manufacturing capacity of approximately 160 MW, and solar wafer manufacturing capacity of approximately 305 MW. To meet the increasing demand for our solar wafers, we intend to increase our annual ingot manufacturing capacity to approximately 645 MW, consisting of monocrystalline ingot manufacturing capacity of approximately 325 MW and multicrystalline ingot manufacturing capacity of approximately 320 MW, and solar wafer manufacturing capacity to approximately 585 MW by the end of 2008.

We believe that our current cash and cash equivalents, anticipated cash flows from our operations, existing bank facilities and proceeds from this offering will be sufficient to meet our anticipated cash needs, including our cash needs for working capital and capital expenditures, in 2008. We may, however, require additional cash due to changing business conditions or other future developments, including any investments or acquisitions we have decided or may decide to pursue. If our existing cash is insufficient to meet our requirements, we may seek to sell additional equity securities, debt securities or borrow from lending institutions.

**Contractual Commitments**

In addition to our planned capital expenditures, we have also entered into substantial commitments for future purchases of silicon raw materials. Our actual silicon raw materials purchases in the future may exceed these amounts.

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The following table sets forth our contractual cash commitments as of December 31, 2006. The amount of short-term borrowings is the principal amount only.

Contractual Obligations	Payment Due by Period				
	Total	Less than 1 year	1-3 years (in thousands)	3-5 years	More than 5 years
Short-term borrowings	\$ 14,675	\$ 14,675	—	—	—
Interest related to borrowings	503	503	—	—	—
Purchase obligations <sup>(1)</sup>	29,561	28,953	\$ 608	—	—
Total	<u>\$ 44,739</u>	<u>\$ 44,131</u>	<u>\$ 608</u>	<u>—</u>	<u>—</u>

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

In addition to the contractual obligations and commercial commitments set forth above, we issued RMB928,700,000 U.S. Dollar Settled 1% Convertible Bonds due 2012 in March 2007 and are obligated to repay the principal of approximately RMB928.7 million (\$119.0 million) in March 2012 and make payment of 1% per annum interest semiannually from September 2007. We obtained two long-term loans in RMB equivalent of approximately \$2.6 million and \$2.1 million in June 2007 and one long-term loan in RMB equivalent of approximately \$2.0 million in July 2007, all from Industrial and Commercial Bank of China, which are unsecured and are due in 2009, 2010 and 2010, respectively. In January 2008, we obtained the RMB equivalent of approximately \$16.0 million from Bank of China, which are due in January 2010 and are secured by mortgages over some of our equipment and inventory and a guarantee provided by Mr. Xianshou Li, our director and chief executive officer, and his wife. All of the bank loans have variable interest rates tied to a percentage below the applicable benchmark interest rate set by the People's Bank of China.

Since December 31, 2006, we also entered into contracts to purchase equipment. As of September 30, 2007, we had payment obligations under equipment purchase contracts and construction contracts in the aggregate of \$126.3 million. In August 2007, we also entered into a joint venture contract with Zhongsheng Steel, pursuant to which we committed to purchase 90% of the joint venture's polysilicon output. The joint venture is expected to have a planned annual manufacturing capacity of 750 metric tons by the end of 2008.

### Off-balance Sheet Commitments and Arrangements

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

### Inflation

Since our inception, inflation in China has not materially impacted our results of operations. According to the National Bureau of Statistics of China, inflation as measured by the consumer price index in China was 3.9%, 1.8% and 1.5% in 2004, 2005 and 2006, respectively.

### Market Risks

#### Foreign exchange risk

Our sales in China are denominated in Renminbi and our export sales are generally denominated in U.S. dollars. Our costs and capital expenditures are largely denominated in Renminbi and foreign currencies, including U.S. dollars, Euros and Japanese Yen. Fluctuations in currency exchange rates, particularly between the U.S. dollar and Renminbi and between Euros and Renminbi, could have a significant impact on our financial condition and results of operations, affect our gross and operating profit margins, and result in foreign exchange and operating gains or losses.

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We incurred foreign currency exchange losses of approximately \$2,000 for the year ended December 31, 2005 and \$2.9 million for the nine months ended September 30, 2007, but a foreign exchange gain of \$0.4 million for the year ended December 31, 2006. We have employed derivative financial instruments to manage our exposure to fluctuations in foreign currency exchange rates, including forward exchange contracts to hedge the exchange rate risk arising from future costs and capital expenditures. We do not hold derivative financial instruments for trading purposes. Although we consider the use of a derivative portfolio to be an effective risk management tool, we did not apply hedge accounting. Such derivative instruments are marked to market and are recorded in the combined balance sheets as either an asset or liability, with changes in fair value recognized in the income statement in administrative and general expenses.

**Interest rate risk**

Our exposure to interest rate risk relates to interest expenses incurred by our short-term and long-term borrowings, RMB928,700,000 U.S. Dollar Settled 1% Convertible Bonds due 2012 and interest income generated by excess cash invested in demand deposits with original maturities of three months or less. We have not used any derivative financial instruments to manage our interest rate risk exposure due to lack of such financial instruments in China. Historically, we have not been exposed to material risks due to changes in interest rates; however, our future interest income may decrease or interest expenses on our borrowings may increase due to changes in market interest rates. We are currently not engaged in any interest rate hedging activities.

**Recent Accounting Pronouncements**

In June 2006, the Financial Accounting Standards Board, or FASB, issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes—an Interpretation of FASB Statement No. 109," or FIN 48, which clarifies the accounting for uncertainty in tax positions. This interpretation requires us to recognize and disclose in our financial statements the impact of a tax position if that position is more likely than not of being sustained on audit, based on the technical merits of the position. The provisions of FIN 48 applies to us from January 1, 2007, with the cumulative effect of the change in accounting principle, if any, recorded as an adjustment to opening retained earnings. We are still assessing the impact of the adoption of FIN 48 on our financial statements.

In June 2006, the FASB ratified Emerging Issues Task Force, or EITF, Issue No. 06-3, "How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (that is, Gross versus Net Presentation)," or "EITF 06-3," which allows companies to adopt a policy of presenting taxes in the income statement on either a gross or net basis. Taxes within the scope of this EITF issue would include taxes that are imposed on a revenue transaction between a seller and a customer. If such taxes are significant, the accounting policy should be disclosed as well as the amount of taxes within the scope of EITF 06-3 included in the financial statements if presented on a gross basis. EITF 06-3 is effective for interim and annual reporting periods beginning after December 15, 2006. We present tax on revenues on a net basis and consequently do not believe the adoption of EITF 06-3 will have any impact on our financial statements other than certain additional disclosures, if deemed necessary.

In September 2006, the FASB issued Statement of Financial Accounting Standards No.157, "Fair Value Measurements," or SFAS 157, which defines fair value, establishes guidelines for measuring fair value and expands disclosures regarding fair value measurements. SFAS 157 does not require any new fair value measurements but rather eliminates inconsistencies in guidance found in various prior accounting pronouncements. SFAS 157 applies to us from January 1, 2008. Earlier adoption is permitted, provided we have not yet issued financial statements, including for interim periods, for that fiscal year. We are still assessing the impact of the adoption of SFAS 157 on our financial statements.

In February 2007, the FASB issued SFAS 159, The Fair Value Option for Financial Assets and Financial Liabilities, an amendment of SFAS 115. This Statement permits entities to choose to measure many financial

instruments at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring different assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS 159 is effective for fiscal year beginning after November 15, 2007. The adoption of SFAS 159 is not expected to have a material impact on the Company's financial position or its results of operations.

## BUSINESS

### Overview

We are a leading Chinese manufacturer of solar wafers, which are thin sheets of crystalline silicon material primarily used in the production of solar cells. Our customers include some of the leading global manufacturers of solar cells and modules, such as JA Solar Co., Ltd., Motech Industries Inc., Solarfun Power Holding Ltd., Suntech Power Co. Ltd. and Topco Technologies Corp.

We have focused historically on manufacturing monocrystalline wafers and have accumulated extensive experience and expertise in developing and using monocrystalline wafer production technologies. We primarily offer 125 mm by 125 mm monocrystalline wafers with a thickness of 200 microns. In the second quarter of 2007, we also began to offer 156 mm by 156 mm monocrystalline wafers with a thickness of 200 microns. As part of our expansion plan, we began the production of multicrystalline wafers in the third quarter of 2007 at customers' requests. Monocrystalline cells are made from monocrystalline wafers. Solar power products that use monocrystalline cells generally yield higher conversion efficiencies. On the other hand, multicrystalline wafers are less expensive to produce and have less stringent raw material requirements. With our production of multicrystalline wafers, we expect to realize cost synergies by utilizing some of the silicon materials reclaimable from our monocrystalline wafer production process.

We possess one of the largest solar wafer manufacturing plants in China based on production output in 2006. As of December 31, 2007, we had annual ingot manufacturing capacity of approximately 378 MW, consisting of monocrystalline ingot manufacturing capacity of approximately 218 MW and multicrystalline ingot manufacturing capacity of approximately 160 MW, and solar wafer manufacturing capacity of approximately 305 MW. To further capitalize on rising global demand for solar wafers, we intend to increase our annual ingot manufacturing capacity to approximately 645 MW, consisting of monocrystalline ingot manufacturing capacity of approximately 325 MW and multicrystalline ingot manufacturing capacity of approximately 320 MW, and our solar wafer manufacturing capacity to approximately 585 MW by the end of 2008. However, we cannot assure you that we will achieve our 2008 expansion plan. See "Risk Factors—Risks Related to Our Business—Our dependence on a limited number of third-party suppliers for key manufacturing equipment could prevent us from timely fulfillment of customer orders and successful execution of our expansion plans."

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

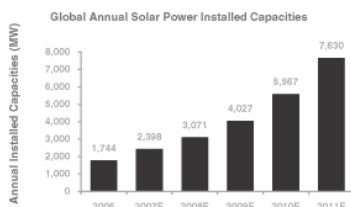
We believe we are well positioned to address the challenges presented by the current industry-wide shortage of silicon raw materials. We have established an extensive global network of suppliers and maintain dedicated procurement personnel in China, the United States and Singapore to facilitate close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

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

### Our Industry

Solar power is one of the rapidly growing renewable energy sources today, and the solar power market has grown significantly over the past decade. According to Solarbuzz, the global solar power market, as measured by

annual solar power system installed capacities, grew at a CAGR of 42.2% from 427 MW in 2002 to 1,744 MW in 2006. In one of Solarbuzz's forecasts, annual solar power system installed capacities may further increase to 7,630 MW in 2011, and solar power industry revenue may increase from \$10.6 billion in 2006 to \$31.5 billion in 2011.



Source: Solarbuzz, 2007.

**Key Growth Drivers**

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

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

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

- **Fuel Risk Advantage.** Unlike fossil fuels, solar energy has no fuel price volatility or supply constraints. In addition, because solar power relies solely on sunlight, it does not present similar delivery risks associated with fossil or nuclear fuels. Although the amount and timing of sunlight varies over the day, season and year, a properly sized and configured system can be designed to provide a highly reliable and long-term electricity supply.
- **Modularity and Location Advantage.** Unlike other renewable resources such as hydroelectric and wind power, solar power can be utilized anywhere there is sunlight and directly where the power will be used. As a result, solar power limits the expense of and energy losses associated with transmission and distribution from large-scale electric plants to the end users. Moreover, solar power products can be deployed in many different sizes and configurations to meet specific customer needs.
- **Reliability.** With no moving parts and no requirement for regular maintenance, solar power systems are among the most reliable forms of electricity generation.
- **Environmental Advantage.** Solar power products generate electricity without air or water emissions, noise, vibration, habitat impact or waste generation.
- **Peak Energy Use Advantage.** Since the maximum sunlight hours correspond to peak electricity demand periods, solar power is well-suited to match peak energy needs and is not subject to the seasonal availability problems typically faced by hydroelectric and wind power.

**Government Incentives for Solar Power.** Increasing environmental awareness and energy security concerns have resulted in governmental policies and regulations in many countries designed to accelerate the development



and adoption of solar power and other renewable energy sources. International environmental protection initiatives, such as the Kyoto Protocol for the reduction of overall carbon dioxide and other gas emissions, have also created momentum for government incentives encouraging solar power and other renewable energy sources.

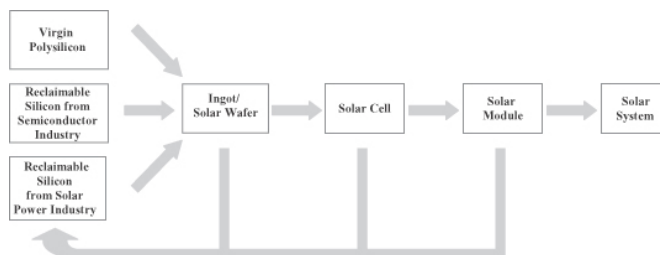
**The Solar Power Industry Value Chain**

Crystalline silicon-based technologies and thin-film technologies are the primary technologies currently used in the solar power industry. According to Solarbuzz, crystalline silicon-based solar cells represented 91.7% of the solar cell production in 2006, compared to 8.3% for thin-film-based solar cells.

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

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

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



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

**The Challenges Facing Solar Power**

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

*High Cost of Solar Electricity.* For most on-grid applications, the current overall cost of generating solar power electricity, when upfront capital costs are factored in, is greater than the cost of purchasing retail

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

*Shortages of Silicon Raw Materials.* Virgin polysilicon and reclaimable silicon are essential raw materials in the solar power supply chain. There is currently an industry-wide shortage of silicon raw materials, which is expected to continue in the near term. According to Solarbuzz, the average long-term supply contract price of virgin polysilicon increased from approximately \$35-\$40 per kilogram in 2005 to \$50-\$55 per kilogram in 2006, and is expected to increase to \$60-\$65 per kilogram in 2007. In addition, according to Solarbuzz, spot prices for virgin polysilicon were, in some cases, as high as \$300 per kilogram in 2006. Furthermore, as an increasing number of solar wafer manufacturers use more reclaimable silicon raw materials in their production to enhance raw material sufficiency and reduce manufacturing costs, prices of reclaimable silicon raw materials have also increased.

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

#### **Solar Wafer Industry**

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

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

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

There are two primary solar wafer technologies: monocrystalline silicon technology and multicrystalline silicon technology. According to Solarbuzz, monocrystalline and multicrystalline wafer-based cell production represented approximately 42% and 49% of the total solar power market in 2006 respectively.

- Monocrystalline silicon technology has the longest history among the different solar power production technologies. In monocrystalline technology, the basic silicon material is produced from a single seed

crystal, which is dipped in molten polysilicon and then pulled to become a single cylindrical ingot. The pulling process is also a purifying process, and the upper part of the ingot generally has higher purity. Ingots are then sliced into monocrystalline wafers. Monocrystalline-based solar power products are more expensive to produce than multicrystalline-based solar power products of similar dimensions. However, due to the uniform properties associated with using a single crystal, the conductivity of electrons in monocrystalline silicon is optimized, thus yielding higher conversion efficiencies. China offers a competitive advantage for monocrystalline wafer production because of low labor and consumable costs. According to Solarbuzz, high-efficiency monocrystalline modules achieved an average conversion efficiency rate of 14.7% in 2006, and in the first quarter of 2007 monocrystalline silicon wafer prices increased 12% from the first quarter of 2006.

- Multicrystalline silicon is made from casting polysilicon into ingot blocks. It consists of numerous smaller crystals and generally contains more impurities and crystal defects that impede the flow of electrons relative to monocrystalline silicon. While this results in a lower energy conversion efficiency, producing multicrystalline-based solar power products involves less labor and lower quality silicon feedstock, and is cheaper compared to producing monocrystalline-based solar power products of similar dimensions. According to Solarbuzz, high-efficiency multicrystalline modules achieved an average conversion efficiency rate of 13.2% in 2006, and in the first quarter of 2007 multicrystalline silicon wafer prices increased 10% from the first quarter of 2006.

The surface area of solar wafers is another key factor in determining how much incident light can be absorbed and converted into electricity. To reduce manufacturing costs during the current period of silicon shortage, solar wafer manufacturers strive to reduce the thickness of solar wafers without reducing the surface area as the production of thinner wafers uses less silicon per unit. Solar wafer manufacturers currently produce wafers primarily between 200 and 220 microns.

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

#### **Our Strengths**

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

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

We possess one of the largest solar wafer manufacturing plants in China based on production output in 2006. As of December 31, 2007, we had annual wafer manufacturing capacity of 305 MW. As solar wafer manufacturing capacity and output currently lag behind the manufacturing capacity and output of solar cell and module manufacturers, we believe the market provides significant expansion opportunities for solar wafer manufacturers. We have dedicated our resources to developing our core competencies in solar wafer manufacturing, which provides us with a strong base to expand into other sectors of the solar power industry.

We have focused on the production of monocrystalline wafers since we began manufacturing solar power products in 2005, and have accumulated extensive experience and expertise in developing and utilizing monocrystalline technologies. We believe that our advanced technological capabilities are evidenced by our ability to mass produce monocrystalline wafers with a thickness of 200 microns. To expand our product portfolio, we also began the manufacturing of multicrystalline wafers in the third quarter of 2007. We believe our in-depth understanding of our customers' needs, our expertise and our dual capability to produce monocrystalline and multicrystalline wafers provide us with a stronger market position.

***Strong Technology Development Capabilities***

We believe that we have one of the strongest research and development teams among solar wafer manufacturers in China, comprising over 20 experienced researchers and engineers. We have two patents and nine pending patent applications in China relating to our process technologies, including advanced processes for sorting, cleaning and testing reclaimable silicon. Our proprietary technologies, processes and know-how enable us to manufacture cost-effectively solar wafers from a wider range of reclaimable silicon raw materials compared to many of our competitors. We believe that this affords us significant advantages over those competitors as we are able to both procure less expensive raw materials and better weather the current industry-wide shortage of silicon raw materials. We have also developed proprietary methods of producing more monocrystalline ingots by adding silicon raw materials in the furnaces after each production cycle without waiting for the furnaces to cool. These innovations enable us to increase our manufacturing yield of ingots, reduce electricity costs and enhance the utilization rate of our furnaces. We have also developed technologies that allow us to use silicon powder to produce ingots, thereby further expanding the range of silicon raw materials for our production. Furthermore, we have customized our manufacturing equipment to enhance our product quality and manufacturing efficiency while keeping production costs relatively low.

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

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

We scale up our manufacturing capacity cost-effectively by taking advantage of the lower cost of facilities, equipment, utilities and labor in China compared to more developed countries. Leveraging our workforce of over 2,700 employees, who have been trained through our in-house training programs, our production process incorporates advanced technology and cost-effective manual techniques. For example, for the complicated ingot pulling process, we believe that we have one of the largest monocrystalline ingot pulling workforce in China, comprising of approximately 300 skilled employees. Furthermore, approximately 1,000 of our employees are involved in our silicon reclamation process, enabling us to recycle cost-effectively the raw materials we purchase. We are also able to lower our equipment procurement, transportation and installation costs by procuring some of our manufacturing equipment, principally for the manufacture of monocrystalline ingots, from suppliers in China. Located within one hour's drive of Shanghai, our manufacturing facilities' close proximity to the largest port in China provides us with cost and time advantages over some of our competitors. Our economies of scale and cost advantages have helped us achieve a strong record of profitability.

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

We have an established network of relationships with a variety of silicon raw materials suppliers. We purchase some feedstock directly from international semiconductor manufacturers and have established direct links with polysilicon producers. We also maintain close relationships with waste management companies and trading companies that have connections with semiconductor manufacturers, providing us with stable access to reclaimable silicon raw materials. To satisfy our raw material requirements, we also secure silicon raw materials from some of our customers and sell solar wafers to them in return under buy-and-sell arrangements. In addition, we also provide some of our customers with wafer and ingot processing services. These arrangements not only satisfy a portion of our raw material requirements and mitigate the risk of raw material price increases, but also strengthen our strategic partnerships with customers. We have dedicated procurement personnel in China, the United States and Singapore, and we believe our procurement team's geographic proximity to semiconductor manufacturers and polysilicon producers enables us to communicate with them in a timely manner and readily inspect the quality and quantity of supplies before shipment.

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

### ***Experienced Management Team***

We have an experienced management team with a vision for strategic planning and a successful track record of execution. Mr. Xianshou Li, our chief executive officer and founder, is a pioneer in the solar power industry in China. Our management team also consists of members with complementary managerial experience, industry background and international perspectives. Mr. Charles Xiaoshu Bai, our chief financial officer, has over 17 years of experience working in investment banks and multinational companies. Mr. Binghua Huang, our chief technology officer, has extensive experience in the research and application of solar power technologies. Dr. Panjian Li, our vice president of business development and chief executive officer of Renesola America, spent two years as a postdoctoral fellow at the University of Pennsylvania and has over ten years of experience working overseas. Our management team is also complemented by Mr. Ying Tao, our consultant, who has strong expertise in silicon raw materials production. Several key members of our management team have worked closely for several years, and their joint efforts led to our successful AIM admission in 2006. Our management team's strong industry expertise and execution capabilities have also enabled us to significantly ramp up our ingot and wafer production within a short period of time.

### **Our Strategies**

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

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

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

We plan to install additional monocrystalline furnaces, multicrystalline furnaces and wire saws to increase our total annual manufacturing capacities for monocrystalline ingots to approximately 325 MW, multicrystalline ingots to approximately 320 MW and solar wafers to approximately 585 MW by the end of 2008. We believe our increased economies of scale in manufacturing both monocrystalline and multicrystalline wafers will further enhance our operating efficiencies and cost advantage. In addition, we have signed purchase contracts to secure additional squaring machines and wire saws to increase our solar wafer manufacturing capacity to 325 MW by the end of the first quarter of 2008. We established a facility in Malaysia with an annual reclaimable silicon processing capacity of 1,000 metric tons.

**Complement Existing Business Through Upstream Integration**

We plan to expand upstream into polysilicon manufacturing to secure reliable long-term raw material supplies at a lower cost as compared to raw materials purchased under long-term supply contracts or from the spot market. We have established a joint venture in Linzhou, Henan Province, China to engage in the production of virgin polysilicon, with our company holding a 49% interest. Production from the first phase with a planned annual capacity of 300 metric tons is expected to begin in the first quarter of 2008, and the estimated output in 2008 is 200 to 300 metric tons. The schedule for the construction of the second phase of 450 metric tons of annual capacity is currently under consideration. We have committed to purchase 90% of the joint venture's production output, which will help us meet some of our raw material requirements from our wafer business.

We believe that the expertise and experience gained from the joint venture will provide us with a solid foundation to further expand into this sector of the solar power industry. We have taken steps to build a polysilicon production facility in Meishan, Sichuan Province, China, and our subsidiary, Sichuan ReneSola Silicon Material Co., Ltd., was established in Sichuan Province in August 2007. We expect that the facility will have a planned annual manufacturing capacity of 1,500 metric tons and that the trial production will begin in 2009. In September 2007, we entered into a contract with Chemical Equipment Engineering Limited to purchase major equipment for our polysilicon production facility in Meishan, Sichuan Province, China, in the aggregate amount of €22.2 million (\$31.6 million). We also entered into several equipment purchase contracts with other suppliers. We plan to use advanced equipment to ensure that the facility will achieve the expected efficiency and realize other technical and cost synergies. We believe that a combination of lower polysilicon cost from in-house production, cost savings from reclaimable silicon raw materials from our production process and the low cost of reclaimable silicon raw materials we purchase from third parties will provide us with significant cost advantages over many of our competitors.

**Continue to Pursue Technological Innovation**

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

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

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

**Further Develop Silicon Procurement Capabilities**

Our future success depends largely on our ability to reliably and cost-effectively secure silicon raw materials. In addition to our upstream expansion into polysilicon production, we will continue to pursue a diversified and flexible procurement program to manage our supply quantities and raw materials costs. Capitalizing on our procurement team's existing domestic and overseas presence, we will seek to maintain and

expand our network of suppliers. We will enhance direct relationships with semiconductor manufacturers to ensure a consistent supply of semiconductor-grade reclaimable silicon raw materials. We will also continue our buy-and-sell arrangements with and processing services for some customers to satisfy part of the raw materials requirements for our expanded manufacturing capacity.

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

We will leverage our track record with top customers to attract new customers. Asia accounted for a majority of our sales in 2006 and the nine months ended September 30, 2007. We will continue our focus on Asian markets, particularly China, where many leading solar cell and module manufacturers are located. We will strengthen existing relationships and cultivate new relationships with leading solar cell and module manufacturers. With the expansion of our capacity and the addition of larger solar wafers and multicrystalline wafers to our product portfolio, we will be able to offer our major customers with a diversified selection of solar wafers to satisfy their needs.

**Our Products**

We develop, manufacture and sell solar wafers, which are thin sheets of crystalline silicon material primarily made by slicing monocrystalline or multicrystalline ingots. We offer monocrystalline wafers in sizes of 125 mm by 125 mm with a thickness of 200 microns and 156 mm by 156 mm with the same thickness at customers' requests, which are two of the standard specifications used by most solar cell manufacturers. Currently 200 micron wafers are the thinnest wafers used by most solar cell manufacturers in China, and we believe we are one of the few wafer manufacturers in China capable of slicing 200 micron wafers on a large scale. We began the production of 156 mm by 156 mm multicrystalline wafers with a thickness of 220 microns in the third quarter of 2007.

**Manufacturing**

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

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

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

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

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

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

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

#### **Ingot Production**

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

We installed our first ten multicrystalline furnaces and began the trial production of multicrystalline ingots in the third quarter of 2007. To produce multicrystalline ingots, the molten silicon is changed into a block through a casting process in the multicrystalline furnaces. Crystallization starts by gradually cooling the crucibles in order to create multicrystalline ingot blocks. The resulting ingot blocks consist of multiple smaller crystals as opposed to the single crystal of a monocrystalline ingot. Compared to a monocrystalline furnace, more silicon raw materials can be placed into a multicrystalline furnace, which shortens the ingot production cycle. As a result, the output of a multicrystalline furnace is higher than that of a monocrystalline furnace.

#### **Wafer Slicing**

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

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

#### **Manufacturing Capacity**

Since we commenced our manufacturing of solar wafers, we have significantly expanded our manufacturing capacity to meet the increasing demand for our solar wafers. We installed our first eight monocrystalline furnaces in September 2005. We expanded our ingot manufacturing capacity by installing 82 additional monocrystalline furnaces in 2006. As of December 31, 2007, we had 226 monocrystalline furnaces and 32 multicrystalline furnaces installed with an annual capacity of approximately 218 MW and 160 MW, respectively, of monocrystalline and multicrystalline ingots. In addition, as of December 31, 2007, we had 77 wire saws, which are sufficient to slice 305 MW of solar wafers. We are still in the process of arranging for additional power supply for the operation of several of our newly installed equipment. In addition, several of our newly installed furnaces are in the process of undergoing software upgrades. We purchased monocrystalline furnaces from China and wire saws overseas, including Japan and Switzerland. We possess one of the largest monocrystalline wafer plants in China based on production output in 2006.



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In 2006 and the nine months ended September 30, 2007, we had ingot and wafer manufacturing output of approximately 38.9 MW and 73.9 MW, respectively, including ingots and wafers which were processed in connection with our processing services. For the nine months ended September 30, 2007, we processed 11.3 MW of ingots and wafers in connection with our processing services.

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

Manufacturing Facility		Annual Manufacturing Capacity as of December 31, 2007	Expected Annual Manufacturing Capacity as of December 31, 2008
Ingot	— Monocrystalline	218 MW	325 MW
	— Multicrystalline	160 MW	320 MW
Wafer		305 MW	585 MW

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

**Facilities**

We conduct our research, development and manufacturing of solar wafers at our facilities in Jiashan, China, where we occupy a site area of approximately 183,000 square meters as of December 31, 2007. On this site, there are completed manufacturing facilities and office premises occupying an area of approximately 105,000 square meters and additional manufacturing facilities, office premises and dormitories under construction occupying an area of 78,000 square meters. We own the facilities completed and under construction and own the right to use the relevant land for the durations described below (including capacities and major equipment):

Facility No.	Construction Area (square meters)	Duration of Land Use Right	Products	Annual Manufacturing Capacities as of December 31, 2007	Expected Annual Manufacturing Capacities as of December 31, 2008	Major Equipment
1	36,000	January 2007 to November 2053 (a plot of 22,000 square meters); May 2006 to November 2053 (a plot of 18,000 square meters); and October 2006 to October 2056 (a plot of 23,000 square meters)	monocrystalline ingots	165 MW	165 MW	Monocrystalline Furnaces <sup>(1)</sup>
			monocrystalline wafers	165 MW	165 MW	NTC Wire Saws
2	25,000	January 2007 to December 2056	multicrystalline ingots	160 MW	320 MW	ALD Multicrystalline Furnaces
			multicrystalline wafers	140 MW	300 MW	Meyer Burger Wire Saws
3	*	July 2007 to July 2057	monocrystalline ingots	53 MW	160 MW	Monocrystalline Furnaces <sup>(2)</sup>
			monocrystalline wafers	—	120 MW	HCT Wire Saws

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

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

\* Facilities have recently been constructed and are still in the process of construction completion inspection. According to the applicable law and practice in China, the accurate construction area number will be available after the construction completion inspection and related procedures.

We believe that our existing facilities, together with our facilities under construction, are adequate for our expansion plan in 2008. We are in the process of acquiring the right to use two parcels of land of approximately 67,000 square meters and 32,000 square meters, respectively, adjacent to the current site. We have not developed a definitive plan for the use of these two parcels of land.

**Raw Materials**

The key raw material for our production is silicon feedstock. Currently, we produce solar wafers primarily using reclaimable silicon raw materials sourced from the semiconductor industry. During the current industry-wide shortage of silicon raw materials, we seek to procure our raw materials from diversified sources and have established an international network of silicon raw materials suppliers. We maintain close relationships with silicon waste management companies and trading companies. These companies generally have connections with semiconductor manufacturers and provide us with stable access to semiconductor-grade reclaimable silicon raw materials.

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

For the nine months ended September 30, 2007, we purchased a monthly average of approximately 70 metric tons of silicon raw materials. Our top five suppliers collectively accounted for over 40% of the silicon raw material supplies procured in 2006 and the nine months ended September 30, 2007, respectively. Shangrao Desheng was the only supplier that accounted for more than 10% of the silicon raw material supplies procured in 2006 and the nine months ended September 30, 2007. Historically, a majority of our reclaimable silicon raw materials and virgin polysilicon inventory are purchased under supply contracts with one year or shorter durations or under purchase orders.

In October 2007, we entered into a supply contract with Sichuan Yongxiang Polysilicon Co. Ltd., under which Sichuan Yongxiang Polysilicon Co. Ltd. agreed to supply 200 metric tons, 500 metric tons and 3,000 metric tons of polysilicon to us in 2008, 2009 and 2010, respectively, and an aggregate of 9,000 metric tons from 2011 to 2013, with the price tied to a percentage below the market price calculated each quarter. In October 2007, we entered into a supply contract with Daqo New Material Co., Ltd., under which Daqo New Material Co., Ltd. agreed to supply to us 150 to 200 metric tons of polysilicon in 2008 at a fixed price and an aggregate of 1,800 metric tons of polysilicon from 2009 to 2012 with prices to be negotiated each quarter. In July 2007, we entered into a supply contract with Shangrao Desheng, under which Shangrao Desheng agreed to supply us with 240 metric tons of reclaimable silicon raw materials in 2008, with the price subject to renegotiation if the change of the market price exceeds a benchmark provided in the contract. We have also entered into other short-term supply contracts, providing for approximately 488 metric tons of silicon raw materials for 2008.

We plan to expand upstream into polysilicon manufacturing to secure reliable long-term raw material supplies at a lower cost as compared to raw materials purchased under long-term supply contracts or from the spot market. We have established a joint venture in Linzhou, Henan Province, China to engage in the production of virgin polysilicon, with our company holding a 49% interest. Production from the first phase with a planned annual capacity of 300 metric tons is expected to begin in the first quarter of 2008, and the estimated output in 2008 is 200 to 300 metric tons. The schedule for the construction of the second phase of 450 metric tons of annual capacity is currently under consideration. We have committed to purchase 90% of the joint venture's production output, which will help us meet some of our raw material requirements from our wafer business.

We believe that the supply contracts we entered into as of the date of this prospectus, the estimated output of 200 metric tons from our joint venture in Linzhou and the raw materials secured under our processing service arrangements could provide us with more than two-thirds of our estimated silicon raw material requirements for 2008, based on our silicon consumption rate of 6.7 grams per watt we achieved in the third quarter of 2007. With respect to a specified period, the silicon consumption rate equals the amount of inventory that we used to produce solar wafers divided by the wattage equivalent of the wafers we produced, excluding the wafers that we produced under our wafer slicing services provided to our customers. However, we cannot assure you that our joint venture will achieve the estimated output or that we will achieve the assumed consumption rate in 2008. See "Risk Factors—Risks Related to Our Business."

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

## **Customers and Sales**

We currently sell our solar wafers primarily to solar cell and module manufacturers. Our customers include some of the global industry leaders, including JA Solar Co., Ltd., Motech Industries Inc., Solarfun Power

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Holding Ltd., Suntech Power Co. Ltd. and Topco Technologies Corp. We derived 67.1% and 58.1% of our sales from customers in China in 2006 and the nine months ended September 30, 2007, respectively. In 2006 and the nine months ended September 30, 2007, our top five customers collectively accounted for approximately 59.1% and 78.8%, respectively, of our total sales. Sales to each of Konca Solar Energy (Wuxi) Co., Ltd., Motech Industries Inc. and Suntech Power Co. Ltd., accounted for over 10% of our net revenues for 2006. In the nine months ended September 30, 2007, sales to each of Motech Industries Inc., Solarfun Power Holding Ltd. and Suntech Power Co. Ltd. accounted for over 10% of our net revenues, with sales to each of Motech Industries Inc. and Suntech Power Co., Ltd. representing over 20% of our net revenues.

In 2006 and the nine months ended September 30, 2007, a majority of our sales have been made to companies based in Asia, primarily to leading solar cell and module companies in China and Taiwan. We will continue our focus on this region, particularly China, where many leading solar cell and module manufacturers are located. With the expansion of our capacity and the addition of larger solar wafers and multicrystalline wafers to our product portfolio, we will be able to offer our major customers with a diversified selection of solar wafers to satisfy their needs.

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

	Year Ended December 31,				Nine Months Ended September 30,			
	2005		2006		2006		2007	
	(in thousands, except percentages)							
China	\$ 1,365	26.8%	\$ 56,591	67.1%	\$ 35,889	68.9%	\$ 88,862	58.1%
Taiwan	—	0.0	14,706	17.4	6,560	12.6	51,884	33.9
Korea	—	0.0	6,942	8.2	6,000	11.5	5,844	3.8
Rest of Asia	21	0.4	1,543	1.8	1,286	2.4	4,235	2.8
Germany	3,338	65.6	1,990	2.4	1,774	3.4	56	—
Others	364	7.2	2,599	3.1	590	1.2	2,046	1.4
Total	\$ 5,088	100%	\$ 84,371	100%	\$ 52,099	100.0%	\$ 152,927	100.0%

A substantial portion of our sales, particularly our sales to our major customers, are made under multiple-year framework agreements. The framework agreements typically provide for the sales volumes and price of our solar wafers for the first year, which terms are binding. The pricing terms, and sometimes the sales volumes, for subsequent years are subject to annual renegotiation. In addition, we have entered into one-year sales contracts with some of our customers which provide for an agreed sales volume at a fixed price. Some of our customers also make their purchases by purchase orders. We recently entered into framework contracts with JA Solar Co. Ltd., Jietion Holding Limited and Suntech Power Co., Ltd. for delivery of solar wafers starting 2008.

Under our buy-and-sell arrangements with some of our customers, we obtain silicon raw materials from these customers, and sell solar wafers to them in return. The payment we make for the silicon raw materials and the payment our customers make for the solar wafers are generally settled separately, in line with market practice. Since 2006, we have also entered into wafer processing arrangements with certain customers, under which we process, into ingots or wafers, the silicon raw materials provided by the customers, and charge them wafer processing fees.

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

In September 2007, we entered into a framework sales contract with Suntech Power Co. Ltd., under which it agreed to purchase at least 60 MW of solar wafers in 2008 with the price subject to renegotiation if the change in

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the market price exceeds a benchmark price provided in the contract. This framework sales contract also provides for the sale of at least 450 MW of solar wafers from 2009 to 2011, which terms are not binding as the price and the quantity of solar wafers are subject to annual negotiation.

In December 2007, we entered into a framework sales contract with JA Solar Co. Ltd., under which JA Solar Co. Ltd. agreed to purchase an aggregate of 80 MW and 520 MW of monocrystalline wafers from July 2008 to June 2010 and from July 2010 to August 2013, respectively. The prices of our solar wafers under this contract for deliveries from July 2008 to December 2009 are fixed, and the prices for subsequent deliveries are subject to renegotiation if the change in the market price exceeds a benchmark price provided in the contract.

### **Quality Control**

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

As of December 31, 2007, we had a dedicated team of 267 employees overseeing our quality control processes, who also work collaboratively with our sales team to provide customer support and after-sale services. We emphasize gathering customer feedback for our products and addressing customer concerns in a timely manner.

### **Research and Development**

We focus our research and development efforts on improving our manufacturing efficiency and the quality of our products. As of December 31, 2007, our research and development team consisted of 26 experienced researchers and engineers. In addition, some of our manufacturing employees regularly participate in our research and development programs. A part of our research and development occurs at our solar power technology development center, which is outfitted with advanced equipment for the study of solar power.

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

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

### **Intellectual Property**

As of the date of this prospectus, we had two patents and nine pending patent applications in China. These patents and patent applications as listed below relate to the technologies utilized in our manufacturing processes.

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We intend to continue to assess appropriate opportunities for patent protection of critical aspects of our technologies.

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

We also rely on a combination of trade secrets and employee contractual protections to establish and protect our proprietary rights. We believe that many elements of our solar power products and manufacturing processes involve proprietary know-how, technology or data that are not covered by patents or patent applications, including technical processes, equipment designs, algorithms and procedures. We take security measures to protect these elements. All of our research and development personnel have entered into confidentiality agreements with us. These agreements address intellectual property protection issues and require our employees to assign to us all of the inventions, designs and technologies that they develop when utilizing our resources or when performing their employment-related duties.

We filed trademark registration applications for "ReneSola" and relevant designs with the PRC Trademark Office and U.S. Patent and Trademark Office in 2006, and with the Japan Patent Office and EU Office of Harmonization for the Internal Market in 2007.

## Competition

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

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

Our competitors include specialized solar wafer manufacturers such as LDK Solar Co., Ltd., Jiangsu Shunda PV-Tech Co., Ltd. and Jinggong P-D Shaoxing Solar Energy Technology Co., Ltd. Our competitors also include solar wafer manufacturing divisions of large conglomerates engaging in solar wafer manufacturing such as Deutsche Solar AG, Kyocera Corporation and M. SETEK Co. Ltd. Many of our competitors have a longer operating history, stronger market position, greater resources, better name recognition and better access to silicon raw materials than we do. Many of our competitors also have more established distribution networks and larger customer bases. In addition, many of our competitors are developing and are currently producing products based on alternative solar power technologies, such as thin-film technologies, that may reduce the dependence on solar wafers for use in solar power products.

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

#### **Environmental Matters**

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

#### **Employees**

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

#### **Insurance**

We maintain property insurance policies with insurance companies covering our equipment, facilities, buildings and building improvements. These insurance policies cover losses due to fire, explosion, flood and a wide range of other natural disasters. Insurance coverage for our properties and inventory in China amounted to approximately RMB169.3 million (\$22.5 million) as of September 30, 2007. We do not maintain product liability insurance or business interruption insurance. We consider our insurance coverage to be in line with other manufacturing companies of similar size in China.

#### **Legal Proceedings**

Since February 2007, we have received complaints from one of our former customers regarding defective solar modules in several shipments that were sold in 2005. The shipments were in an aggregate of approximately \$1.4 million. We are in dispute over the alleged defects. Any proven defects could lead to return or refund of our products under our warranties, cause us to incur additional costs and divert the attention of our personnel from our operations. If we do not reach an amicable settlement with such party, we may proceed to arbitration as stipulated in our contracts over the alleged defective goods. We cannot assure you that we will prevail at the outcome of the arbitration.

We are not involved in any litigation or other legal proceedings that would have a material adverse impact on our business or operations. We may from time to time be subject to various judicial or administrative proceedings arising in the ordinary course of our business.

## REGULATION

### Renewable Energy Law and Other Government Directives

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

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

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

### Environmental Regulations

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

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

### Restriction on Foreign Ownership

The principal regulation governing foreign ownership of solar power businesses in the PRC is the Foreign Investment Industrial Guidance Catalogue, effective as of January 1, 2005, or Catalogue. The Catalogue classifies the various industries into four categories: encouraged, permitted, restricted and prohibited. As confirmed by the government authorities, Zhejiang Yuhui, our operating subsidiary, is engaged in an encouraged industry. Zhejiang Yuhui is, accordingly, entitled to preferential treatment granted by the PRC government authorities, such as exemption from tariffs on equipment imported for its own use.



**Tax**

PRC enterprise income tax is calculated primarily on the basis of taxable income determined under PRC accounting principles. As a foreign-invested enterprise in a manufacturing business with an authorized term of operation of no less than ten years, Zhejiang Yuhui is entitled to a two-year exemption from the enterprise income tax from the first profitable year, which are 2005 and 2006, and to a 50% reduction of its applicable income tax rate for the succeeding three years, which we expect will be 2007, 2008 and 2009. To enjoy the above preferential treatment, the authorized operation duration of Zhejiang Yuhui shall be no less than 10 years.

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

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

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

**Waste Importation Regulations**

We frequently import reclaimable silicon raw materials. China has established a regime regulating the import of waste materials into China. The major laws and regulations include the Law of the People's Republic of China on Prevention of Environmental Pollution Caused by Solid Waste and the Provisional Measures on the Prevention of Environmental Pollution Regarding Import of Waste Materials. Under these laws and regulations, waste materials are categorized as "permitted," "restricted" or "prohibited." If certain imported material is recognized as waste material and is not categorized as "permitted" or "restricted," it generally will be deemed as "prohibited" for import. The prohibited waste materials are not allowed to be imported into China. The import of restricted waste material is subject to the approval of relevant authorities, including environmental protection authorities.

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

#### **Regulation of Foreign Currency Exchange and Dividend Distribution**

**Foreign Currency Exchange.** The principal regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations (1996), as amended, and the Administration Rules of the Settlement, Sale and Payment of Foreign Exchange (1996). Under these regulations, Renminbi are freely convertible for current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions, but not for most capital account items, such as direct investment, loan, repatriation of investment and investment in securities outside China, unless the prior approval of the SAFE or its local counterparts is obtained. In addition, any loans to our operating subsidiaries in China, each is a foreign invested enterprise, cannot, in the aggregate, exceed the difference between their respective approved total investment amount and their respective approved registered capital amount. Furthermore, any foreign loan must be registered with SAFE or its local counterparts for the loan to be effective. Any increase in the amount of the total investment and registered capital must be approved by the PRC Ministry of Commerce or its local counterpart. We may not be able to obtain these government approvals or registrations on a timely basis, if at all, which could result in a delay in the process of making these loans.

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

**Dividend Distribution.** The principal regulations governing the distribution of dividends by foreign holding companies include the Foreign Investment Enterprise Law (1986), as amended, and the Administrative Rules under the Foreign Investment Enterprise Law (2001).

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

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

Moreover, Notice 75 applies retroactively. As a result, PRC residents who have established or acquired control of offshore companies that have made onshore investments in the PRC in the past are required to

complete the relevant registration procedures with the local SAFE branch by March 31, 2006. Under the relevant rules, failure to comply with the registration procedures set forth in Notice 75 may result in restrictions being imposed on the foreign exchange activities of the relevant onshore company, including the increase of its registered capital, the payment of dividends and other distributions to its offshore parent or affiliate and capital inflow from the offshore entity, and may also subject relevant PRC residents to penalties under PRC foreign exchange administration regulations.

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

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

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

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

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

- CSRC currently has not issued any definitive rule or interpretation concerning whether offerings like ours under this prospectus are subject to this new procedure; and
- In spite of the above, given that we have completed our restructuring and established an offshore holding structure before September 8, 2006, the effective date of the new regulation, this regulation does not require that an application be submitted to CSRC for its approval of the listing and trading of our ADSs on the New York Stock Exchange, unless we are clearly required to do so by possible later CSRC rules.

#### **Intellectual Property Rights**

##### ***Patent***

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

- Convention establishing the World Intellectual Property Organization (WIPO Convention) (June 4, 1980);
- Paris Convention for the Protection of Industrial Property (March 19, 1985);
- Patent Cooperation Treaty (January 1, 1994); and

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

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

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

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

PRC law provides that anyone wishing to exploit the patent of another must conclude a written licensing contract with the patent holder and pay the patent holder a fee. One rather broad exception to this, however, is that, where a party possesses the means to exploit a patent for inventions or utility models but cannot obtain a license from the patent holder on reasonable terms and in a reasonable period of time, the PRC State Intellectual Property Office (SIPO) is authorized to grant a compulsory license. A compulsory license can also be granted where a national emergency or any extraordinary state of affairs occurs or where the public interest so requires. No compulsory license, however, has been granted by the SIPO up to now. The patent holder may appeal such decision within three months from receiving notification by filing a suit in a People's Court.

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

#### **Trademark**

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

## MANAGEMENT

**Directors and Executive Officers**

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

<b>Directors and Executive Officers</b>	<b>Age</b>	<b>Position/Title</b>
Martin Bloom	55	Chairman, Independent Director
Xianshou Li	39	Director and Chief Executive Officer
Yuncai Wu	40	Director and Vice President
Jing Wang	59	Independent Director
Binghua Huang	65	Director and Chief Technology Officer
Charles Xiaoshu Bai	46	Chief Financial Officer
Cheng-Hsien Yeh	38	Chief Operating Officer
Panjian Li	44	Vice President

**Directors**

*Mr. Martin Bloom* has been our independent director since July 2006 and has served as our chairman of the board since September 2006. Mr. Bloom is currently the chairman of the China UK Venture Capital Joint Working Group and special advisor for Asia of Argopol Capital Partners, a international telecom and media convergence venture capital fund. He has also been a partner of Cambridge Accelerator Partners LLP, a venture fund since August 2004. From 1996 to 1997, he worked for Coopers & Lybrand as project manager of the International Business and Industrial Secondments (IBIS) Scheme, a technology transfer scheme between the United Kingdom and Japan on behalf of the Department of Trade & Industry of the United Kingdom. Mr. Bloom has a bachelor's degree with honors in economics from the University of Southampton and a master's degree in history jointly from Imperial College and University College, London.

*Mr. Xianshou Li* has been our director and chief executive officer since March 2005. Prior to founding our solar power business in 2005, Mr. Li founded Yuhuan Solar Energy Source Co. Ltd., a manufacturer of solar cell and module products for both commercial and residential applications and served as the chairman since its inception. Mr. Li also served as the general manager of Yuhuan County Solar Energy Co., Ltd., a manufacturer of mini solar panels and solar cell modules from 2002 to 2006. He worked as a government official in the Yuhuan County Culture Bureau from 1997 to 2000. Mr. Li received his bachelor's degree in industrial engineering management from Zhejiang Industrial University in 1991.

*Mr. Yuncai Wu* has been our director since March 2005 and has served as our vice president since November 2007. He was our chief operating officer from May 2006 to October 2007. Mr. Wu has been a director of Zhejiang Yunhuan Solar Energy Source Co. Ltd. since its inception in 2004. Mr. Wu worked with the Yuhuan County Government from 1999 to 2005, first as a section chief in Industrial and Economic Committee from 1999 to 2001 and then as a section chief in the Bureau of Economic and Trade from 2001 to 2005. Mr. Wu received his bachelor's degree in computer science from Zhejiang University in 1988.

*Mr. Jing Wang* has been our independent director since June 2006. Mr. Wang is currently the chief economist at Minsheng Bank. He is also an adviser for the United Nations Development Program. He currently serves as an independent director at Tianjin Binhai Energy & Development Co., Ltd., an energy company listed on the Shenzhen Stock Exchange in China, and Tianjin Marine Shipping Co., Ltd., a shipping company listed on the Shanghai Stock Exchange in China. From 2001 to 2003, he was the general manager of Tianjin Investment Company, a company that invests in the energy sector. From 1999 to 2001, he was a deputy director of Securities

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and Futures Administrative Office of Tianjin. Mr. Wang received his bachelor's degree in finance from the Tianjin University of Finance & Economics in 1982 and his master's degree in international finance from the University of Paris in 1983.

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

### **Executive Officers**

*Mr. Charles Xiaoshu Bai* has been our chief financial officer since May 2006. Prior to joining us, Mr. Bai worked for over 16 years with investment banks and multinational companies. From 2003 to 2005, he worked as the chief financial officer of Fenet Software. From 2001 to 2002, he worked as a vice president of Tractebel Asia Co. Ltd., an energy company based in Thailand. From 1997 to 2001, Mr. Bai worked as a finance director of Ogden Energy Asia Pacific Co. Ltd., an energy company based in Hong Kong. At Tractebel and Ogden, Mr. Bai successfully completed a number of cross border mergers and acquisitions and project finance transactions. He was an associate director of Deutsche Bank in Hong Kong from 1995 to 1997 specializing in project and export finance. Mr. Bai received his bachelor's degree in economics from China Southwestern University of Finance and Economics in 1983 and his MBA degree from IMD Business School in 1989.

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

*Dr. Panjian Li* has been our vice president of business development and chief executive officer of Renesola America since November 2006. Dr. Li worked with the International Society for Bioceramics as the research and development manager and president from 2002 to 2006 and as scientist from 1996 to 2002. Dr. Li received his bachelor's degree in metallurgy and his master's degree in ceramics from Zhejiang University in 1984 and 1986, respectively. Dr. Li received his Ph.D. in biomaterials from Leiden University in the Netherlands in 1993. He spent two years as a postdoctoral fellow at the University of Pennsylvania from 1994 to 1995. Dr. Li is the inventor or co-inventor of six U.S. patents in material chemistry and has published numerous papers in international publications.

The address of our directors and executive officers is c/o ReneSola Ltd, No. 8 Baoqun Road, YaoZhuang, Jiashan, Zhejiang 314117, People's Republic of China.

### **Employment Agreements**

We have entered into employment agreements with each of our senior executive officers. We may terminate a senior executive officer's employment for cause, at any time, without prior notice or remuneration, for certain

acts of the officer, including, but not limited to, a material violation of our regulations, failure to perform agreed duties, embezzlement that causes material damage to us, or conviction of a crime. A senior executive officer may terminate his or her employment at any time by prior written notice. Each senior executive officer is entitled to certain benefits upon termination, including a severance payment equal to a specified number of months of his or her then salary, if he or she resigns for certain good reasons specified by the agreement or the relevant rules or if we terminate his or her employment without a cause as above.

#### **Board of Directors**

Our board of directors currently consists of five directors. A director is not required to hold any shares in the company by way of qualification. A director may vote with respect to any contract, proposed contract or arrangement in which he is materially interested. A director may exercise all the powers of the company to borrow money, mortgage its undertaking, property and uncalled capital, and issue debentures or other securities whenever money is borrowed or as security for any obligation of the company or of any third party.

#### **Committees of the Board of Directors**

We have an audit committee and a compensation committee under the board of directors. Prior to the closing of this offering, we intend to establish a corporate governance and nominating committee. We have adopted a new charter for each of the three committees. Each committee's members and functions are described below.

*Audit Committee.* Our audit committee consists of Messrs. Martin Bloom, Jing Wang and Mr. Xianshou Li. Messrs. Martin Bloom and Jing Wang satisfy the "independence" requirements of the New York Stock Exchange Listing Rules and Securities and Exchange Commission regulations. The audit committee oversees our accounting and financial reporting processes and the audits of the financial statements of our company. The audit committee is responsible for, among other things:

- selecting the independent auditors and pre-approving all auditing and non-auditing services permitted to be performed by the independent auditors;
- reviewing with the independent auditors any audit problems or difficulties and management's response;
- reviewing and approving all related party transactions on an ongoing basis;
- discussing the annual audited financial statements with management and the independent auditors;
- reviewing major issues as to the adequacy of our internal controls and any special audit steps adopted in light of material control deficiencies;
- annually reviewing and reassessing the adequacy of our audit committee charter;
- meeting separately and periodically with management and the independent auditors; and
- reporting regularly to the board of directors.

*Compensation Committee.* Our compensation committee consists of Messrs. Martin Bloom and Jing Wang. Messrs. Martin Bloom and Jing Wang satisfy the "independence" requirements of the New York Stock Exchange Listing Rules and Securities and Exchange Commission regulations. The compensation committee discharge the responsibility of the board in reviewing and approving the compensation structure, including all forms of compensation, relating to our directors and executive officers. Our chief executive officer may not be present at any committee meeting during which his compensation is deliberated. The compensation committee is responsible for, among other things:

- reviewing and evaluating at least annually and, if necessary, revising the compensation plans, policies and programs adopted by our management;

- reviewing and evaluating at least annually the performance, and determining the compensation, of our chief executive officer;
- reviewing and approving our chief executive officer's employment agreement and amendments thereto, and severance arrangement, if any; and
- reviewing all annual bonus, long-term incentive compensation, stock option, employee pension and welfare benefit plans.

*Corporate Governance and Nominating Committee.* Our corporate governance and nominating committee will consist of Messrs. Martin Bloom, Jing Wang and Xianshou Li. Messrs. Martin Bloom and Jing Wang satisfy the independence requirements of the New York Stock Exchange Listing Rules and Securities and Exchange Commission regulations. The corporate governance and nominating committee will assist the board of directors in selecting individuals qualified to become our directors and in determining the composition of the board and its committees. The corporate governance and nominating committee will be responsible for, among other things:

- recommending to our board of directors for nomination or appointment by the board such candidates as the committee has found to be qualified to be elected or reelected to serve as our members of our board or its committees or to fill any vacancies on our board or its committees, respectively;
- reviewing annually the composition of our board of directors and its committees in light of the characteristics of independence, qualification, experience and availability of the board members;
- developing and recommending to our board of directors a set of corporate governance guidelines and principles applicable to the company; and
- monitoring compliance with the company's code of business conduct and ethics, including reviewing the adequacy and effectiveness of our internal rules and procedures to ensure compliance with applicable laws and regulations.

#### **Duties of Directors**

Under British Virgin Islands law, our directors have a duty of loyalty to act honestly and in good faith with a view to our best interests. Our directors also have a duty to exercise the skill they actually possess and such care and diligence that a reasonably prudent person would exercise in comparable circumstances. In fulfilling their duty of care to us, our directors must ensure compliance with our memorandum and articles of association. A shareholder has the right to seek damages if a duty owed by our directors is breached. You should refer to "Description of Share Capital—Differences in Corporate Law" for additional information on our standard of corporate governance under British Virgin Islands law.

#### **Terms of Directors and Officers**

Our officers are appointed by and serve at the discretion of the board of directors. At each annual general meeting, one-third of our directors then existing, or if their number is not a multiple of three, then the number nearest to and not exceeding one-third, will be subject to re-election. The directors to retire by rotation shall be those who are longest in office since their election, or by lot should they be of the same seniority. On the basis of the foregoing and the assumption that no director wishes to retire from office, Mr. Yuncai Wu will be subject to re-election in the first annual general meeting following this offering; Mr. Binghua Huang and Mr. Jing Wang are of the same seniority, and one of them will be subject to re-election in the second and third annual general meetings following this offering, respectively; Mr. Martin Bloom will be subject to re-election in the fourth annual general meeting following this offering; and Mr. Xianshou Li will be subject to re-election in the fifth annual general meeting following this offering.



## Compensation of Directors and Executive Officers

For the fiscal year ended December 31, 2007, we estimate that we paid an aggregate of \$0.9 million in cash to our senior executive officers and directors.

## Share Incentive Plan

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

*Administration.* Our 2007 share incentive plan is administered by our board of directors or, after our board of directors makes the designation, by our compensation committee. In each case, our board of directors or our compensation committee will determine the provisions, terms and conditions of each option grant, including, but not limited to, the option vesting schedule, repurchase provisions, forfeiture provisions, form of payment upon settlement of the award and payment contingencies.

*Awards.* The following paragraphs briefly describe the principal features of the various awards that may be granted under our 2007 share incentive plan.

- *Options.* Options provide for the right to purchase our ordinary shares at a price and period determined by our compensation committee in one or more installments after the grant date.
- *Restricted Shares.* A restricted share award is the grant of our ordinary shares determined by our compensation committee. A restricted share is nontransferable, unless otherwise determined by our compensation committee at the time of award and may be repurchased by us upon termination of employment or service during a restricted period. Our compensation committee shall also determine in the award agreement whether the participant will be entitled to vote the restricted shares or receive dividends on such shares.
- *Restricted Share Units.* Restricted share units represent the right to receive our ordinary shares at a specified date in the future, subject to forfeiture of such right. If the restricted share unit has not been forfeited, then on the date specified in the award agreement, we shall deliver to the holder unrestricted ordinary shares which will be freely transferable.

*Termination of plan.* Unless terminated earlier, our 2007 share incentive plan will expire in September 2017. Our board of directors has the authority to amend or terminate our 2007 share incentive plan subject to shareholders' approval to the extent necessary to comply with applicable laws and regulations. However, no such action shall adversely affect in any material way any award previously granted without the prior written consent of the recipient.

## Share Options

As of the date of this prospectus, our board of directors has granted certain of our directors, officers and employees options for 4,450,000 ordinary shares in our company. The following paragraphs describe the principal terms of our options.

*Option agreement.* Options granted under our 2007 share incentive plan are evidenced by an option agreement that contains, among other things, provisions concerning exercisability and forfeiture upon termination of employment arrangement, as determined by our board.

*Vesting schedule.* Options granted under our 2007 share incentive plan generally vest over a five-year period following a specified grant date. We have two types of vesting schedules. Some of our options vest on a monthly

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basis over a five-year period. Other options vest on a yearly basis. For the options that vest on a yearly basis, twenty percent of the options granted vest at the first anniversary of the grant date and the remaining eighty percent shall vest at the second, third, fourth and fifth anniversary of the grant date, subject to the optionee continuing to be an employee on each vesting date.

*Option exercise.* The term of options granted under our 2007 share incentive plan may not exceed the sixth anniversary of the specified grant date.

*Termination of options.* Where the option agreement permits the exercise of the options that were vested before the recipient's termination of service with us, or the recipient's disability or death, the options will terminate to the extent not exercised or purchased on the last day of a specified period or the last day of the original term of the options, whichever occurs first.

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

Name	Ordinary Shares Underlying Outstanding Options	Exercise Price (£/Share)	Grant Date	Expiration Date
Xianshou Li	—	—	—	—
Yuncai Wu	—	—	—	—
Charles Xiaoshu Bai	1,250,000	£2.985 or \$6.069	October 9, 2007	October 9, 2013
Martin Bloom	—	—	—	—
Jing Wang	—	—	—	—
Binghua Huang	—	—	—	—
Panjian Li	1,250,000	£2.985 or \$6.069	October 9, 2007	October 9, 2013
Cheng-Hsien Yeh	500,000	£3.600 or \$7.365	October 18, 2007	October 18, 2013
Directors and executive officers as a group	3,000,000			
Other individuals as a group	1,250,000	£2.985 or \$6.069	October 9, 2007	October 9, 2013
	200,000 <sup>(1)</sup>	£3.355 or \$6.900	November 30, 2007	November 30, 2013

(1) Includes 100,000 ordinary shares underlying options which have been granted to Ms. Xiahe Lian, Mr. Xianshou Li's wife.

**PRINCIPAL AND SELLING SHAREHOLDERS**

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

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

Percentage of beneficial ownership of each listed person prior to the offering is based on 100,000,032 outstanding shares. Percentage of beneficial ownership of each listed person after the offering is based on outstanding shares immediately after the closing of this offering, assuming the underwriters do not exercise their over-allotment option.

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

	Shares Beneficially Owned Prior to This Offering		Shares Being Sold in This Offering		Shares Beneficially Owned after This Offering	
	Number	%	Number	%	Number	%
<b>Directors and Executive Officers:</b>						
Xianshou Li <sup>(1)</sup>	39,468,019	39.5				
Yuncai Wu <sup>(2)</sup>	20,332,010	20.3				
Charles Xiaoshu Bai <sup>(3)</sup>	305,555	0.3				
Martin Bloom	—	—	—	—	—	—
Jing Wang	—	—	—	—	—	—
Binghua Huang <sup>(4)</sup>	20,000	0.0	—	—	20,000	0.0
Cheng-Hsien Yeh <sup>(5)</sup>	44,031	0.0	—	—	44,031	0.0
Panjian Li <sup>(6)</sup>	123,333	0.1				
All Directors and Executive Officers as a Group	60,292,948	60.2				
<b>Principal and Selling Shareholders:</b>						
Ruixin Holdings Limited <sup>(7)</sup>	39,468,019	39.5				
Yuncai Holdings Limited <sup>(8)</sup>	20,332,010	20.3				
Zhengmin Lian <sup>(9)</sup>	13,754,007	13.8				
Xiangjun Dong <sup>(10)</sup>	10,764,005	10.8				
Charles Xiaoshu Bai <sup>(3)</sup>	305,555	0.3				
Panjian Li <sup>(6)</sup>	123,333	0.1				

(1) Includes 39,402,019 shares held by Ruixin Holdings Limited, or Ruixin, a British Virgin Islands company wholly owned and controlled by Mr. Xianshou Li and 66,000 shares held by Charles Xiaoshu Bai, the beneficial interest of which is held by Ruixin Holdings Limited. Within the shares directly held by Ruixin, Ruixin holds the legal ownership and voting rights to, and Mr. Zhengmin Lian and Mr. Xiangjun Dong, who are directors of Zhejiang Yuhui, hold the beneficial interest and economic rights to, 13,731,007 shares and 1,194,000 shares, respectively. See “Related Party Transactions—Restructuring.” Mr. Li’s business address is Chengzhong Road, ZhuGuang Town, Yuhuan County, Zhejiang Province, PRC.

(2) Includes 20,298,010 shares held by Yuncai Holdings Limited, or Yuncai, a British Virgin Islands company wholly owned and controlled by Mr. Yuncai Wu and 34,000 shares held by Charles Xiaoshu Bai, the beneficial interest of which is held by Yuncai Holdings Limited. Within the shares directly held by Yuncai, Yuncai holds the legal ownership and voting rights to, and Mr. Xiangjun Dong holds the beneficial interest

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and economic rights to, 9,552,005 shares. See “Related Party Transactions—Restructuring.” Mr. Wu’s business address is Suite 201, No. 32, Xianqian Road, Cheng Guan Cheng District, Zhejiang Province, PRC.

- (3) Includes 222,222 shares held by Mr. Bai and 83,333 shares issuable upon exercise of options held by Mr. Bai within 60 days after the date of this prospectus. Mr. Bai’s business address is No.8 Baoqun Road, Yaozhuang Industrial Park, Jiashan County, Zhejiang Province, 314117 China. Mr. Bai acquired 333,333 shares of the Company from Mr. Xianshou Li, Mr. Yuncai Wu and Diverso Management Limited for nil consideration in August 2006. Mr. Bai’s beneficial interest in 222,222 shares has vested as of the date of this prospectus, while the beneficial interest in the remaining 111,111 shares will vest in May 2008.
- (4) Represents 20,000 shares to be granted to Mr. Huang within 60 days after the date of this prospectus. Mr. Huang’s business address is No. 8 Baoqun Road, Yaozhuang Industrial Park, Jiashan County, Zhejiang Province, 314117 China.
- (5) Represents 44,031 shares held by Mr. Yeh. Mr. Yeh’s business address is No.8 Baoqun Road, Yaozhuang Industrial Park, Jiashan County, Zhejiang Province, 314117 China.
- (6) Includes 83,333 shares issuable upon exercise of options held by Mr. Li within 60 days after the date of this prospectus and 40,000 shares to be granted within 60 days after the date of this prospectus. Mr. Li’s business address is No.8 Baoqun Road, Yaozhuang Industrial Park, Jiashan County, Zhejiang Province, 314117 China.
- (7) Ruixin is a company incorporated in the British Virgin Islands and its sole shareholder is Mr. Xianshou Li. The address for Ruixin Holdings Limited is Craigmuir Chambers, Road Town, Tortola, British Virgin Islands. Ruixin acquired 39,402,019 shares of the Company from Mr. Li for nil consideration in July 2006.
- (8) Yuncai is a company incorporated in the British Virgin Islands and its sole shareholder is Mr. Yuncai Wu. The address for Yuncai Holdings Limited is Craigmuir Chambers, Road Town, Tortola, British Virgin Islands. Yuncai acquired 20,298,010 shares of the Company from Mr. Wu for nil consideration in July 2006.
- (9) Includes 13,731,007 shares held by Ruixin and 23,000 shares held by Charles Xiaoshu Bai. See “Related Party Transactions—Restructuring.” Mr. Lian’s business address is No.8 Baoqun Road, Yaozhuang Industrial Park, Jiashan County, Zhejiang Province, 314117 China.
- (10) Includes 9,552,005 shares held by Ruixin, 1,194,000 shares held by Yuncai and 18,000 shares held by Charles Xiaoshu Bai. See “Related Party Transactions—Restructuring.” Mr. Dong’s business address is No.8 Baoqun Road, Yaozhuang Industrial Park, Jiashan County, Zhejiang Province, 314117 China.

Our shares are traded on the AIM, and brokers or other nominees may hold shares of our ordinary shares in “street name” for customers who are the beneficial owners of the shares. As a result, we may not be aware of each person or group of affiliated persons who beneficially own more than 5% of our common stock. To our knowledge, none of our shareholders is a record holder in the United States.

**RELATED PARTY TRANSACTIONS**

**Restructuring**

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

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

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

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

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

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

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

In May 2006, Mr. Li and Mr. Wu transferred 4,400,002 and 2,266,668 shares in ReneSola to Diverso Management Limited, a third party consulting firm that provided advisory services related to ReneSola's initial public offering on AIM, for nominal consideration. In August 2006, Mr. Li, Mr. Wu and Diverso Management Limited transferred the legal interests in 198,000, 102,000 and 33,333 shares in ReneSola, respectively, to Mr. Charles Xiaoshu Bai, ReneSola's chief financial officer for nil consideration. Mr. Bai's beneficial interest in 222,222 shares has vested as of the date of this prospectus, while the beneficial interest in the remaining 111,111 shares will vest in May 2008. Mr. Bai received the shares for no consideration as part of his remuneration and incentive package.

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

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

**Transactions with Certain Directors, Shareholders and Affiliates**

**Cash Advances, Loans and Guarantee**

As of December 31, 2004, 2005 and 2006 and September 30, 2007, amounts due from related parties were approximately \$0.1 million, \$0.7 million, \$5.8 million and \$14.1 million, respectively. The amounts due from related parties included cash advances to Mr. Xianshou Li and Mr. Zhengmin Lian to purchase raw materials from suppliers. The advances were used to pay our suppliers for raw materials, with the unused portion of the advances repaid to us. Our cash advances to Mr. Yuncai Wu were used to pay our suppliers for testing equipment, with the unused portion either repaid to us or used to reimburse Mr. Wu's travel and other expenses. The raw materials and testing equipment purchased using the above cash advances were provided to us. The above parties did not receive any profit from these transactions. Amounts due from related parties also included cash advances to Shangrao Desheng, Jiangxi Jingke Energy Co., Ltd., or Jingke, Zhejiang Yuhuan, Newi-Solar GmbH, Ruiyu Solar and YCSESC. The cash advances to Shangrao Desheng and Jingke were used for purchase of raw materials. The cash advances to Zhejiang Yuhuan were used to meet its liquidity needs and make the down payment in connection with land use right transfer agreement between Fengding Construction and Zhejiang Yuhuan as mentioned below. The cash advances to Newi-Solar GmbH and YCSESC were used to meet their respective temporary liquidity needs. The cash advances to Ruiyu Solar were used to purchase raw materials from suppliers. These cash advances were unsecured, interest free and had no fixed repayment term, and have been fully repaid.

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As of December 31, 2004, 2005 and 2006 and September 30, 2007, amounts due to related parties were approximately \$0.2 million, \$0.2 million, \$0.6 million and \$3,800, respectively. The amounts due to related parties included unpaid loans due to YCSESC, Mr. Xianshou Li, Zhejiang Yuhuan, Mr. Zhengmin Lian and Mr. Dongwu Lou, respectively. These loans due to related parties, which were used to satisfy our short-term working capital needs, were unsecured, and had no fixed repayment term. All these loans were interest free and have been fully repaid, except for a loan due to Zhejiang Yuhuan in the amount of RMB1.7 million (\$0.2 million), which had an interest rate of 7.2% per annum and were repaid in November 2007. As of September 30, 2007, we also had a director fee due to Mr. Ernest Tan, a director of ReneSola Singapore Pte. Ltd. in the amount of \$3,800.

Zhejiang Yuhui entered into short-term loans with domestic banks, some of which are guaranteed by Mr. Xianshou Li, our director and chief executive officer, or jointly with his wife, Ms. Xiahe Lian. As of September 30, 2007, we had an aggregate of \$31.1 million of outstanding borrowings were guaranteed, directly or indirectly, by related parties as follows:

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

### **Zhejiang Yuhuan**

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

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

### **Newi-Solar GmbH**

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

on an arms'-length basis, and we believe the pricing terms were comparable to terms that could have been obtained from independent third parties.

**YCSESC**

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

**Shangrao Desheng and Jingke**

In 2006 and the nine months ended September 30, 2007, we purchased \$14.1 million and \$26.3 million, respectively, of silicon raw materials from Shangrao Desheng, a company controlled by Mr. Xiande Li and Mr. Xianhua Li, two brothers of Mr. Xianshou Li. In the nine months ended September 30, 2007, we purchased \$8.8 million of silicon raw materials from Jingke, which Mr. Xiande Li, the brother of Xianshou Li, is the general manager. As of September 30, 2007, our advances to Shangrao Desheng and Jingke for purchases of raw materials were \$10.6 million and \$2.5 million, respectively.

These transactions were entered into on an arms'-length basis, and we believe the pricing terms were comparable to terms that could have been obtained from independent third parties.

**Employment Agreements**

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

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



## DESCRIPTION OF SHARE CAPITAL

We are a British Virgin Islands company and our affairs are governed by our memorandum and articles of association and the British Virgin Islands Business Companies Act of 2004 (as amended), which is referred to as the Companies Law below.

As of the date of this prospectus, we have 250,000,000 authorized shares, including 100,000,032 shares issued and outstanding.

The following are summaries of material provisions of our memorandum and articles of association and the Companies Law insofar as they relate to the material terms of our shares.

### Shares

*General.* All of our outstanding ordinary shares are fully paid and non-assessable. Certificates representing the ordinary shares are issued in registered form. Our shareholders who are nonresidents of the British Virgin Islands may freely hold and vote their shares.

*Dividends.* We may by a resolution of directors declare and pay dividends in money, shares, or other property. Our directors may from time to time pay to the shareholders such interim dividends as appear to the directors to be justified by the profits of our company. No dividends shall be declared and paid unless the directors determine that immediately after the payment of the dividend the value of our assets will exceed our liabilities and we will be able to satisfy our liabilities as they fall due. Our unissued shares of \_\_\_\_\_ shall be at the disposal of the directors who may without prejudice to any rights previously conferred on the holders of any existing shares or class or series of shares offer, allot, grant options over or otherwise dispose of shares to such persons, at such times and upon such terms and conditions as we may by resolution of the directors determine. Before issuing shares for a consideration other than money, the directors shall pass a resolution stating the amount to be credited for the issue of the shares, their determination of the reasonable present cash value of the non-money consideration for the issue, and that, in their opinion, the present cash value of the non-money consideration for the issue is not less than the amount to be credited for the issue of the shares. The holders of our ordinary shares are entitled to such dividends as may be declared by our board of directors subject to the Companies Law.

*Voting Rights.* Each share is entitled to one vote on all matters upon which the shares are entitled to vote. We are required to hold an annual general meeting each year. Additionally our directors may convene meetings of our shareholders at such times and in such-manner and places within or outside the British Virgin Islands as the directors consider necessary or desirable. Upon the written request of shareholders holding 10% or more of the outstanding voting rights attaching to our shares the directors shall convene a meeting of shareholders. The director shall give not less than 14 days notice of a meeting of Shareholders to those persons whose names at the close of business on a day to be determined by the directors appear as shareholders in our share register and are entitled to vote at the meeting.

A meeting of shareholders is duly constituted if, at the commencement of the meeting, there are present in person or by proxy not less than 50% of the votes of the shares or class or series of share entitled to vote on shareholder resolutions to be considered at the meeting. If a quorum is present, notwithstanding the fact that such quorum may be represented by only one person, then such person or persons may resolve any matter and a certificate signed by such person and accompanied, where such person be a proxy, by a copy of the proxy form shall constitute a valid resolution of shareholders.

If within two hours from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of shareholders, shall be dissolved; in any other case it shall stand adjourned to the next business day at the same time and place or to such other time and place as the directors may determine, and

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if at the adjourned meeting there are present within one hour from the time appointed for the meeting in person or by proxy not less than one third of the votes of the shares of each class or series of shares entitled to vote on the resolutions to be considered by the meeting, those present shall constitute a quorum but otherwise the meeting shall be dissolved. The chairman, may, with the consent of the meeting, adjourn any meeting from time to time, and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

An action that may be taken by the shareholders at a meeting may also be taken by a resolution of shareholders consented to in writing without the need for any notice, but if any resolution of shareholders is adopted otherwise than by the unanimous written consent of all shareholders, a copy of such resolution shall forthwith be sent to all shareholders not consenting to such resolution.

*Transfer of Shares.* Certificated shares in our company may be transferred by a written instrument of transfer signed by the transferor and containing the name and address of the transferee, but in the absence of such written evidence of transfer the directors may accept such evidence of a transfer of shares as they consider appropriate. We may also issue shares in uncertificated form. We shall not be required to treat a transferee of a registered share in our Company as a member until the transferee's name has been entered in the share register.

The register of members may be closed at such times and for such periods as the board of directors may from time to time determine, not exceeding in whole thirty days in each year, upon notice being given by advertisement in a leading daily newspaper and in such other newspaper (if any) as may be required by the law of British Virgin Islands and the practice of the London Stock Exchange or the New York Stock Exchange.

The board of directors may decline to register a transfer of any share to a person known to be a minor, bankrupt or person who is mentally disordered or a patient for the purpose of any statute relating to mental health. The board of directors may also decline to register any transfer unless:

- (a) any written instrument of transfer, duly stamped (if so required), is lodged with us at the registered office or such other place as the board of directors may appoint accompanied by the certificate for the shares to which it relates (except in the case of a transfer by a recognised person or a holder of such shares in respect of whom we are not required by law to deliver a certificate and to whom a certificate has not been issued in respect of such shares);
- (b) there is provided such evidence as the board of directors may reasonably require to show the right of the transferor to make the transfer and, if the instrument of transfer is executed by some other person on his behalf, the authority of that person to do so;
- (c) any instrument of transfer is in respect of only one class or series of share; and
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four.

*Liquidation.* In the case of the distribution of assets by a voluntary liquidator on a winding-up of our company, subject to payment of, or to discharge of, all claims, debts, liabilities and obligations of our company any surplus assets shall then be distributed amongst the members according to their rights and interests in our company according to our Memorandum and Articles. If the assets available for distribution to members shall be insufficient to pay the whole of the paid up capital such assets shall be shared on a pro rata basis amongst members entitled to them by reference to the number of fully paid up shares held by such members respectively at the commencement of the winding up.

*Calls on Shares and Forfeiture of Shares.* Our board of directors may from time to time make calls upon shareholders for any amounts unpaid on their shares in a notice served to such shareholders at least 14 days prior to the specified time and place of payment. The shares that have been called upon and remain unpaid on the specified time are subject to forfeiture.

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*Redemption of Shares.* The Law of British Virgin Islands provides that if permitted by the memorandum and articles of association, shareholders holding 90% or more of all the voting shares in a company, may instruct the directors to redeem the shares of the remaining shareholders. The directors shall be required to redeem the shares of the minority shareholders, whether or not the shares are by their terms redeemable. The directors must notify the minority shareholder in writing of the redemption price to be paid for the shares and the manner in which the redemption is to be effected. In the event that a minority shareholder objects to the redemption price to be paid and the parties are unable to agree to the redemption amount payable, the law sets out a mechanism whereby the shareholder and the company may each appoint an appraiser, who will together appoint a third appraiser and all three appraisers will have the power to determine the fair value of the shares to be compulsorily redeemed. Pursuant to the law, the determination of the three appraisers shall be binding on the company and the minority shareholder for all purposes.

*Variations of Rights of Shares.* If at any time the authorised capital is divided into different classes of shares, the rights attached to any class may only be varied, whether or not the Company is being wound up, with the consent in writing or by resolution passed at a meeting by the holders of not less than 50% of the issued shares of that class.

*Inspection of Books and Records.* Holders of our ordinary shares have a general right under British Virgin Islands law to inspect our books and records on giving written notice to the company. However, the directors have power to refuse the request on the grounds that the inspection would be contrary to the interests of the Company. However, we will provide our shareholders with annual audited financial statements. See “Where You Can Find Additional Information.”

### **History of Securities Issuances**

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

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

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

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

### **Differences in Corporate Law**

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

#### *Protection for Minority Shareholders*

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

*Powers of Directors*

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

*Conflict of Interests*

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

*Written Consent and Cumulative Voting*

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

*Independent Directors*

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

*Investigating Power and Suspension of Shareholder's Rights*

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

*Redemption*

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

*Takeover Provisions*

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

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

*Shareholder's Access to Corporate Records*

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

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

*Indemnification*

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

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

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

*Mergers and Similar Arrangements.*

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

company must approve a written plan of merger or consolidation which must be authorized by a resolution of shareholders.

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

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

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

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

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

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

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

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

*Shareholders' Suits.*

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

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

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

## DESCRIPTION OF AMERICAN DEPOSITARY SHARES

### American Depositary Shares

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

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

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

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

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

### Dividends and Other Distributions

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

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

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

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



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

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

U.S. securities laws may restrict transfers and cancellation of the ADSs represented by shares purchased upon exercise of rights. For example, you may not be able to trade these ADSs freely in the United States. In this case, the depositary may deliver restricted depositary shares that have the same terms as the ADSs described in this section except for changes needed to put the necessary restrictions in place.
- **Other Distributions.** The depositary will send to you anything else we distribute on deposited securities by any means it thinks is legal, fair and practical. If it cannot make the distribution in that way, the depositary has a choice. It may decide to sell what we distributed and distribute the net proceeds, in the same way as it does with cash. Or, it may decide to hold what we distributed, in which case ADSs will also represent the newly distributed property. However, the depositary is not required to distribute any securities (other than ADSs) to you unless it receives satisfactory evidence from us that it is legal to make that distribution. The depositary may sell a portion of the distributed securities or property sufficient to pay its fees and expenses in connection with that distribution.

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

#### **Deposit, Withdrawal and Cancellation**

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

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

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

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

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

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

**Voting Rights**

**How do you vote?**

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

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

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

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

**Fees and Expenses**

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

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

\$.02 (or less) per ADS

A fee equivalent to the fee that would be payable if securities distributed to you had been shares and the shares had been deposited for issuance of ADSs

\$.02 (or less) per ADSs per calendar year

Registration or transfer fees

Expenses of the depositary

*For:*

- Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property
- Cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates
- Any cash distribution to you
- Distribution of securities distributed to holders of deposited securities which are distributed by the depositary to ADS holders
- Depositary services
- Transfer and registration of shares on our share register to or from the name of the depositary or its agent when you deposit or withdraw shares
- Cable, telex and facsimile transmissions (when expressly provided in the deposit agreement)
- converting foreign currency to U.S. dollars

**Persons depositing or withdrawing shares must pay:**

Taxes and other governmental charges the depositary or the custodian have to pay on any ADS or share underlying an ADS, for example, stock transfer taxes, stamp duty or withholding taxes

Any charges incurred by the depositary or its agents for servicing the deposited securities

**For:**

- As necessary
- As necessary

**Payment of Taxes**

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

**Reclassifications, Recapitalizations and Mergers**

**If we:**

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

**Then:**

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

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

**Amendment and Termination**

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

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

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

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

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

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

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

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

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

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

#### **Requirements for Depositary Actions**

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

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

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

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

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

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

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

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

**Pre-release of ADSs**

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

**Direct Registration System**

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

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

## SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of this offering, we will have outstanding \_\_\_\_\_ ADSs representing approximately \_\_\_\_\_ % of our shares in issue. All of the ADSs sold in this offering will be freely transferable by persons other than our “affiliates” without restriction or further registration under the Securities Act. Sales of substantial amounts of our ADSs in the public market could adversely affect prevailing market prices of our ADSs. Prior to this offering, there has been no public market for our ADSs in the United States, and while application has been made for the ADSs to be listed on the New York Stock Exchange, we cannot assure you that a regular trading market will develop in the ADSs. We do not expect that a trading market will develop for our shares not represented by the ADSs.

### Lock-Up Agreements

Each of our directors, executive officers and certain shareholders has agreed, subject to some exceptions, not to transfer or dispose of, directly or indirectly, any of our shares, in the form of ADSs or otherwise, or any securities convertible into or exchangeable or exercisable for our shares, in the form of ADSs or otherwise, for a period of 180 days after the date of this prospectus. After the expiration of the 180-day period, the shares or ADSs held by the selling shareholders, our directors, executive officers and shareholders may be sold subject to the restrictions under Rule 144 under the Securities Act or by means of registered public offerings.

The 180-day restricted period is subject to adjustment under certain circumstances. If (1) during the last 17 days of the 180-day restricted period, we issue an earnings release or material news or a material event relating to us occurs; or (2) prior to the expiration of the 180-day restricted period, we announce that we will release earnings results during the 16-day period beginning on the last day of the 180-day period, the restrictions will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event.

### Rule 144

In general, under Rule 144 as currently in effect, a person (or persons whose shares are aggregated) who has beneficially owned our shares for at least one year, is entitled to sell within any three-month period a number of shares that does not exceed the greater of the following:

- 1% of the then outstanding shares, in the form of ADSs or otherwise, which will equal approximately \_\_\_\_\_ shares immediately after this offering; or
- the average weekly trading volume of our shares in the form of ADSs or otherwise, during the four calendar weeks preceding the date on which notice of the sale is filed with the SEC.

Sales under Rule 144 must be made through unsolicited brokers' transactions. They are also subject to manner of sale provisions, notice requirements and the availability of current public information about us.

### Rule 144(k)

Under Rule 144(k), a person who is not our affiliate at any time during the three months preceding a sale, and who has beneficially owned the shares, in the form of ADSs or otherwise, proposed to be sold for at least two years, including the holding period of any prior owner other than an affiliate, is entitled to sell those shares without complying with the manner of sale, public information, volume limitation or notice provisions of Rule 144. Therefore, unless otherwise restricted, “144(k) shares” may be sold at any time.

### Rule 701

In general, under Rule 701 of the Securities Act as currently in effect, each of our employees, consultants or advisors who purchases our shares from us in connection with a compensatory stock plan or other written agreement executed prior to the completion of this offering is eligible to resell such shares in reliance on Rule 144, but without compliance with some of the restrictions, including the holding period, contained in Rule 144.

## TAXATION

*The following summary of the material British Virgin Islands and U.S. federal income tax consequences of an investment in our ADSs or shares is based upon laws and relevant interpretations thereof in effect as of the date of this prospectus, all of which are subject to change. This summary does not deal with all possible tax consequences relating to an investment in our ADSs or shares, such as the tax consequences under state, local and other tax laws. To the extent that the discussion relates to matters of British Virgin Islands tax law, it represents the opinion of Harney Westwood & Riegels, our British Virgin Islands counsel. Based on the facts and subject to the limitations set forth herein, the statements of law or legal conclusions under the caption “—United States Federal Income Taxation” constitute the opinion of Latham & Watkins LLP, our special U.S. counsel, as to the material U.S. federal income tax consequences of an investment in the ADSs or shares.*

### **British Virgin Islands Taxation**

Under the present laws of the British Virgin Islands, there are no applicable taxes on the profits or income of the Company. There are no taxes on profits, income, nor are there any capital gains tax, estate duty or inheritance tax applicable to any ordinary shares held by non-residents of the British Virgin Islands. In addition, there is no stamp duty or similar duty on the issuance, transfer or redemption of the ordinary shares. Dividends remitted to the holders of ordinary shares resident outside the British Virgin Islands will not be subject to withholding tax in the British Virgin Islands. The Company is not subject to any exchange control regulations in the British Virgin Islands.

### **European Union Directive on the Taxation of Savings Income (Directive 2003/48/EC)**

The European Union has formally adopted a new Directive regarding the taxation of savings income. From 1 July 2005, member states are required to provide to the tax authorities of another member state details of payments of interest and other similar income paid by a person within its jurisdiction to or for an individual resident in that other member state, except that Austria, Belgium and Luxembourg instead impose a withholding system for a transitional period (unless during such period they elect otherwise).

The British Virgin Islands is not a member of the European Union and not within the European Union fiscal territory, but the government of the United Kingdom had requested the Government of the British Virgin Islands to voluntarily apply the provisions of the EU Savings Tax Directive. The Mutual Legal Assistance (Tax Matters) (Amendment) Act introduces a withholding tax system in respect of payments of interest, or other similar income, made to an individual beneficial owner resident in a European Union member state by a paying agent situated in the British Virgin Islands. The withholding tax system will apply for a transitional period prior to the implementation of a system of automatic communication to European Union member states of information regarding such payments. During this transitional period, such an individual beneficial owner resident in an European Union member state will be entitled to request a paying agent not to withhold tax from such payments but instead to apply a system by which the details of such payments are communicated to the tax authorities of the European Union member state in which the beneficial owner is resident.

No stamp duty is payable in the British Virgin Islands in respect of instruments relating to transactions involving a company incorporated in the British Virgin Islands.

### **United States Federal Income Taxation**

The following discussion describes the material U.S. federal income tax consequences to U.S. Holders (as defined below) under present law of an investment in the ADSs or shares. This summary applies only to U.S. Holders that hold the ADSs or shares as capital assets and that have the U.S. dollar as their functional currency. This discussion is based on the tax laws of the United States in effect as of the date of this prospectus and on U.S. Treasury regulations in effect or, in some cases, proposed, as of the date of this prospectus, as well as judicial and administrative interpretations thereof available on or before such date. All of the foregoing authorities are subject to change, which change could apply retroactively and could affect the tax consequences described below.

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

- banks;
- financial institutions;
- insurance companies;
- regulated investment companies;
- real estate investment trusts;
- broker dealers;
- traders that elect to mark-to-market;
- U.S. expatriates;
- tax-exempt entities;
- persons liable for alternative minimum tax;
- persons holding ADSs or shares as part of a straddle, hedging, conversion or integrated transaction;
- persons that actually or constructively own 10% or more of our voting stock;
- persons who acquired ADSs or shares pursuant to the exercise of any employee share option or otherwise as consideration; or
- persons holding ADSs or shares through partnerships or other pass-through entities

**PROSPECTIVE PURCHASERS ARE URGED TO CONSULT THEIR TAX ADVISORS ABOUT THE APPLICATION OF THE U.S. FEDERAL TAX RULES TO THEIR PARTICULAR CIRCUMSTANCES AS WELL AS THE STATE, LOCAL, FOREIGN AND OTHER TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF ADSs OR SHARES.**

The discussion below of the U.S. federal income tax consequences to “U.S. Holders” will apply to you if you are a beneficial owner of ADSs or shares and you are, for U.S. federal income tax purposes,

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) organized under the laws of the United States, any State thereof or the District of Columbia;
- an estate whose income is subject to U.S. federal income taxation regardless of its source; or
- a trust that (1) is subject to the primary supervision of a court within the United States and the control of one or more U.S. persons for all substantial decisions or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

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



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

***Taxation of Dividends and Other Distributions on the ADSs or Shares***

Subject to the passive foreign investment company rules discussed below, the gross amount of distributions made by us to you with respect to the ADSs or shares (including the amount of any taxes withheld therefrom) will generally be includable in your gross income as dividend income on the date of receipt by the depository, in the case of ADSs, or by you, in the case of shares, but only to the extent that the distribution is paid out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). The dividends will not be eligible for the dividends-received deduction allowed to corporations in respect of dividends received from other U.S. corporations.

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

Dividends will constitute foreign source income for foreign tax credit limitation purposes. If the dividends are taxed as qualified dividend income (as discussed above), the amount of the dividend taken into account for purposes of calculating the foreign tax credit limitation will be limited to the gross amount of the dividend, multiplied by the reduced rate divided by the highest rate of tax normally applicable to dividends. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, dividends distributed by us with respect to the ADSs or shares will constitute "passive category income" but could, in the case of certain U.S. Holders, constitute "general category income."

To the extent that the amount of the distribution exceeds our current and accumulated earnings and profits (as determined under U.S. federal income tax principles), it will be treated first as a tax-free return of your tax basis in your ADSs or shares, and to the extent the amount of the distribution exceeds your tax basis, the excess will be taxed as capital gain. We do not intend to calculate our earnings and profits under U.S. federal income tax principles. Therefore, a U.S. Holder should expect that a distribution will be treated as a dividend even if that distribution would otherwise be treated as a non-taxable return of capital or as capital gain under the rules described above.

***Taxation of Dispositions of ADSs or Shares***

Subject to the passive foreign investment company rules discussed below, you will recognize taxable gain or loss on any sale, exchange or other taxable disposition of an ADS or share equal to the difference between the amount realized (in U.S. dollars) for the ADS or share and your tax basis (in U.S. dollars) in the ADS or share. The gain or loss will be capital gain or loss. If you are a non-corporate U.S. Holder, including an individual U.S. Holder, who has held the ADS or share for more than one year, you will be eligible for reduced tax rates. The

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

**Passive Foreign Investment Company**

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

- at least 75% of its gross income is passive income, or
- at least 50% of the value of its assets (based on an average of the quarterly values of the assets during a taxable year) is attributable to assets that produce or are held for the production of passive income (the “asset test”).

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

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

If we are a PFIC for any taxable year during which you hold ADSs or shares, you will be subject to special tax rules with respect to any “excess distribution” that you receive and any gain you realize from a sale or other disposition (including a pledge) of the ADSs or shares, unless you make a “mark-to-market” election as discussed below. Distributions you receive in a taxable year that are greater than 125% of the average annual distributions you received during the shorter of the three preceding taxable years or your holding period for the ADSs or shares will be treated as an excess distribution. Under these special tax rules:

- the excess distribution or gain will be allocated ratably over your holding period for the ADSs or shares,
- the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which we were a PFIC, will be treated as ordinary income, and
- the amount allocated to each other year will be subject to the highest tax rate in effect for that year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

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

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

The mark-to-market election is available only for “marketable stock”, which is stock that is traded in other than *de minimis* quantities on at least 15 days during each calendar quarter (“regularly traded”) on a qualified exchange or other market, as defined in applicable U.S. Treasury regulations. We expect that the ADSs will be listed on the New York Stock Exchange and, consequently, we expect that, provided that the ADSs are regularly traded, if you are a holder of ADSs the mark-to-market election would be available to you were we to be or become a PFIC.

Alternatively, a U.S. Holder of stock in a PFIC may make a “qualified electing fund” election with respect to such PFIC to elect out of the tax treatment discussed above. A U.S. Holder who makes a valid qualified electing fund election with respect to a PFIC will generally include in gross income for a taxable year such holder’s *pro rata* share of the corporation’s earnings and profits for the taxable year. However, the qualified electing fund election is available only if such PFIC provides such U.S. Holder with certain information regarding its earnings and profits as required under applicable U.S. Treasury regulations. We do not currently intend to prepare or provide the information that would enable you to make a qualified electing fund election.

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

You are urged to consult your tax advisors regarding the application of the PFIC rules to your investment in ADSs or shares and the elections discussed above.

#### **Information Reporting and Backup Withholding**

Dividend payments with respect to ADSs or shares and proceeds from the sale, exchange or redemption of ADSs or shares may be subject to information reporting to the U.S. Internal Revenue Service and possible U.S. backup withholding at a current rate of 28%. Backup withholding will not apply, however, to a U.S. Holder who furnishes a correct taxpayer identification number and makes any other required certification on U.S. Internal Revenue Service Form W-9 or who is otherwise exempt from backup withholding. U.S. Holders who are required to establish their exempt status generally must provide such certification on U.S. Internal Revenue Service Form W-9. U.S. Holders should consult their tax advisors regarding the application of the U.S. information reporting and backup withholding rules.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against your U.S. federal income tax liability, and you may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the U.S. Internal Revenue Service and furnishing any required information.

**UNDERWRITING**

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

Underwriters	Number of ADSs
Credit Suisse Securities (USA) LLC	
Deutsche Bank Securities Inc.	
Piper Jaffray & Co.	
CIBC World Markets Corp.	
Lazard Capital Markets LLC	
<b>Total</b>	

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

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

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

We have been advised by the representatives of the underwriters that the underwriters propose to offer ADSs initially to the public at the public offering price on the cover page of this prospectus and to selling group members at that price less a selling concession of \$ per ADS. The underwriters may allow, and such dealers may reallocate, a discount not exceeding \$ per ADS on sales to other broker-dealers. After the initial public offering, the representatives may change the public offering price and other selling terms.

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

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

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Total expenses for this offering are estimated to be approximately \$ \_\_\_\_\_ million, including SEC registration fees of \$ \_\_\_\_\_, Financial Industry Regulatory Authority filing fees of \$ \_\_\_\_\_, New York Stock Exchange listing fees of \$ \_\_\_\_\_, printing expenses of approximately \$ \_\_\_\_\_, legal fees of approximately \$ \_\_\_\_\_, accounting fees of approximately \$ \_\_\_\_\_, roadshow costs and expenses of approximately \$ \_\_\_\_\_, and travel and other out-of-pocket expenses of approximately \$ \_\_\_\_\_. All amounts are estimated except for the fees relating to SEC registration, Financial Industry Regulatory Authority filing and New York Stock Exchange listing.

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

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

We have agreed that we will not offer, sell, issue, contract to sell, pledge, or otherwise dispose of, directly or indirectly, or file with the SEC a registration statement under the Securities Act, relating to, any ADSs, ordinary shares or securities convertible into or exchangeable or exercisable for, or that represent the right to receive, our ADSs or ordinary shares, or enter into any swap, hedge or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of our ADSs or ordinary shares, or publicly disclose that we will or may enter into any transaction described above, without the prior written consent of the representatives of the underwriters for a period of 180 days after the date of this prospectus, whether any transaction described above is to be settled by delivery of ADSs, ordinary shares or such other securities, in cash or otherwise, except for issuances pursuant to (i) the sale of ADSs or ordinary shares to the underwriters, (ii) the conversion of RMB928,700,000 U.S. Dollar Settled 1% Convertible Bonds due 2012 and (iii) grants of employee stock options pursuant to our 2007 share incentive plan. However, in the event that either (1) during the last 17 days of the “lock-up” period, we release earnings results or material news or a material event relating to us occurs or (2) prior to the expiration of the “lock-up” period, we announce that we will release earnings results during the 16-day period beginning on the last day of the “lock-up” period, then in either case the expiration of the “lock-up” will be extended until the expiration of the 18-day period beginning on the date of the release of the earnings results or the occurrence of the material news or event, as applicable, unless the representatives of the underwriter waive, in writing, such an extension.

Each of our directors and executive officers and certain shareholders have agreed, pursuant to the contractual restrictions described under “Shares Eligible for Future Sale—Lock-up Agreements,” that they will not offer, sell, contract to sell, pledge or otherwise transfer or dispose of, directly or indirectly, any of our ADSs, ordinary shares or securities convertible into or exchangeable or exercisable for, or that represents the right to receive, ADSs or ordinary shares, or enter into any swap, hedge or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of our ADSs or ordinary shares, or publicly disclose that he, she or it will or may enter into any transaction described above, without the prior written consent of the representatives of the underwriters for a period of 180 days after the date of this prospectus, whether any transaction described above is to be settled by delivery of ADSs, ordinary shares or such other securities, in cash or otherwise. However, in the event that either (1) during the last 17 days of the “lock-up” period, we release earnings results or material news or a material event relating to us occurs or (2) prior to the expiration of the “lock-up” period, we announce that we will release earnings results during the 16-day period beginning on the last day of the “lock-up” period, then in either case the expiration of the “lock-up” will be extended until the expiration of the 18-day period beginning on the date of the release of the earnings results or the occurrence of the material news or event, as applicable, unless the representatives of the underwriters waive, in writing, such an extension. The representatives may release securities subject to the lock-ups at any time without public

announcement. There are no agreements between the representatives and any of our directors and executive officers and principal shareholders releasing them from these lock-up agreements prior to the expiration of the "lock-up" period.

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

From time to time, certain of the underwriters and their affiliates have provided, and will continue to provide, investment banking, commercial banking and other services (including acting as agents and lenders under the new credit facility) to us and certain existing shareholders, for which they receive customary fees and commissions. Deutsche Bank AG, Hong Kong Branch served as the placing agent for our issue of RMB928,700,000 U.S. Dollar Settled 1% Convertible Bonds due 2012 in March 2007, for which Deutsche Bank AG, Hong Kong Branch received a fee as compensation.

At our request, the underwriters have reserved for sale at the initial public offering price up to \_\_\_\_\_ ADSs for certain of our vendors, employees, family members of employees, customers and other third parties. The number of ADSs available for sale to the general public will be reduced to the extent these persons purchase the reserved ADSs. Any reserved ADSs not so purchased will be offered by the underwriters to the general public on the same terms as the other ADSs.

We have applied to list the ADSs on the New York Stock Exchange under the symbol "SOL." To meet New York Stock Exchange distribution standards for the offering, the underwriters have undertaken to distribute the ADSs in a manner so as to create a minimum of \_\_\_\_\_ round lots of ADSs, and offer a minimum public float of \_\_\_\_\_ million ADSs in the United States with an offering value in excess of \$ \_\_\_\_\_ million. We will make an application for the shares to be issued in this offering to be admitted for trading on AIM. We expect the equity shares represented by the ADSs to be issued in this offering to be admitted to trading on AIM on the next AIM trading day immediately after the completion of this offering. We expect the shares represented by the ADSs issuable upon exercise of the over-allotment option to be admitted to trading on AIM on the next AIM trading day after the closing of the over-allotment option.

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

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

- Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.
- Over-allotment involves sales by the underwriters of ADSs in excess of the number of ADSs the underwriters are obligated to purchase, which creates a syndicate short position. In a covered short position, the number of ADSs over-allotted by the underwriters is not greater than the number of ADSs that they may purchase in the over-allotment option. The underwriters may close out any covered short position by either exercising their over-allotment option and/or purchasing ADSs in the open market.
- Syndicate covering transactions involve purchases of the ADSs in the open market after the distribution has been completed in order to cover syndicate short positions. In determining the source of ADSs to close out the short position, the underwriters will consider, among other things, the price of ADSs

available for purchase in the open market as compared to the price at which they may purchase ADSs through the over-allotment option.

- “Naked” short sales are any sales in excess of the over-allotment option. The underwriters must close out any naked short position by purchasing ADSs in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the ADSs in the open market after pricing that could adversely affect investors who purchase in the offering.
- Penalty bids permit the representatives to reclaim a selling concession from a syndicate member when the ADSs originally sold by the syndicate member are purchased by the stabilization manager or its agent in stabilizing or syndicate covering transactions to cover syndicate short positions.

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

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

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

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

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

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

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

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

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



**LEGAL MATTERS**

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

**EXPERTS**

The financial statements as of December 31, 2005 and 2006 and June 30, 2007, and for each of the years ended December 31, 2005 and 2006 and the six months ended June 30, 2007 included in this prospectus have been audited by Deloitte Touche Tohmatsu CPA Ltd., an independent registered public accounting firm, as stated in their report appearing herein, and are included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

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

**WHERE YOU CAN FIND ADDITIONAL INFORMATION**

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

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

As a foreign private issuer, we are exempt from the rules of the Exchange Act prescribing the furnishing and content of proxy statements to shareholders, and our executive officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we will not be required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act. However, we intend to furnish the depository with our annual reports, which will include a review of operations and annual audited consolidated financial statements prepared in conformity with U.S. GAAP, and all notices of shareholders' meeting and other reports and communications that are made generally available to our shareholders. The depository will make such notices, reports and communications available to holders of ADSs and, upon our written request, will mail to all record holders of ADSs the information contained in any notice of a shareholders' meeting received by the depository from us.

**RENESOLA LTD**  
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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Shareholders of  
ReneSola Ltd:

We have audited the accompanying consolidated balance sheets of ReneSola Ltd and its subsidiaries ("the Company") as of December 31, 2005 and 2006 and June 30, 2007, and the related consolidated statements of income, shareholders' equity and comprehensive income, and cash flows for each of the two years in the period ended December 31, 2006, and the six-month period ended June 30, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of ReneSola Ltd and its subsidiaries as of December 31, 2005 and 2006 and June 30, 2007, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2006 and the six-month period ended June 30, 2007, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte Touche Tohmatsu CPA Ltd.

Shanghai, China  
November 30, 2007

**RENESOLA LTD**  
**CONSOLIDATED BALANCE SHEETS**  
(Amounts expressed in US dollars)

	As of December 31,		As of June 30,
	2005	2006	2007
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 404,139	\$ 9,861,698	\$ 67,903,718
Accounts receivable, net of allowances for doubtful receivables of \$10,145, \$3,279 and \$55,671 on December 31, 2005 and 2006 and June 30, 2007, respectively	185,793	693,483	461,015
Inventories	3,232,913	44,775,370	75,325,045
Advances to suppliers	1,151,307	16,951,713	33,777,022
Amounts due from related parties	672,693	5,765,715	10,502,430
Value added tax recoverable	610,886	5,017,075	7,757,234
Prepaid expenses and other current assets	511,679	2,978,367	9,427,447
Deferred tax assets	—	3,321,479	3,867,851
<b>Total current assets</b>	<b>6,769,410</b>	<b>89,364,900</b>	<b>209,021,762</b>
Property, plant and equipment, net	2,426,435	19,907,593	50,045,992
Prepaid land rent, net	183,969	4,254,279	7,287,986
Deferred tax assets	625,804	102,266	26,647
Deferred convertible bond issue costs	—	—	3,920,957
Advances for purchases of property, plant and equipment	53,784	14,956,525	37,931,442
<b>Total assets</b>	<b>\$ 10,059,402</b>	<b>\$ 128,585,563</b>	<b>\$ 308,234,786</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Liabilities</b>			
Current liabilities:			
Short-term borrowings	\$ 712,498	\$ 14,674,862	\$ 58,929,422
Accounts payable	1,589,973	4,901,913	5,684,027
Advances from suppliers and customers	4,494,934	34,452,482	25,866,083
Amounts due to related parties	177,289	605,735	227,725
Income tax payable	23,080	23,852	—
Other current liabilities	318,114	1,323,059	3,117,395
<b>Total current liabilities</b>	<b>7,315,888</b>	<b>55,981,903</b>	<b>93,824,652</b>
Accrued warranty costs	40,999	62,928	64,525
Convertible bond payable	—	—	122,306,418
Long-term borrowings	—	—	4,727,196
<b>Total liabilities</b>	<b>7,356,887</b>	<b>56,044,831</b>	<b>220,922,791</b>
Commitments and contingencies (see note 18)			
<b>Shareholders' equity</b>			
Common shares (no par value; 125,000,000 shares authorized; 66,666,699, 100,000,032 and 100,000,032 shares issued and outstanding at December 31, 2005 and 2006 and June 30, 2007, respectively)	1	36,265,997	36,265,997
Additional paid-in capital	1,500,182	11,764,631	11,928,301
Retained earnings	1,172,086	23,264,197	35,953,504
Accumulated other comprehensive income	30,246	1,245,907	3,164,193
<b>Total shareholders' equity</b>	<b>2,702,515</b>	<b>72,540,732</b>	<b>87,311,995</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 10,059,402</b>	<b>\$ 128,585,563</b>	<b>\$ 308,234,786</b>

See notes to consolidated financial statements.

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

	Years ended December 31,		Six months ended June 30,	
	2005	2006	2007	2006 (Unaudited)
<b>Net revenues:</b>				
Product sales	\$ 5,087,962	\$ 78,515,256	\$ 76,195,002	\$ 23,329,725
Processing services	—	5,855,423	4,192,515	712,538
<b>Total net revenues</b>	<b>5,087,962</b>	<b>84,370,679</b>	<b>80,387,517</b>	<b>24,042,263</b>
<b>Cost of revenues:</b>				
Product sales	3,677,176	57,140,635	60,084,780	16,661,581
Processing services	—	2,504,945	2,200,969	210,079
<b>Total cost of revenues</b>	<b>3,677,176</b>	<b>59,645,580</b>	<b>62,285,749</b>	<b>16,871,660</b>
<b>Gross profit</b>	<b>1,410,786</b>	<b>24,725,099</b>	<b>18,101,768</b>	<b>7,170,603</b>
<b>Operating expenses:</b>				
Sales and marketing	210,037	335,135	263,496	203,640
General and administrative	356,289	2,284,472	2,764,617	565,772
Research and development	—	38,968	162,824	22,383
Other general expenses (income)	242,990	(168,676)	(89,516)	(14,503)
<b>Total operating expenses</b>	<b>809,316</b>	<b>2,489,899</b>	<b>3,101,421</b>	<b>777,292</b>
<b>Income from operations</b>	<b>601,470</b>	<b>22,235,200</b>	<b>15,000,347</b>	<b>6,393,311</b>
<b>Non-operating (expenses) income:</b>				
Interest income	941	312,161	1,153,890	6,528
Interest expenses	(27,396)	(330,948)	(1,337,836)	(103,498)
Foreign exchange (loss) gain	(1,502)	363,785	(2,303,758)	(9,125)
<b>Total non-operating (expenses) income</b>	<b>(27,957)</b>	<b>344,998</b>	<b>(2,487,704)</b>	<b>(106,095)</b>
<b>Income before income tax</b>	<b>573,513</b>	<b>22,580,198</b>	<b>12,512,643</b>	<b>6,287,216</b>
<b>Income tax benefit</b>	<b>617,352</b>	<b>2,720,601</b>	<b>176,664</b>	<b>751,011</b>
<b>Net income</b>	<b>\$ 1,190,865</b>	<b>\$ 25,300,799</b>	<b>\$ 12,689,307</b>	<b>\$ 7,038,227</b>
<b>Earnings per share</b>				
Basic	\$ 0.02	\$ 0.32	\$ 0.13	\$ 0.11
Diluted	\$ 0.02	\$ 0.32	\$ 0.13	\$ 0.11
<b>Weighted average number of shares used in computing earnings per share:</b>				
Basic	66,666,699	80,000,032	100,000,032	66,666,699
Diluted	66,666,699	80,122,052	100,156,848	66,666,699

See notes to consolidated financial statements.

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

	Common Shares		Additional Paid-in Capital	Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total	Total Comprehensive Income
	Shares	Amount					
Balance at January 1, 2005	66,666,699	\$ 1	\$ 457,600	\$ (18,779)	\$ (262)	\$ 438,560	\$ 1,190,865
Net income	—	—	—	1,190,865	—	1,190,865	1,190,865
Capital contribution from shareholders	—	—	1,042,582	—	—	1,042,582	1,042,582
Foreign currency translation adjustment	—	—	—	—	30,508	30,508	30,508
Balance at December 31, 2005	66,666,699	1	1,500,182	1,172,086	30,246	2,702,515	1,221,373
Net income	—	—	—	25,300,799	—	25,300,799	25,300,799
Distribution in respect of reorganization (see note 1)	—	—	—	(2,878,000)	—	(2,878,000)	(2,878,000)
Issuance of common shares pursuant to initial public offer	33,333,333	50,000,000	—	—	—	50,000,000	50,000,000
Share issuance cost	—	(13,734,004)	—	—	—	(13,734,004)	(13,734,004)
Contribution from shareholders for share issuance costs (see note 12)	—	—	10,000,004	—	—	10,000,004	10,000,004
Share-based compensation	—	—	264,445	—	—	264,445	264,445
Deemed distribution for transfer of asset (see note 17)	—	—	—	(330,688)	—	(330,688)	(330,688)
Foreign currency translation adjustment	—	—	—	—	1,215,661	1,215,661	1,215,661
Balance at December 31, 2006	100,000,032	36,265,997	11,764,631	23,264,197	1,245,907	72,540,732	26,516,460
Net income	—	—	—	12,689,307	—	12,689,307	12,689,307
Share-based compensation	—	—	—	163,670	—	163,670	163,670
Foreign currency translation adjustment	—	—	—	—	1,918,286	1,918,286	1,918,286
Balance at June 30, 2007	100,000,032	\$ 36,265,997	\$ 11,928,301	\$ 35,953,504	\$ 3,164,193	\$ 87,311,995	\$ 14,607,593

See notes to consolidated financial statements.



**RENESOLA LTD**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Amounts expressed in US dollars)

	Years ended December 31,		Six months ended June 30,	
	2005	2006	2007	2006 (Unaudited)
<b>Cash flows from operating activities:</b>				
Net income	\$ 1,190,865	\$ 25,300,799	\$ 12,689,307	\$ 7,038,227
<b>Adjustments for:</b>				
Depreciation	45,013	732,859	1,223,123	160,762
Amortization of deferred convertible bond issue costs and premium	—	—	724,457	—
Allowances for doubtful receivables	131,373	65,808	88,287	26,371
Prepaid land rent expensed	—	31,485	54,627	3,098
Loss on disposal of plant and equipment	238,199	—	—	—
Deferred taxes	(617,352)	(2,720,601)	(378,906)	(751,011)
Share-based compensation	—	264,445	163,670	—
<b>Changes in operating assets and liabilities:</b>				
Accounts receivable	(316,179)	(557,073)	195,099	111,397
Inventories	(3,215,221)	(40,591,047)	(29,041,755)	(15,365,394)
Advances to suppliers	(1,073,639)	(15,559,023)	(16,220,053)	(7,195,235)
Amounts due from related parties	(547,098)	(4,967,314)	(4,528,888)	(1,357,164)
Value added tax recoverable	(607,640)	(4,296,490)	(2,648,662)	(1,883,147)
Prepaid expenses and other current assets	(159,425)	(2,399,708)	(6,259,973)	(1,476,804)
Prepaid land rent	—	(4,036,096)	(2,941,174)	(962,092)
Accounts payable	1,218,170	3,195,094	650,269	1,247,236
Advances from suppliers and customers	4,471,055	29,200,478	(9,333,525)	25,271,998
Other current liabilities	282,956	817,343	361,407	385,682
Accrued warranty costs	40,781	20,138	—	20,138
<b>Net cash provided by (used in) operating activities</b>	<b>1,081,858</b>	<b>(15,498,903)</b>	<b>(55,202,690)</b>	<b>5,274,062</b>
<b>Cash flows from investing activities:</b>				
Purchases of property, plant and equipment	(2,186,044)	(17,606,865)	(29,107,496)	(5,963,641)
Advances for purchases of property, plant and equipment	(53,498)	(14,597,720)	(22,292,471)	(2,359,700)
Proceeds from disposal of property, plant and equipment	2,805	—	—	—
<b>Net cash used in investing activities</b>	<b>(2,236,737)</b>	<b>(32,204,585)</b>	<b>(51,399,967)</b>	<b>(8,323,341)</b>
<b>Cash flows from financing activities:</b>				
Net proceeds from short-term borrowings	452,809	13,747,048	47,957,584	9,624,522
Proceeds from issuance of common shares	—	50,000,000	—	1
Share issuance costs	—	(3,734,000)	—	—
Net proceeds from issuance of convertible bonds	—	—	115,770,501	—
Proceeds from capital contribution	1,042,582	—	—	—
Cash received from related parties	187,482	1,269,661	557	3,682,246
Distribution in respect of reorganization (see note 1)	—	(2,878,000)	—	(2,878,000)
Other distribution to shareholders (see note 17)	—	(330,688)	—	(330,688)
Cash paid to related parties	(183,472)	(855,750)	(388,651)	(730,294)
<b>Net cash provided by financing activities</b>	<b>1,499,401</b>	<b>57,218,271</b>	<b>163,339,991</b>	<b>9,367,787</b>
Effect of exchange rate changes	20,043	(57,224)	1,304,686	(9,045)
<b>Net increase in cash and cash equivalents</b>	<b>364,565</b>	<b>9,457,559</b>	<b>58,042,020</b>	<b>6,309,463</b>
Cash and cash equivalents, beginning of year	39,574	404,139	9,861,698	404,139
<b>Cash and cash equivalents, end of year</b>	<b>\$ 404,139</b>	<b>\$ 9,861,698</b>	<b>\$ 67,903,718</b>	<b>\$ 6,713,602</b>
<b>Supplemental schedule of non-cash transactions:</b>				
Contribution from shareholders for share issuance costs	\$ —	\$ 10,000,004	\$ —	\$ —
Payable for purchases of property, plant and equipment	\$ —	\$ 163,093	\$ 1,537,869	\$ 150,424
<b>Supplemental disclosure of cash flow information:</b>				
Interest paid	\$ 27,396	\$ 464,081	\$ 1,110,005	\$ 109,459
Income tax paid	\$ —	\$ —	\$ 1,996,235	\$ —

see notes to consolidated financial statements.

**RENESOLA LTD**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2006**  
**AND SIX MONTHS ENDED JUNE 30, 2007**  
**(Amounts expressed in U.S. dollar unless otherwise stated)**

**1. ORGANIZATION AND NATURE OF OPERATIONS**

The accompanying consolidated financial statements include the financial statements of ReneSola Ltd (“ReneSola”), its wholly owned subsidiaries, Zhejiang Yuhui Solar Energy Co Ltd (“Zhejiang Yuhui”) incorporated in the People’s Republic of China (“PRC”), ReneSola America Inc. (“ReneSola America”) incorporated in the United States of America and ReneSola Singapore Pte Ltd (“ReneSola Singapore”) incorporated in Singapore. ReneSola and its subsidiaries (collectively the “Company”) are engaged in the manufacture and sale of solar wafers and related products, which are integrated into photovoltaic cells, the principal component of crystalline solar panels. In the periods presented, substantially all of the Company’s business was conducted through Zhejiang Yuhui.

Zhejiang Yuhui commenced operations in July 2005. ReneSola America commenced operations in November 2006. ReneSola Singapore commenced operations in May 2007.

ReneSola was listed on the Alternative Investment Market of the London Stock Exchange (“AIM”) on August 8, 2006.

**Reorganization**

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

As part of a restructuring process, in April 2006, all owners of Zhejiang Yuhui (the “Ultimate Owners”) sold 100% of their equity interests in Zhejiang Yuhui to ReneSola for \$2,878,000. At the time of its incorporation, ReneSola was owned by the Ultimate Owners, through direct ownership or shareholder agreement, in the same proportion as their ownership interests in Zhejiang Yuhui. This restructuring process has been accounted for as a recapitalization, as ReneSola and Zhejiang Yuhui were under common control. Accordingly, the assets and liabilities were transferred at historical costs and the consideration paid by ReneSola has been recognized as distributions to shareholders. The consolidated financial statements have been presented as if ReneSola owned Zhejiang Yuhui throughout the periods presented.

**2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES**

**(a) Basis of presentation**

The consolidated financial statements have been prepared and presented in accordance with accounting principles generally accepted in the United States of America (“US GAAP”).

**(b) Basis of consolidation**

The consolidated financial statements include the financial statements of ReneSola and its wholly-owned subsidiaries. All significant inter-company transactions, balances and unrealized profits and losses have been eliminated on consolidation. ReneSola did not have variable interests in any variable interest entity during the periods presented.

(c) Use of estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of these financial statements and the reported amounts of revenues and expenses for the reporting periods presented. Actual results could materially differ from these estimates. Significant accounting estimates which are susceptible to change as more information becomes available include allowances for doubtful receivables, inventory write-downs, valuation of deferred tax assets, accrual of warranty costs, useful lives of property, plant and equipment and valuation of share-based compensation.

(d) Cash and cash equivalents

Cash and cash equivalents represent cash on hand and held with banks, including demand deposits, which are unrestricted as to withdrawal and use, and which have maturities of three months or less when purchased.

(e) Inventories

Inventories are stated at the lower of cost or market. Cost is determined by the first-in-first-out method. Cost comprises direct materials, direct labor and those overhead costs that have been incurred in bringing the inventories to their present location and conditions.

Adjustments are recorded to write down the cost of obsolete and excess inventory to the estimated market value based on historical and forecast demand. The estimated market value is measured as the estimated selling price of each class of the inventories in the ordinary course of business less estimated costs of completion and disposal.

The Company's scrap raw material inventory was less than \$2 million as of December 31, 2006 and June 30, 2007. The market value of these materials is primarily based upon a limited number of sales transactions and reference to an independent website containing estimated values for comparable scrap raw materials.

The Company outsources portions of its manufacturing process, including cutting ingots into wafers and converting wafers into solar cells, to various third-party manufacturers. These outsourcing arrangements may or may not include transfer of title of the raw material inventory (ingots or wafers) to the third-party manufacturers.

For those outsourcing arrangements in which title is not transferred, the Company maintains such inventory on the Company's balance sheet as raw materials inventory while it is in physical possession of the third-party manufacturer. Upon receipt of the processed inventory, it is reclassified as work-in-process inventory and a processing fee is paid to the third-party manufacturer.

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

(f) Advances to suppliers

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

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(g) Property, plant and equipment

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

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

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

(h) Prepaid land rent (net)

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

(i) Impairment of long-lived assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company assesses recoverability of the long-lived assets by comparing the carrying amount of the assets to the estimated future undiscounted cash flows expected to result from the use of the assets and their eventual disposition. The Company recognizes an impairment loss in the event the carrying amount exceeds the estimated future undiscounted cash flows attributable to such assets, measured as the difference between the carrying amount of the assets and the fair value of the impaired assets. There was no impairment loss of long-lived assets in any of the years presented.

(j) Deferred convertible bond issuance costs

The issuance costs of the Company's Convertible Bond due 2012 ("Convertible Bonds") in the amount of RMB32,726,644 (\$4,224,319) were deferred and are being amortized using the straight-line method, which approximates the effective interest rate method, over a period of three years from March 26, 2007, the date of issuance, to March 26, 2010, the earliest redemption date. The amortization expense for the six-month period ended June 30, 2007 was RMB2,866,567 (\$371,364).

(k) Income taxes

Deferred income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, tax loss and investment tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is recorded to reduce the carrying amount of deferred tax assets if it is considered more likely than not that some portion, or all, of the deferred tax assets will not be realized.

(l) Revenue recognition

The Company sells solar wafers and related products. The Company recognizes revenues when products are delivered and title has passed to customers, the price to the buyer is fixed and determinable, and collectibility is reasonably assured. Revenue includes reimbursement of shipping and handling costs. Shipping and handling costs incurred on sale of products and included in sales and marketing expense were \$7,582, \$6,809, \$9,079 and

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\$4,974 in the years ended December 31, 2005 and 2006 and the six-month periods ended June 30, 2007 and 2006 (unaudited), respectively. Sales agreements typically contain customary product warranties but do not contain any post-shipment obligations nor any return or credit provisions.

A majority of the Company's contracts provide that products are shipped under free on board ("FOB") terms or cost, insurance and freight ("CIF") terms. Under FOB, the Company fulfils its obligation when the goods have passed over the ship's rail at the named port of shipment. The customer has to bear all costs and risks of loss or damage to the goods from that point. Under CIF, the Company must pay the costs, insurance and freight necessary to bring the goods to the named port of destination, and bears the risk of loss of or damage to the goods during transit. The Company recognizes revenue when the title of goods and risk of loss or damage is transferred to the customers.

The Company also enters into agreements to process silicon materials into silicon ingots and wafers for customers.

The Company has begun to extend credit terms only to a limited number of customers and receives cash for the majority of the sales transactions before delivery of products, which are recorded as advances from customers. For customers to whom credit terms are extended, the Company assessed a number of factors to determine whether collection from them is reasonably assured, including past transaction history with them and their credit-worthiness.

(m) Cost of revenues

Cost of revenues consists of production related costs including costs of silicon raw materials, consumables, direct labor, overhead costs, depreciation of plant and equipment, and contractor and processing fees.

(n) Research and development

Research and development cost are expensed when incurred.

(o) Warranty cost

The Company's solar modules are typically sold with 20-year warranties against specified declines in the initial minimum power generation capacity at the time of delivery. We also provided warranties for our solar modules against defects in materials and workmanship for a period of two years from the date of sale. Warranty cost is accrued as revenue is recognized. Due to the limited solar module manufacturing history, the Company does not have a significant history of warranty claim. Cost of warranties is estimated based on an assessment of competitors' accrual history, industry-standard testing, estimates of failure rates from quality review and other assumptions that are considered to be reasonable under the circumstances. Actual warranty costs are accumulated and charged against accrued warranty liability. To the extent that actual warranty cost differs from the estimates, the Company will prospectively revise the accrual rate.

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

(p) Foreign currency

The functional currency of ReneSola and its subsidiary in the PRC is Renminbi ("RMB"). The functional currency of ReneSola America is the United States Dollar ("US dollar"). Foreign currency transactions have been translated into the functional currency at the exchange rates prevailing on the date of transactions. Foreign currency denominated monetary assets and liabilities are translated into the functional currency at exchange rates prevailing on the balance sheet date. Exchange gains and losses have been included in determination of net income.

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The Company has chosen the US dollar as its reporting currency. Assets and liabilities have been translated using exchange rates prevailing on the balance sheet date. Income statement items have been translated using the weighted average exchange rate for the year. Translation adjustments have been reported as a component of other comprehensive income in the statement of shareholders' equity.

The RMB is not a freely convertible currency. The PRC State Administration for Foreign Exchange, under the authority of the People's Bank of China, controls the conversion of RMB into foreign currencies. The value of the RMB is subject to changes in central government policies and to international economic and political developments affecting supply and demand in the China foreign exchange trading system market. The Company's cash and cash equivalents dominated in RMB amounted to RMB2,584,295 (\$320,227), RMB1,607,516 (\$205,862), RMB36,481,320 (\$4,790,399) at December 31, 2005 and 2006 and June 30, 2007, respectively.

### (q) Fair value of financial instruments

Financial instruments of the Company comprise cash and cash equivalents, accounts receivable, amounts due to related parties, short-term borrowings, accounts and other payables and long-term borrowings. As of December 31, 2005 and 2006 and June 30, 2007, carrying amounts of cash and cash equivalents, accounts receivable, amounts due to related parties, short-term borrowings, accounts and other payables approximate fair values due to the short-term maturity of these instruments. The carrying value of long-term borrowings approximates fair value due to the variable nature of the associated interest rates.

### (r) Derivative financial instruments

The Company enters into derivative financial instruments such as foreign exchange forward contracts to manage its exposure to foreign currency risks. Derivative financial instruments are initially recognized in the balance sheet at fair value and subsequently re-measured to their fair value with changes in fair value included in determination of net income. Net loss on derivative financial instruments of \$nil, \$4,267, \$20,318 and \$nil was recognized as expense in the years ended December 31, 2005 and 2006 and the six-month periods ended June 30, 2007 and 2006 (unaudited), respectively.

As of December 31, 2006, the Company had three US dollar foreign currency forward exchange contracts outstanding with a total notional amount of \$5,840,000. As of June 30, 2007, the Company did not have any outstanding foreign currency forward exchange contracts.

### (s) Earnings per share

Basic earnings per share is computed by dividing income attributable to holders of common shares by the weighted average number of common shares outstanding during the year. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted into common shares.

### (t) Share-based compensation

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

### (u) Comprehensive income

Comprehensive income is the change in equity during a period from transactions and other events and circumstances from non-shareholder sources. Components of the Company's comprehensive income include net income and foreign currency translation adjustments.

(v) Concentrations of credit risk

Financial instruments that potentially expose the Company to concentrations of credit risk consist primarily of cash and cash equivalents, accounts receivable and advances to suppliers and related parties. The Company places its cash and cash equivalents with financial institutions with high-credit ratings and quality. The Company conducts credit evaluations of customers and generally does not require collateral or other security from its customers. The Company establishes an allowance for doubtful receivables mainly based on the age of receivables and factors surrounding the credit risk of specific customers.

**3. NEW ACCOUNTING PRONOUNCEMENTS**

In February 2006, the Financial Accounting Standard Board ("FASB") issued Statement No.155, Accounting for Certain Hybrid Financial Instruments ("SFAS 155"), which amends SFAS No.133 and SFAS No.140, and improves the financial reporting of certain hybrid financial instruments by requiring more consistent accounting that eliminates exceptions and provides a mean to simplify the accounting for these instruments. Specifically, SFAS 155 allows financial instruments that have embedded derivatives to be accounted for as a whole (eliminating the need to bifurcate the derivative from its host) if the holder elects to account for the whole instrument on a fair value basis. SFAS 155 is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006. The adoption of SFAS 155 is not expected to have a material impact on the Company's financial position or results of its operations.

In June 2006, the FASB ratified Emerging Issues Task Force ("EITF") Issue No. 06-3, How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (that is, Gross versus Net Presentation) ("EITF 06-3"), which allows companies to adopt a policy of presenting taxes in the income statement on either a gross or net basis. Taxes within the scope of this EITF would include taxes that are imposed on a revenue transaction between a seller and a customer. If such taxes are significant, the accounting policy should be disclosed as well as the amount of taxes included in the financial statements if presented on a gross basis. EITF 06-3 is effective for interim and annual reporting periods beginning after December 15, 2006. The Company presents tax on revenues on a net basis and does not believe that adoption of EITF 06-3 will have any impact on the Company's financial statements.

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

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

In September 2006, the SEC issued Staff Accounting Bulletin No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements ("SAB 108"). SAB 108 provides guidance on how prior year misstatements should be taken into consideration when quantifying misstatements in current year financial statements for purposes of determining whether the current year's financial statements are materially misstated. SAB 108 is effective for fiscal years ending on or after November 15, 2006. The Company did not have a material impact on its financial position and results of operations on implementation of SAB 108.

**4. ACCOUNTS RECEIVABLE**

An analysis of allowances for doubtful receivables at December 31, 2005 and 2006 and June 30, 2007 is as follows:

	At December 31,		At June 30,
	2005	2006	2007
Beginning of the year	\$ —	\$ 10,145	\$ 3,279
Allowances made during the year	131,373	65,808	52,392
Accounts receivables written-off against allowances	(121,228)	(72,674)	—
Closing balance	\$ 10,145	\$ 3,279	\$ 55,671

**5. INVENTORIES**

	At December 31,		At June 30,
	2005	2006	2007
Raw materials	\$ 2,026,262	\$ 31,981,420	\$ 21,572,251
Work-in-process	453,090	12,129,868	52,365,010
Finished goods	753,561	664,082	1,387,784
Total inventories	\$ 3,232,913	\$ 44,775,370	\$ 75,325,045

The amount of inventories for which title is not transferred to the third-party manufactures was \$nil, \$1,046,529 and \$912,573 at December 31, 2005 and 2006 and June 30, 2007, respectively. The amount of inventories for which title and risk of loss was transferred to the third-party manufactures was \$nil at December 31, 2005 and 2006 and June 30, 2007.

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

Property, plant and equipment, net, comprise:

	At December 31,		At June 30,
	2005	2006	2007
Buildings	\$ 694,674	\$ 2,998,342	\$ 6,576,090
Plant and machinery	1,712,920	16,021,014	42,008,445
Motor vehicles	19,659	230,853	368,045
Office equipment	25,522	431,191	729,760
	2,452,775	19,681,400	49,682,340
Less: Accumulated depreciation	(30,095)	(762,954)	(2,022,031)
	2,422,680	18,918,446	47,660,309
Construction in progress	3,755	989,147	2,385,683
Property, plant and equipment, net	\$ 2,426,435	\$ 19,907,593	\$ 50,045,992

Construction in progress represents new production facilities under construction. Depreciation expense for the years ended December 31, 2005 and 2006 and the six-month periods ended June 30, 2007 and 2006 (unaudited) was \$45,013, \$732,859, \$1,223,123 and \$160,762, respectively.



7. INCOME TAX BENEFIT

	Years ended December 31,		Six months ended June 30,	
	2005	2006	2007	2006 (Unaudited)
Income before income tax				
PRC	\$ 573,513	\$ 22,968,516	\$ 14,860,428	\$ 6,287,216
Other jurisdictions	—	(388,318)	(2,347,785)	—
Total income before income tax	\$ 573,513	\$ 22,580,198	\$ 12,512,643	\$ 6,287,216
Income tax benefit				
PRC	\$ 617,352	\$ 2,714,401	\$ 176,664	\$ 751,011
Other jurisdictions	—	6,200	—	—
Total income tax benefit	\$ 617,352	\$ 2,720,601	\$ 176,664	\$ 751,011
Deferred tax benefit:				
Investment tax credit carryforwards	\$ 599,877	\$ 2,639,980	\$ 449,798	\$ 730,674
Property, plant and equipment	—	68,681	(70,892)	19,064
Others	17,475	11,940	—	1,273
Total deferred tax benefit	\$ 617,352	\$ 2,720,601	\$ 378,906	\$ 751,011
Provision recorded as change in uncertain tax benefit:				
FIN48 liability	\$ —	\$ —	\$ 202,242	\$ —

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

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

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

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

ReneSola Singapore is incorporated in the Republic of Singapore. The Corporate income tax rate is 18%.

In July 2006, the FASB issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109 (“FIN 48”), which clarifies the accounting and disclosure for uncertainty in tax positions. FIN 48 prescribes a more-likely-than-not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation

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also provides guidance on de-recognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, accounting for income taxes in interim periods and income tax disclosures.

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

During the six months ended June 30, 2007, the Company has recorded FIN 48 liabilities of approximately \$202,242, which, affects the effective income tax rate accordingly. It also recognized interest and/or penalties associated with the uncertain tax positions in the FIN 48 tax provision. As of June 30, 2007, the amount of interest and penalties related to the uncertain tax positions is immaterial.

The years 2003 to 2006 remain subject to examination by the PRC tax authorities.

The principal components of deferred income tax assets are as follows:

	At December 31,		At June 30,
	2005	2006	2007
Deferred tax assets			
Investment tax credits carryforwards	\$ 603,080	\$ 3,318,095	\$ 3,858,181
Property, plant and equipment	—	70,106	29
Other	22,724	35,544	36,288
Total deferred tax assets	\$ 625,804	\$ 3,423,745	\$ 3,894,498
Analysis as:			
Current	—	3,321,479	3,867,851
Non-current	625,804	102,266	26,647
	\$ 625,804	\$ 3,423,745	\$ 3,894,498

In 2005, 2006 and the six-month period ended June 30, 2007, Zhejiang Yuhui purchased plant and equipment manufactured in the PRC. In accordance with PRC tax regulations, Zhejiang Yuhui received 40% of the purchased amount as an investment tax credit. The tax credit can be carried forward for 7 years. Investment tax credit carryforwards of \$603,080, \$2,715,015 and \$540,086 expire in 2012, 2013 and 2014, respectively.

As of December 31, 2005 and 2006 and June 30, 2007, the Company has not recorded a valuation allowance to reduce its deferred tax assets because management believes that it is more likely than not that the deferred tax assets will be realized as it expects to generate sufficient taxable income in the future.

Reconciliation between the applicable statutory income tax rate and the Company's effective tax rate for the years ended December 31, 2005 and 2006, and the six-month period ended June 30, 2007 is as follows:

	Years ended December 31,		Six months ended June 30,
	2005	2006	2007
PRC applicable income tax rate	26.4%	26.4%	26.4%
Non-deductible loss on disposal of plant and equipment	11.7%	—	—
Effect of tax holiday	(42.0%)	(29.7%)	(30.5%)
Investment tax credit	(104.6%)	(11.7%)	(3.6%)
FIN48 liability	—	—	1.6%
Other	0.9%	2.9%	4.7%
Effective income tax rate	(107.6%)	(12.1%)	(1.4%)

The aggregate amount and per share effect of the tax holiday are as follows:

	Years ended December 31,		Six months ended June 30,	
	2005	2006	2007	2006 (Unaudited)
the aggregate effect	\$ 240,875	\$ 6,706,319	\$ 3,828,869	\$ 1,839,541
Per share effect—basic and diluted	\$ 0.01	\$ 0.08	\$ 0.04	\$ 0.03

In March 2007, the National People’s Congress of China enacted a new Enterprise Income Tax Law (Tax Law) which will be effective January 1, 2008. The Tax Law provides that enterprises established under the laws of foreign countries or regions and whose “de facto management bodies” are located within the PRC will be considered as PRC resident enterprises, and will be subject to the PRC enterprise income tax at the rate of 25% of worldwide income. However, the Tax Law does not define the term “de facto management bodies.” Substantially all of the Company’s management is currently located in China. If they remain located in China after January 1, 2008, the offshore companies may be considered PRC resident enterprises and, therefore, be subject to the PRC enterprise income tax at the rate of 25% on worldwide income effective January 1, 2008.

Under the Tax Law, domestically-owned enterprises and foreign-invested enterprises (FIE) will be subject to an uniform tax rate of 25%. While the Tax Law equalizes the tax rates for FIEs and domestically-owned companies, preferential tax treatment would continue to be given to companies in certain encouraged sectors and to entities classified as high-technology companies. The Tax Law also provides a transition period starting from its effective date for those enterprises which were established before the promulgation date of the new tax law and which are entitled to a preferential lower tax rate and tax holiday under the existing effective tax laws or regulations. The tax rate of such enterprises will transition to the uniform tax rate within a five-year transition period, and the tax holiday, which has been enjoyed by such enterprises before the effective date of the new tax law, may continue to be enjoyed until the end of the holiday. Therefore, Zhejiang Yuhui will continue to be entitled to the current tax holiday during the transition period.

**8. BORROWINGS**

Our bank borrowings consist of the following:

	At December 31,		At June 30,
	2005	2006	2007
Short-term	\$ 712,498	\$ 14,674,862	\$ 58,929,422
Long-term, current portion	—	—	—
Subtotal	712,498	14,674,862	58,929,422
Long-term	—	—	4,727,196
	<u>\$ 712,498</u>	<u>\$ 14,674,862</u>	<u>\$ 63,656,618</u>

In the years ended December 31, 2005 and 2006 and six-month period ended June 30, 2007, the maximum bank credit facilities granted to the Company were \$712,498, \$15,611,239 and \$97,170,140, respectively, of which \$712,498, \$14,674,862 and \$63,656,618 were drawn down and \$nil, \$936,377 and \$33,513,522 were available as of December 31, 2005 and 2006 and June 30, 2007, respectively.

a) Short-term

The weighted average interest rate of short term loans was 7.3%, 6.0%, 5.9% and 6.1% in the years ended December 31, 2005 and 2006 and the six-month periods ended June 30, 2007 and 2006 (unaudited), respectively. These borrowings do not contain any financial covenants or restrictions. The borrowings are repayable within one year. As of December 31, 2005, the borrowings were secured against property, plant and equipment with carrying amounts of \$1,013,630 and prepaid land rent of \$183,969. As of December 31, 2006, the borrowings of

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\$11,519,371 were secured against property, plant and equipment with carrying amounts of \$11,614,196, inventories of \$14,727,163, and prepaid land rent of \$2,422,334. As of June 30, 2007, borrowings of \$33,444,912 were secured against property, plant and equipment with carrying amounts of \$19,528,043, inventories of \$48,840,005, and prepaid land rent of \$2,452,227. In addition, \$nil, \$8,561,132 and \$14,575,532, of the borrowings were guaranteed by Mr. Xianshou Li and his family as of December 31, 2005 and 2006 and June 30, 2007, respectively.

b) Long-term

The weighted average interest rate of long-term borrowings was 6.9% in the six-month period ended June 30, 2007. All bank loans are unsecured and have variable interest rates.

Future principal repayment on the long-term bank loans are as follows:

2007	\$	—
2008		—
2009		2,100,976
2010		2,626,220
2011 and after		—
	<u>\$</u>	<u>4,727,196</u>

c) Interest expenses

Interest expense incurred for the years ended December 31, 2005 and 2006 and the six-month periods ended June 30, 2007 and 2006 (unaudited) was \$27,396, \$464,081, \$1,152,944 and \$109,459, respectively, of which \$nil, \$133,133, \$860,400 and \$5,961 has been capitalized in the cost of property, plant and equipment.

9. OTHER CURRENT LIABILITIES

	At December 31,		At June 30,
	2005	2006	2007
Accrued payroll and staff welfare	\$ 89,745	\$ 716,106	\$ 904,031
Other payables	228,369	606,953	2,213,364
	<u>\$ 318,114</u>	<u>\$ 1,323,059</u>	<u>\$ 3,117,395</u>

10. ACCRUED WARRANTY COSTS

The Company's warranty activity is summarized below:

	At December 31,		At June 30,
	2005	2006	2007
Beginning balance	\$ —	\$ 40,999	\$ 62,928
Accrued in the year	40,999	21,929	—
Foreign exchange difference	—	—	1,597
Ending balance	<u>\$ 40,999</u>	<u>\$ 62,928</u>	<u>\$ 64,525</u>

11. CONVERTIBLE BOND

On March 26, 2007, the Company issued RMB 928,700,000 of US Dollar-Settled 1% Convertible Bonds due March 26, 2012 which are convertible into ordinary shares (the "New Shares") of the Company. The US

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dollar settlement is based on the prevailing spot rate at the date of settlement. The Convertible Bonds rank pari passu with all other present and future unsecured and unsubordinated obligations of the Company. The key terms of the Convertible Bonds are as follows:

*Interest.* The Convertible Bonds bear interest at the rate of 1% per annum which is payable semi-annually in arrears on March 26 and September 26 in each year commencing September 26, 2007.

*Redemption at maturity.* Each Convertible Bond will be redeemable upon maturity at an amount equal to the US dollar equivalent of its RMB principal amount multiplied by 105.90% together with any accrued but unpaid interest (the "Redemption Amount").

*Conversion.* The Convertible Bonds may be converted into AIM shares of the Company at the option of the holders at any time on or after April 10, 2007 until March 11, 2012. The number of AIM shares to be issued on conversion will be determined by dividing the RMB principal amount of the Convertible Bonds to be converted (translated into Pound Sterling at the fixed exchange rate of RMB15.0633 to £1.00) by the conversion price in effect at the conversion date. The conversion price is initially £5.88 per share and is subject to adjustment upon the occurrence of specified events. Based on the conversion price of £5.88 the number of AIM shares to be allotted and issued by the Company on full conversion of the Convertible Bonds will be approximately 10,485,231.

*Call Options.* The Company has the option to redeem all, but not part, of the Convertible Bonds at a price equal to the US dollar equivalent amount of the early redemption amount with any accrued but unpaid interest:

- (1) on, or at any time after, March 26, 2009 and prior to the maturity date if the closing price of the AIM shares (converted to RMB at the prevailing RMB-to-Pound Sterling exchange rate) for a 30-trading day period prior to the date on which notice of such redemption is published is at least 130% of the applicable early redemption amount divided by the conversion ratio; or
- (2) when the aggregate principal amount of the Convertible Bonds outstanding is less than 10% of the aggregate principal amount originally issued.

The early redemption amount of a bond will be determined such that it provides the holder a gross yield of 2.215%.

*Put Options.* The holders have the option to require the Company to redeem all or some of the Convertible Bonds at the US dollar equivalent amount of the early redemption amount plus any accrued but unpaid interest at the occurrence of a change of control or a delisting of the Company's shares on AIM. In addition, on the third anniversary (March 26, 2010), the holders will have a right to redeem all or some of the bonds at a redemption price equal to the US dollar equivalent of its RMB principal amount multiplied by 103.47% together with any accrued but unpaid interest (the "Put Redemption Amount").

No beneficial conversion feature charge was recognized for the issuance of the Convertible Bonds as the estimated fair value of the ordinary shares was less than the conversion price on the date of issuance.

The embedded conversion option, call options, and put options are not bifurcated and recognized as derivatives based on the application of SFAS 133, "Accounting for Derivative Instruments and Hedging Activities", and related interpretations.

As of June 30, 2007, the carrying value of the Convertible Bonds was \$122,306,418. The Put Redemption Amount of \$4,158,936 (103.47%) is being amortized over a period of three years from March 26, 2007, the date of issuance, to March 26, 2010, the earliest redemption date, using the straight-line method, which approximates the effective interest rate method. The additional Redemption Amount of \$2,922,810 (105.9%) will be amortized from the earliest redemption date (March 26, 2010) through maturity (March 26, 2012) to the extent they are not redeemed at the early redemption date. For the six-month period ended June 30, 2007, the Company recognized total finance cost on the Convertible Bonds of \$1,045,291.

**12. COMMON SHARES**

On March 17, 2006, the Company issued 6,600 and 3,400 shares to Mr. Xianshou Li and Mr. Yuncai Wu for \$0.66 and \$0.34, respectively.

On July 24, 2006, the Board of Directors approved a share split on a 6,666.67 to 1 basis for all outstanding shares.

On August 8, 2006, ReneSola issued 33,333,333 shares for cash consideration of \$1.50 per share in an initial public offer ("IPO") on AIM for total proceeds of \$50,000,000. The Company incurred share issuance costs of \$13,734,004, of which \$10,000,004 was settled by issue of shares (see note 13) and \$3,734,000 was incurred in cash. The cash payment comprises fees directly attributable to the IPO for underwriting, audit, legal and other professional services of \$2,067,715, \$703,057, \$671,399 and \$291,829, respectively.

**13. SHARE BASED COMPENSATION**

**Share Award to Employees**

Prior to 2006, the Company did not grant any share-based awards.

In August 2006, Mr. Xianshou Li, and certain other shareholders transferred 333,333 nonvested shares to Mr. Charles Xiaoshu Bai (Mr. Bai), the Chief Financial Officer of the Company. In accordance with the terms of the agreement, 111,111 shares vested immediately. The remaining 222,222 will vest equally in August 2007 and May 2008. If Mr. Bai does not fulfill his service condition, any remaining shares will be forfeited and returned to the shareholders. The fair value of the nonvested shares was \$1.50 per share based on the market price at grant date. These shares do not have an exercise price and will vest at no cost to Mr. Bai.

In November 2006, the Company entered into an agreement with Mr. Panjian Li (Mr. Li), Chief Executive Officer of ReneSola America, and with Binghua Huang (Mr. Huang), Chief Technology Officer of the Company, to grant 40,000 and 20,000 shares, respectively, each year for a period of five and three years, respectively, commencing January 2008. The fair value of the shares was \$4.47 per share based on the market price as of the grant date. These shares do not have an exercise price and will vest at no cost to Mr. Li or Mr. Huang.

A summary of the status of nonvested shares is presented below:

	Number of Shares	Weighted Average Grant-Date Fair Value	Aggregate Intrinsic Value
Granted during the year ended December 31, 2006	593,333	\$ 2.80	
Vested	(111,111)	\$ 2.80	
Nonvested at December 31, 2006	482,222	\$ 2.80	\$ 4,021,672
Granted during the six-month period ended June 30, 2007	—		
Vested	—		
Forfeited	—		
Nonvested at June 30, 2007	482,222	\$ 2.80	\$ 5,454,296

Compensation cost of \$264,445 and \$163,670 has been charged against income during the year ended December 31, 2006 and the six-month period ended June 30, 2007, respectively, which has been recognized as general and administrative expense. At June 30, 2007, there was \$1,234,773 total unrecognized compensation cost, which is expected to be recognized over a weighted average period of 3 years. The total fair value of shares vested during the year ended December 31, 2006 and the six-month period ended June 30, 2007 was \$166,667 and \$nil, respectively.

**Share-based award to non-employees**

In February 2006, Zhejiang Yuhui entered into an agreement with Diverso Management Limited (“Diverso”) for Diverso to render services as an advisor in connection with the Company’s initial public offer on AIM. In accordance with the terms of the agreement, Diverso was entitled to 10% of the initial public offer proceeds with an option to take 10% pre-IPO shares in settlement.

Diverso elected to take shares and the shareholders of the Company transferred 6,666,670 shares of their pre-IPO shares with a fair value of \$10,000,004. The fair value of the shares was determined based on the market value of \$1.50 as of the date of listing. This amount has been recognized as share issuance cost by an offset against proceeds received from the IPO.

**14. EMPLOYEE BENEFITS**

In accordance with the relevant rules and regulations in the PRC, employees of Zhejiang Yuhui are covered by retirement benefit plans established by the local government. These plans are defined contribution plans and Zhejiang Yuhui has contributed 20% of the basic salaries of its employees. Other than the contribution, there is no further obligation for payments to employees under these plans.

The total contribution of \$970, \$187,852, \$187,844 and \$40,595 was expensed in the years ended December 31, 2005 and 2006 and the six-month periods ended June 30, 2007 and 2006 (unaudited), respectively.

**15. DISTRIBUTION OF PROFIT**

As stipulated by the relevant laws and regulations applicable to China’s foreign investment enterprises, the Company’s PRC subsidiary, Zhejiang Yuhui is required to make appropriations from net income as determined under accounting principles generally accepted in the PRC (“PRC GAAP”) to non distributable reserves which include a general reserve, an enterprise expansion reserve and a staff welfare and bonus reserve. The amount to be allocated to the expansion and staff welfare and bonus reserves is at the discretion of the directors.

The general reserve is used to offset future extraordinary losses. The subsidiary may, upon a resolution passed by the shareholder, convert the general reserve into capital. The staff welfare and bonus reserve is used for the collective welfare of the employees. The enterprise expansion reserve is for the expansion of Zhejiang Yuhui’s operations and can be converted to capital subject to approval by the relevant authorities. These reserves represent appropriations of the retained earnings determined in accordance with the Chinese law.

Additional paid-in capital includes Zhejiang Yuhui’s registered capital of \$1,500,182.

As a result of the PRC laws and regulations, Zhejiang Yuhui is restricted in its ability to distribute the registered capital and general reserve amounting to \$1,563,326, \$1,714,479, and \$1,714,479 as at December 31, 2005 and 2006 and June 30, 2007, respectively.

**16. EARNINGS PER SHARE**

Basic and diluted earnings per share have been calculated as follows:

	Years ended December 31,		Six months ended June 30,	
	2005	2006	2007	2006 (Unaudited)
Net income—basic and diluted	\$ 1,190,865	\$ 25,300,799	\$ 12,689,307	\$ 7,038,227
Weighted-average number of common shares outstanding—basic	66,666,699	80,000,032	100,000,032	66,666,699
Dilutive effect of nonvested shares	—	122,020	156,816	—
Weighted-average number of common shares outstanding—diluted	66,666,699	80,122,052	100,156,848	66,666,699
Basic earnings per share	\$ 0.02	\$ 0.32	\$ 0.13	\$ 0.11
Diluted earnings per share	\$ 0.02	\$ 0.32	\$ 0.13	\$ 0.11

Diluted earnings per share calculation as of June 30, 2007 excludes 5,619,157 common shares issuable upon the assumed conversion of the Convertible Bonds as their effect would have been anti-dilutive.

**17. RELATED PARTY BALANCES AND TRANSACTIONS**

(a) Related party balances

Amounts due from related parties, excluding Zhejiang Yuhuan, comprised the following advances for purchase of raw materials and amounts receivable for sales of goods while amounts due from Zhejiang Yuhuan represented pre-paid rent:

	At December 31,		At June 30,
	2005	2006	2007
Zhejiang Yuhuan (controlled by Xianshou Li)	\$ 666,622	\$ —	\$ —
Yuhuan County (controlled by Xianshou Li)	—	27,161	—
Newi-Solar GmbH (former shareholder)	715	—	—
Ruiyu Solar (former shareholder)	—	—	984,999
Xianshou Li	1,789	—	—
Yuncai Wu	3,567	—	—
Jiangxi Jingke*	—	—	3,151,464
Shangrao Desheng*	—	5,738,554	6,365,967
<b>Total</b>	<b>\$ 672,693</b>	<b>\$ 5,765,715</b>	<b>\$ 10,502,430</b>

\* The brothers of Mr. Xianshou Li were the General Manager of Shangrao Desheng Industrial Co., Ltd (“Shangrao Desheng”) in 2006 and Jiangxi Jingke Co., Ltd (“Jiangxi Jingke”) in 2007.

Amounts due to related parties comprised short-term advances from the following related parties:

	At December 31,		At June 30,
	2005	2006	2007
Zhejiang Yuhuan	\$ —	\$ 605,735	\$ 227,168
Yuhuan County	—	137,679	—
Zhengmin Lian (director)	—	5,534	—
Ernest Tan (director)	—	—	557
Dongwu Lou (shareholder in 2005)	—	34,076	—
<b>Total</b>	<b>\$ 177,289</b>	<b>\$ 605,735</b>	<b>\$ 227,725</b>



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(b) Related party transactions

During the years ended December 31, 2005 and 2006 and the six-month periods ended June 30, 2007 and 2006, significant related party transactions were as follows:

	Years ended December 31,		Six months ended June 30,	
	2005	2006	2007	2006 (Unaudited)
Sale of goods to Newi-Solar GmbH	\$ 964,075	\$ 825,000	\$ —	\$ 825,000
Sale of land use right to Zhejiang Yuhuan	288,415	—	—	—
Sale of goods to Yuhuan County	—	30,748	—	30,748
Purchase of raw materials from Shangrao Desheng	—	14,148,683	21,460,020	—
Purchase of raw materials from Jiangxi Jingke	—	—	7,448,480	—
Purchase of raw materials from Yuhuan County	38,344	4,140	—	—
Purchase of office building	—	1,295,978	—	1,295,978
Purchase of land use right	—	334,949	—	334,949
<b>Total</b>	<b>\$ 1,290,834</b>	<b>\$ 16,639,498</b>	<b>\$ 28,908,500</b>	<b>\$ 2,486,675</b>

In May 2006, the Company purchased an office building and land use right (prepaid land rent) from Zhejiang Yuhuan for a consideration of \$1,295,978 and \$334,949, respectively. The transaction was a transfer of assets between entities under common control, and accordingly, the office building and the land use right have been recorded at their historical costs of \$1,008,183 and \$292,056, respectively. The excess of fair value over historical cost of \$330,688 has been recognized as a deemed distribution to the shareholders.

In April 2006, May 2006, August 2006 and February 2007, Mr. Xianshou Li and his family individually or jointly provided guarantees up to RMB30 million (\$3.8 million), RMB10.07 million (\$1.3 million), RMB85 million (\$10.9 million) and RMB111 million (\$14.6 million), respectively, for short-term borrowings from various domestic banks.

**18. COMMITMENTS AND CONTINGENCIES**

As of June 30, 2007, commitments outstanding for purchase of property, plant and equipment were \$70,187,618.

**19. SEGMENT REPORTING**

The Company operates in a single reportable business segment which comprises manufacture and sale of solar wafers and related products. The chief operating decision maker is the chief executive officer of the Company.

The following table summarizes the Company's revenues generated from each product:

	Years ended December 31,		Six months ended June 30,	
	2005	2006	2007	2006 (Unaudited)
Solar wafers	\$ 21,290	\$ 56,219,065	\$ 72,117,018	\$ 14,339,643
Processing services	—	5,855,423	4,192,515	712,538
Solar modules	3,918,711	2,176,052	—	2,176,052
Ingots	802,826	13,764,391	767,597	4,346,367
Solar cells	345,135	2,840,013	—	1,909,550
Other materials	—	3,515,735	3,310,387	558,113
<b>Total</b>	<b>\$ 5,087,962</b>	<b>\$ 84,370,679</b>	<b>\$ 80,387,517</b>	<b>\$ 24,042,263</b>

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The following table summarizes the Company's revenues generated from different geographic locations:

	Years ended December 31,		Six months ended June 30,	
	2005	2006	2007	2006 (Unaudited)
Asia:				
Mainland China	\$ 1,364,965	\$ 56,591,411	\$ 31,333,869	\$ 15,911,974
Taiwan	—	14,705,505	41,243,617	3,253,182
Korea	—	6,942,451	4,448,757	2,576,492
Other Asian countries	21,225	1,542,523	2,455,966	133,799
Asia Total	1,386,190	79,781,890	79,482,209	21,875,447
Germany	3,337,902	1,989,815	55,966	1,984,090
Others	363,870	2,598,974	849,342	182,726
Total	\$ 5,087,962	\$ 84,370,679	\$ 80,387,517	\$ 24,042,263

Substantially all of the Company's long-lived assets are located in Mainland China.

**Major customers**

Details of the customers accounting for 10% or more of total net revenues were as follows:

	Years ended December 31,		Six months ended June 30,	
	2005	2006	2007	2006 (Unaudited)
Customer A	\$ 964,075	\$ 1,053,420	\$ —	\$ 1,035,009
Customer B	709,819	10,535,442	—	3,458,254
Customer C	611,914	—	—	—
Customer D	—	15,668,985	17,666,630	2,249,078
Customer E	—	9,277,442	34,449,882	2,543,295
Customer F	—	7,167,525	8,688,852	548,936
Customer G	—	—	—	5,602,384

**20. SUBSEQUENT EVENTS**

On July 25, 2007, the Company acquired 51% equity interest in ReneSola (Malaysia) SND. BHD. ("ReneSola Malaysia") for Ringgit Malaysian 1,260,521 (approximately \$370,483). ReneSola Malaysia is in a business to treat, process, convert, compound and deal in recycled silicon materials.

On August 3, 2007, the Company entered into an agreement to form a joint venture for production of virgin polysilicon. In accordance with term of the agreement, the Company will make a cash investment of RMB102.9 million (approximately \$13.7 million) for a 49% equity ownership interest in the joint venture.

On August 29, 2007, the Company established Sichuan ReneSola Silicon Material Co Ltd., a wholly owned subsidiary, in Sichuan Province, China, to engage in the production of polysilicon.

On September 27, 2007, the Company entered into an agreement with a Hong Kong supplier to purchase manufacturing equipment and spare parts to expand its operations in China. Pursuant to the agreement, the Company is obligated to pay cash totaling Euro 22,150,880 by installments and upon delivery of the equipment in 2009.

In October and November 2007, the Company granted 4,450,000 share options to directors, executive officers and other employees with exercise prices of £2.985 (\$6.069) to £3.600 (\$7.365). Total share-based compensation, net of estimated forfeitures, of approximately \$13.4 million will be recognized over the vesting period of 5 years. The Company has used the Black Scholes model to estimate the fair value of the options using the following assumptions: risk-free rate of return of 4.64% – 5.06%, weighted average expected option life of 4.27 – 4.5 years, estimated volatility rate 72.39% – 78.06% and expected dividend yield of 0%.

**RENESOLA LTD**  
**UNAUDITED CONSOLIDATED BALANCE SHEET**  
**(Amounts expressed in US dollars)**

	As of September 30, 2007
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 68,935,362
Accounts receivable, net of allowances for doubtful receivables of \$59,081 on September 30, 2007	5,563,958
Inventories	94,262,658
Advances to suppliers	34,379,326
Amounts due from related parties	14,084,948
Value added tax recoverable	4,050,045
Prepaid expenses and other current assets	15,076,000
Deferred tax assets	4,905,981
Total current assets	241,258,278
Property, plant and equipment, net	94,400,346
Prepaid land rent, net	7,342,647
Deferred tax assets	23,500
Deferred convertible bond issue costs	3,609,872
Advances for purchases of property, plant and equipment	22,874,041
Total assets	\$ 369,508,684
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	
Current liabilities:	
Short-term borrowings	\$ 74,554,266
Accounts payable	9,827,080
Advances from suppliers and customers	35,450,624
Amounts due to related parties	3,800
Other current liabilities	4,936,305
Total current liabilities	124,772,075
Deferred tax liabilities	156,825
Accrued warranty costs	65,424
Convertible bond payable	124,384,094
Long-term borrowings	6,657,100
Total liabilities	256,035,518
Commitments and contingencies (see note 18)	
Minority interest	9,627,051
Shareholders' equity	
Common shares (no par value; 250,000,000 shares authorized; 100,000,032 shares issued September 30, 2007)	36,265,997
Additional paid-in capital	14,156,948
Retained earnings	48,729,211
Accumulated other comprehensive income	4,693,959
Total shareholders' equity	103,846,115
Total liabilities and shareholders' equity	\$ 369,508,684

See notes to unaudited consolidated financial statements.

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

	Nine months ended September 30,	
	2007	2006
<b>Net revenues:</b>		
Product sales	\$ 143,995,664	\$ 49,009,271
Processing services	8,931,421	3,089,756
<b>Total net revenues</b>	<b>152,927,085</b>	<b>52,099,027</b>
<b>Cost of revenues:</b>		
Products sales	114,195,364	34,954,106
Processing services	4,855,050	1,297,847
<b>Total cost of revenues</b>	<b>119,050,414</b>	<b>36,251,953</b>
<b>Gross profit</b>	<b>33,876,671</b>	<b>15,847,074</b>
<b>Operating expenses:</b>		
Sales and marketing	415,371	250,296
General and administrative	5,119,202	1,517,999
Research and development	244,341	27,982
Other general income	(334,917)	(154,947)
<b>Total operating expenses</b>	<b>5,443,997</b>	<b>1,641,330</b>
<b>Income from operations</b>	<b>28,432,674</b>	<b>14,205,744</b>
<b>Non-operating (expenses) income:</b>		
Interest income	1,704,862	149,742
Interest expenses	(2,821,935)	(277,649)
Foreign exchange (loss) gain	(2,872,754)	222,667
<b>Total non-operating (expenses) income</b>	<b>(3,989,827)</b>	<b>94,760</b>
<b>Income before income tax and minority interest</b>	<b>24,442,847</b>	<b>14,300,504</b>
<b>Income tax benefit</b>	<b>984,908</b>	<b>1,697,111</b>
<b>Minority interest</b>	<b>37,259</b>	<b>—</b>
<b>Net income</b>	<b>\$ 25,465,014</b>	<b>\$ 15,997,615</b>
<b>Earnings per share</b>		
Basic	\$ 0.25	\$ 0.22
Diluted	\$ 0.25	\$ 0.22
<b>Weighted average number of shares used in computing earnings per share:</b>		
Basic	100,000,032	73,260,106
Diluted	100,147,666	73,260,106

See notes to unaudited consolidated financial statements.

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

	Common Shares		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total	Total Comprehensive Income
	Shares	Amount					
Balance at December 31, 2006	100,000,032	\$ 36,265,997	\$ 11,764,631	\$ 23,264,197	\$ 1,245,907	\$ 72,540,732	
Net income	—	—	—	25,465,014	—	25,465,014	\$ 25,465,014
Share-based compensation	—	—	259,317	—	—	259,317	
Shareholders' contribution (see note 1)	—	—	2,133,000	—	—	2,133,000	
Foreign currency translation adjustment	—	—	—	—	3,448,052	3,448,052	3,448,052
Balance at September 30, 2007	<u>100,000,032</u>	<u>\$ 36,265,997</u>	<u>\$ 14,156,948</u>	<u>\$ 48,729,211</u>	<u>\$ 4,693,959</u>	<u>\$ 103,846,115</u>	<u>\$ 28,913,066</u>

See notes to unaudited consolidated financial statements.

**RENESOLA LTD**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Amounts expressed in US dollars)**

	Nine months ended September 30,	
	2007	2006
Cash flows from operating activities:		
Net income	\$ 25,465,014	\$ 15,997,615
Adjustments for:		
Minority interest	(37,259)	—
Depreciation	2,436,996	375,363
Amortization of deferred convertible bond issue costs and premium	1,452,172	—
Allowances for doubtful receivables	91,456	26,371
Prepaid land rent expensed	100,993	9,472
Deferred taxes	(1,188,500)	(1,697,111)
Share-based compensation	259,317	190,867
Changes in operating assets and liabilities:		
Accounts receivable	(4,798,305)	(988,172)
Inventories	(46,815,579)	(22,007,400)
Advances to suppliers	(16,457,212)	(12,834,386)
Amounts due from related parties	(7,924,821)	(6,739,627)
Value added tax recoverable	1,140,531	(2,813,839)
Prepaid expenses and other current assets	(11,773,405)	(6,503,087)
Prepaid land rent	(2,960,812)	(2,808,646)
Accounts payable	4,638,329	1,860,862
Advances from suppliers and customers	(360,902)	29,963,391
Other current liabilities	506,786	478,905
Accrued warranty costs	—	20,138
Net cash used in operating activities	<u>(56,225,201)</u>	<u>(7,469,284)</u>
Cash flows from investing activities:		
Purchases of property, plant and equipment	(62,528,145)	(12,157,685)
Advances for purchases of property, plant and equipment	(7,174,238)	(3,699,687)
Net cash used in investing activities	<u>(69,702,383)</u>	<u>(15,857,372)</u>
Cash flows from financing activities:		
Net proceeds from short-term borrowings	64,603,540	12,206,886
Proceeds from issuance of common shares	—	50,000,000
Share issuance costs	—	(3,734,000)
Net proceeds from issuance of convertible bonds	115,770,501	—
Contribution from minority shareholder of subsidiaries	360,824	—
Proceeds from capital contribution	2,133,000	—
Distribution in respect of reorganization (see note 1)	—	(2,878,000)
Other distribution to shareholders (see note 17)	—	(330,688)
Amounts due to related parties	(613,126)	(179,498)
Net cash provided by financing activities	<u>182,254,739</u>	<u>55,084,700</u>
Effect of exchange rate changes	2,746,509	112,327
Net increase in cash and cash equivalents	\$ 59,073,664	\$ 31,870,371
Cash and cash equivalents, beginning of year	9,861,698	404,139
Cash and cash equivalents, end of year	<u>\$ 68,935,362</u>	<u>\$ 32,274,510</u>
Supplemental schedule of non-cash transactions:		
Contribution from shareholders for share issuance costs	\$ —	\$ 10,000,004
Payable for purchases of property, plant and equipment	\$ 3,191,047	\$ 524,574
Supplemental disclosure of cash flow information:		
Interest paid	\$ 8,235,401	\$ 285,427
Income tax paid	\$ 1,996,235	\$ —

See notes to unaudited consolidated financial statements.

## RENESOLA LTD

## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

**1. ORGANIZATION AND NATURE OF OPERATIONS**

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

The following table lists all subsidiaries and variable interest entity of the Company as of September 30, 2007:

<u>Subsidiaries</u>	<u>Date of incorporation</u>	<u>Place of incorporation</u>	<u>Percentage of ownership</u>
ReneSola Ltd	March 17, 2006	the British Virgin Islands	100%
Zhejiang Yuhui Solar Energy Co Ltd ("Zhejiang Yuhui")	August 7, 2003	the People's Republic of China ("PRC")	100%
ReneSola America Inc. ("ReneSola America")	November 12, 2006	the United States of America	100%
ReneSola Singapore Pte Ltd ("ReneSola Singapore")	March 28, 2007	Singapore	100%
ReneSola (Malaysia) SDN BHD ("ReneSola Malaysia")	February 12, 2007	Malaysia	51%
Linzhou Zhongsheng Semiconductor Silicon Material Co., Ltd ("Linzhou Zhongsheng")	August 17, 2007	PRC	49%
Sichuan ReneSola Silicon Material Co., Ltd ("ReneSola Sichuan")	August 25, 2007	PRC	100%

Zhejiang Yuhui commenced operations in July 2005. ReneSola America commenced operations in November 2006. ReneSola Singapore commenced operations in May 2007. ReneSola Malaysia and Linzhou Zhongsheng are expected to commence operation in October 2007 and January 2008, respectively.

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

ReneSola was listed on the Alternative Investment Market of the London Stock Exchange ("AIM") on August 8, 2006.

**Reorganization**

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

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

**Acquisitions of Subsidiary and Variable Interest Entity Interest**

(a) In July 2007, the Company invested Ringgit Malaysian 1,260,521 (approximately \$370,483) for a 51% equity interest in ReneSola (Malaysia) SND. BHD. ("ReneSola Malaysia"). ReneSola Malaysia is in the business of treating, processing, converting, compounding and dealing in recycled silicon materials. The Company has consolidated ReneSola Malaysia in its September 30, 2007 balance sheet. The equity interest not owned by ReneSola is reported as a non-controlling interest on the balance sheet as of September 30, 2007.

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

**2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES**

(a) Basis of presentation

The consolidated financial statements have been prepared and presented in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

(b) Basis of consolidation

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

(c) Use of estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of these financial statements and the reported amounts of revenues and expenses for the reporting periods presented. Actual results could materially differ from these estimates. Significant accounting estimates which are susceptible to change as more information becomes available include allowances for doubtful receivables, inventory write-downs, valuation of deferred tax assets, accrual of warranty costs, useful lives of property, plant and equipment and valuation of share-based compensation.

(d) Cash and cash equivalents

Cash and cash equivalents represent cash on hand and held with banks, including demand deposits, which are unrestricted as to withdrawal and use, and which have maturities of three months or less when purchased.

(e) Inventories

Inventories are stated at the lower of cost or market. Cost is determined by the first-in-first-out method. Cost comprises direct materials, direct labor and those overhead costs that have been incurred in bringing the inventories to their present location and conditions.

Adjustments are recorded to write down the cost of obsolete and excess inventory to the estimated market value based on historical and forecast demand. The estimated market value is measured as the estimated selling



price of each class of the inventories in the ordinary course of business less estimated costs of completion and disposal.

The Company's scrap raw material inventory was less than \$2 million as of September 30, 2007. The market value of these materials is primarily based upon a limited number of sales transactions and reference to an independent website containing estimated values for comparable scrap raw materials.

The Company outsources portions of its manufacturing process, including cutting ingots into wafers and converting wafers into solar cells, to various third-party manufacturers. These outsourcing arrangements may or may not include transfer of title of the raw material inventory (ingots or wafers) to the third-party manufacturers.

For those outsourcing arrangements in which title is not transferred, the Company maintains such inventory on the Company's balance sheet as raw materials inventory while it is in physical possession of the third-party manufacturer. Upon receipt of the processed inventory, it is reclassified as work-in-process inventory and a processing fee is paid to the third-party manufacturer.

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

(f) Advances to suppliers

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

(g) Property, plant and equipment

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

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

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

(h) Prepaid land rent (net)

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

(i) Impairment of long-lived assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company assesses recoverability of the long-lived

assets by comparing the carrying amount of the assets to the estimated future undiscounted cash flows expected to result from the use of the assets and their eventual disposition. The Company recognizes an impairment loss in the event the carrying amount exceeds the estimated future undiscounted cash flows attributable to such assets, measured as the difference between the carrying amount of the assets and the fair value of the impaired assets.

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

(j) Deferred convertible bond issuance costs

The issuance costs of the Company's Convertible Bond due 2012 ("Convertible Bonds") in the amount of RMB32,726,644 (\$4,224,319) were deferred and are being amortized using the straight-line method, which approximates the effective interest rate method, over a period of three years from March 26, 2007, the date of issuance, to March 26, 2010, the earliest redemption date. The amortization expense for the nine-month period ended September 30, 2007 was RMB5,613,694 (\$732,110).

(k) Income taxes

Deferred income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, tax loss and investment tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is recorded to reduce the carrying amount of deferred tax assets if it is considered more likely than not that some portion, or all, of the deferred tax assets will not be realized.

(l) Revenue recognition

The Company sells solar wafers and related products. The Company also enters into agreements to process silicon materials into silicon ingots and wafers for customers. The Company recognizes revenues when products are delivered and title has passed to customers, the price to the buyer is fixed and determinable, and collectibility is reasonably assured. Revenue includes reimbursement of shipping and handling costs. Shipping and handling costs incurred on sale of products and included in sales and marketing expense were \$9,648 and \$6,280 in the nine-month periods ended September 30, 2007 and 2006, respectively. Sales agreements typically contain customary product warranties but do not contain any post-shipment obligations nor any return or credit provisions.

A majority of the Company's contracts provide that products are shipped under free on board ("FOB") terms or cost, insurance and freight ("CIF") terms. Under FOB, the Company fulfils its obligation when the goods have passed over the ship's rail at the named port of shipment. The customer has to bear all costs and risks of loss or damage to the goods from that point. Under CIF, the Company must pay the costs, insurance and freight necessary to bring the goods to the named port of destination, and bears the risk of loss of or damage to the goods during transit. The Company recognizes revenue when the title of goods and risk of loss or damage is transferred to the customers.

The Company has begun to extend credit terms only to a limited number of customers and receives cash for the majority of the sales transactions before delivery of products, which are recorded as advances from customers. For customers to whom credit terms are extended, the Company assessed a number of factors to determine whether collection from them is reasonably assured, including past transaction history with them and their credit-worthiness.

(m) Cost of revenues

Cost of revenues consists of production related costs including costs of silicon raw materials, consumables, direct labor, overhead costs, depreciation of plant and equipment, and contractor and processing fees.

(n) Research and development

Research and development cost are expensed when incurred.

(o) Warranty cost

The Company's solar modules are typically sold with 20-year warranties against specified declines in the initial minimum power generation capacity at the time of delivery. We also provided warranties for our solar modules against defects in materials and workmanship for a period of two years from the date of sale. Warranty cost is accrued as revenue is recognized. Due to the limited solar module manufacturing history, the Company does not have a significant history of warranty claim. Cost of warranties is estimated based on an assessment of competitors' accrual history, industry-standard testing, estimates of failure rates from quality review and other assumptions that are considered to be reasonable under the circumstances. Actual warranty costs are accumulated and charged against accrued warranty liability. To the extent that actual warranty cost differs from the estimates, the Company will prospectively revise the accrual rate.

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

(p) Foreign currency

The functional currency of ReneSola and its subsidiary in the PRC is Renminbi ("RMB"). The functional currency of ReneSola America is the United States Dollar ("US dollar"). Foreign currency transactions have been translated into the functional currency at the exchange rates prevailing on the date of transactions. Foreign currency denominated monetary assets and liabilities are translated into the functional currency at exchange rates prevailing on the balance sheet date. Exchange gains and losses have been included in determination of net income.

The Company has chosen the US dollar as its reporting currency. Assets and liabilities have been translated using exchange rates prevailing on the balance sheet date. Income statement items have been translated using the weighted average exchange rate for the year. Translation adjustments have been reported as a component of other comprehensive income in the statement of shareholders' equity.

The RMB is not a freely convertible currency. The PRC State Administration for Foreign Exchange, under the authority of the People's Bank of China, controls the conversion of RMB into foreign currencies. The value of the RMB is subject to changes in central government policies and to international economic and political developments affecting supply and demand in the China foreign exchange trading system market. The Company's cash and cash equivalents dominated in RMB amounted to RMB252,365,729 (\$33,600,478) at September 30, 2007.

(q) Fair value of financial instruments

Financial instruments of the Company comprise cash and cash equivalents, accounts receivable, amounts due to related parties, short-term borrowings, accounts and other payables and long-term borrowings. As of September 30, 2007, carrying amounts of cash and cash equivalents, accounts receivable, amounts due to related parties, short-term borrowings, accounts and other payables approximate fair values due to the short-term maturity of these instruments. The carrying value of long-term borrowings approximates fair value due to the variable nature of the associated interest rates.

(r) Derivative financial instruments

The Company enters into derivative financial instruments such as foreign exchange forward contracts to manage its exposure to foreign currency risks. Derivative financial instruments are initially recognized in the balance sheet at fair value and subsequently re-measured to their fair value with changes in fair value included in determination of net income. Net loss on derivative financial instruments of \$20,318 and \$nil was recognized as expense in the nine-month periods ended September 30, 2007 and 2006, respectively.

As of September 30, 2007, the Company did not have any outstanding foreign currency forward exchange contracts.

(s) Earnings per share

Basic earnings per share is computed by dividing income attributable to holders of common shares by the weighted average number of common shares outstanding during the year. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted into common shares.

(t) Share-based compensation

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

(u) Comprehensive income

Comprehensive income is the change in equity during a period from transactions and other events and circumstances from non-shareholder sources. Components of the Company's comprehensive income include net income and foreign currency translation adjustments.

(v) Concentrations of credit risk

Financial instruments that potentially expose the Company to concentrations of credit risk consist primarily of cash and cash equivalents, accounts receivable and advances to suppliers and related parties. The Company places its cash and cash equivalents with financial institutions with high-credit ratings and quality. The Company conducts credit evaluations of customers and generally does not require collateral or other security from its customers. The Company establishes an allowance for doubtful receivables mainly based on the age of receivables and factors surrounding the credit risk of specific customers.

**3. NEW ACCOUNTING PRONOUNCEMENTS**

In February 2006, the Financial Accounting Standard Board ("FASB") issued Statement No.155, Accounting for Certain Hybrid Financial Instruments ("SFAS 155"), which amends SFAS No.133 and SFAS No.140, and improves the financial reporting of certain hybrid financial instruments by requiring more consistent accounting that eliminates exceptions and provides a mean to simplify the accounting for these instruments. Specifically, SFAS 155 allows financial instruments that have embedded derivatives to be accounted for as a whole (eliminating the need to bifurcate the derivative from its host) if the holder elects to account for the whole instrument on a fair value basis. SFAS 155 is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006. The adoption of SFAS 155 does not have a material impact on the Company's financial position or results of its operations.

In September 2006, the FASB issued Statement No.157, Fair Value Measurements ("SFAS 157"), which establishes a framework for measuring fair value and expands disclosures regarding fair value measurements.

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The changes to current practice resulting from the application of this Statement relate to the definition of fair value, methods used to measure fair value, and the expanded disclosures of fair value measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007, and interim period within those fiscal years. The adoption of SFAS 157 is not expected to have a material impact on the Company's financial position or its results of operations.

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

**4. ACCOUNTS RECEIVABLE**

An analysis of allowances for doubtful receivables at September 30, 2007 is as follows:

	At September 30, 2007
Beginning of the year	\$ 3,279
Allowances made during the year	55,802
Accounts receivables written-off against allowances	—
Closing balance	<u>\$ 59,081</u>

**5. INVENTORIES**

	At September 30, 2007
Raw materials	\$ 40,817,776
Work-in-process	50,840,276
Finished goods	2,604,606
Total inventories	<u>\$ 94,262,658</u>

The amount of inventories for which title is not transferred to the third-party manufactures was \$2,561,392 at September 30, 2007. The amount of inventories for which title and risk of loss was transferred to the third-party manufacture was \$nil at September 30, 2007.

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

Property, plant and equipment, net, comprise:

	At September 30, 2007	
Buildings	\$	12,905,739
Plant and machinery		62,632,747
Motor vehicles		508,698
Office equipment		1,379,116
leasehold improvement		111,435
		<u>77,537,735</u>
Less: Accumulated depreciation		<u>(3,281,073)</u>
		74,256,662
Construction in progress		20,143,684
Property, plant and equipment, net	\$	<u>94,400,346</u>

Construction in progress represents new production facilities under construction. Depreciation expense for the nine-month periods ended September 30, 2007 and 2006 was \$2,518,119 and \$378,929, respectively.

**7. INCOME TAX BENEFIT**

	Nine months ended September 30,	
	2007	2006
Income before income tax		
PRC	\$ 28,847,087	\$ 14,410,869
Other jurisdictions	(4,404,240)	(110,365)
Total income before income tax	<u>\$ 24,442,847</u>	<u>\$ 14,300,504</u>
Income tax benefit		
PRC	\$ 984,908	\$ 1,697,111
Other jurisdictions	—	—
Total income tax benefit	<u>\$ 984,908</u>	<u>\$ 1,697,111</u>
Deferred tax benefit:		
Investment tax credit carryforwards	\$ 1,410,623	\$ 1,651,286
Property, plant and equipment	(225,007)	42,939
Others	2,884	2,886
Total income tax benefit	<u>\$ 1,188,500</u>	<u>\$ 1,697,111</u>
Provision recorded as changes in uncertain tax benefits:		
FIN 48 liability	<u>\$ 203,592</u>	<u>\$ —</u>

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

Zhejiang Yuhui is a Foreign Invested Enterprise ("FIE"). The statutory income tax rate in the PRC is 33%. As Zhejiang Yuhui is registered in the Coastal Economic Development Area of China, it is subject to an income tax rate of 26.4% (24% of state income tax plus 2.4% local income tax). As a manufacturing-oriented FIE, it is entitled to a tax exemption for two years starting from its first profitable year of operation (2005 to 2006), after utilizing any tax losses brought forward from prior years, and a reduced rate of 13.2% (12% of state income tax

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plus 1.2% local income tax) for the succeeding three years (from 2007 to 2009, please refer to the change under newly enacted Enterprise Income Tax law in subsequent paragraph).

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

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

ReneSola Singapore is incorporated in the Republic of Singapore. The Corporate income tax rate is 18%.

ReneSola Malaysia is incorporated in Malaysia. The Corporate income tax rate is 27%.

ReneSola Sichuan is incorporated in the PRC. The Corporate income tax rate is 33%.

Linzhou Zhongsheng is incorporated in PRC. The Corporate income tax rate is 33%.

In July 2006, the FASB issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109 (“FIN 48”), which clarifies the accounting and disclosure for uncertainty in tax positions. FIN 48 prescribes a more-likely-than-not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation also provides guidance on de-recognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, accounting for income taxes in interim periods and income tax disclosures.

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

During the nine months ended September 30, 2007, the Company has recorded FIN 48 liabilities of \$203,592, which affects the effective income tax rate accordingly. It also recognized interest and/or penalties associated with the uncertain tax positions in the FIN 48 tax provision. As of September 30, 2007, the amount of interest and penalties related to the uncertain tax position is immaterial.

The years 2003 to 2006 remain subject to examination by the PRC tax authorities.

The principal components of deferred income tax assets are as follows:

	At September 30, 2007
Deferred tax assets	
Investment tax credits carryforwards	\$ 4,896,028
Other	33,453
Total deferred tax assets	\$ 4,929,481
Deferred tax liabilities	
Property, plant and equipment	\$ 156,825
Deferred tax assets	
Analysis as:	
Current	\$ 4,905,981
Non-current	23,500
	\$ 4,929,481
Deferred tax liabilities	
Current	\$ —
Non-current	156,825
	\$ 156,825

During the nine-month period ended September 30, 2007, Zhejiang Yuhui purchased plant and equipment manufactured in the PRC. In accordance with PRC tax regulations, Zhejiang Yuhui received 40% of the purchased amount as an investment tax credit. The tax credit can be carried forward for 7 years. Investment tax credit carryforwards of \$603,080, \$2,715,015 and \$1,577,933 expire in 2012, 2013 and 2014, respectively.

As of September 30, 2007, the Company has not recorded a valuation allowance to reduce its deferred tax assets because management believes that it is more likely than not that the deferred tax assets will be realized as it expects to generate sufficient taxable income in the future.

Reconciliation between the applicable statutory income tax rate and the Company's effective tax rate for the nine-month period ended September 30, 2007 is as follows:

	Nine months ended September 30, 2007
PRC applicable income tax rate	26.4%
Non-deductible loss on disposal of plant and equipment	—
Effect of tax holiday	(30.1)%
Investment tax credit	(5.8)%
Fin 48 liability	0.8%
Other	4.7%
Effective income tax rate	(4.0)%

The aggregate amount and per share effect of the tax holiday are as follows:

	Nine months ended September 30,	
	2007	2006
the aggregate effect	\$ 7,382,851	\$ 14,410,869
Per share effect—basic and diluted	\$ 0.07	\$ 0.20



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In March 2007, the National People's Congress of China enacted a new Enterprise Income Tax Law (Tax Law) which will be effective January 1, 2008. The Tax Law provides that enterprises established under the laws of foreign countries or regions and whose "de facto management bodies" are located within the PRC will be considered as PRC resident enterprises, and will be subject to the PRC enterprise income tax at the rate of 25% of worldwide income. However, the Tax Law does not define the term "de facto management bodies." Substantially all of the Company's management is currently located in China. If they remain located in China after January 1, 2008, the offshore companies may be considered PRC resident enterprises and, therefore, be subject to the PRC enterprise income tax at the rate of 25% on worldwide income effective January 1, 2008.

Under the Tax Law, domestically-owned enterprises and foreign-invested enterprises (FIE) will be subject to a uniform tax rate of 25%. While the Tax Law equalizes the tax rates for FIEs and domestically-owned companies, preferential tax treatment would continue to be given to companies in certain encouraged sectors and to entities classified as high-technology companies. The Tax Law also provides a transition period starting from its effective date for those enterprises which were established before the promulgation date of the new tax law and which are entitled to a preferential lower tax rate and tax holiday under the existing effective tax laws or regulations. The tax rate of such enterprises will transition to the uniform tax rate within a five-year transition period, and the tax holiday, which has been enjoyed by such enterprises before the effective date of the new tax law, may continue to be enjoyed until the end of the holiday. Therefore, Zhejiang Yuhui will continue to be entitled to the current tax holiday during the transition period.

**8. BORROWINGS**

Our bank borrowings consist of the following:

	At September 30, 2007
Short-term	\$ 74,554,266
Long-term, current portion	—
Subtotal	74,554,266
Long-term	6,657,100
	<u>\$ 81,211,366</u>

In the nine-month period ended September 30, 2007, the maximum bank credit facilities granted to the Company were \$179,741,700, of which \$81,211,366 were drawn down and \$98,530,334 were available as of September 30, 2007.

a) Short-term

The weighted average interest rate of short term loans was 5.81% and 5.95% in the nine-month periods ended September 30, 2007 and 2006, respectively. These borrowings do not contain any financial covenants or restrictions. The borrowings are repayable within one year. As of September 30, 2007, borrowings of \$38,629,847 were secured against property, plant and equipment with carrying amounts of \$30,054,539, inventories of \$49,520,846, and prepaid land rent of \$2,470,420. In addition, \$30,375,061 of the borrowings was guaranteed by Mr. Xianshou Li and his family as of September 30, 2007.

b) Long-term

The weighted average interest rate of long-term borrowings was 6.2% in the nine-month period ended September 30, 2007. All bank loans are unsecured and have variable interest rates.

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Future principal repayment on the long-term bank loans are as follows:

2007	\$	—
2008		—
2009		2,130,272
2010		4,526,828
2011 and after		—
	\$	<u>6,657,100</u>

c) Interest expenses

Interest expense incurred for the nine-month periods ended September 30, 2007 and 2006 was \$ 2,213,243 and \$285,427, respectively, of which \$1,475,977 and \$7,778 has been capitalized in the cost of property, plant and equipment.

9. OTHER CURRENT LIABILITIES

	At September 30, 2007
Accrued payroll and staff welfare	\$ 1,067,267
Other payables	3,869,038
	<u>\$ 4,936,305</u>

10. ACCRUED WARRANTY COSTS

The Company's warranty activity is summarized below:

	At September 30, 2007
Beginning balance	\$ 62,928
Accrued in the period	—
Foreign exchange difference	2,496
Ending balance	<u>\$ 65,424</u>

11. CONVERTIBLE BOND

On March 26, 2007, the Company issued RMB 928,700,000 of US Dollar-Settled 1% Convertible Bonds due March 26, 2012 which are convertible into ordinary shares (the "New Shares") of the Company. The US dollar settlement is based on the prevailing spot rate at the date of settlement. The Convertible Bonds rank pari passu with all other present and future unsecured and unsubordinated obligations of the Company. The key terms of the Convertible Bonds are as follows:

*Interest.* The Convertible Bonds bear interest at the rate of 1% per annum which is payable semi-annually in arrears on March 26 and September 26 in each year commencing September 26, 2007.

*Redemption at maturity.* Each Convertible Bond will be redeemable upon maturity at an amount equal to the US dollar equivalent of its RMB principal amount multiplied by 105.90% together with any accrued but unpaid interest (the "Redemption Amount").

*Conversion.* The Convertible Bonds may be converted into AIM shares of the Company at the option of the holders at any time on or after April 10, 2007 until March 11, 2012. The number of AIM shares to be issued on

conversion will be determined by dividing the RMB principal amount of the Convertible Bonds to be converted (translated into Pound Sterling at the fixed exchange rate of RMB15.0633 to £1.00) by the conversion price in effect at the conversion date. The conversion price is initially £5.88 per share and is subject to adjustment upon the occurrence of specified events. Based on the conversion price of £5.88 the number of AIM shares to be allotted and issued by the Company on full conversion of the Convertible Bonds will be approximately 10,485,231.

*Call Options.* The Company has the option to redeem all, but not part, of the Convertible Bonds at a price equal to the US dollar equivalent amount of the early redemption amount with any accrued but unpaid interest:

- (1) on, or at any time after, March 26, 2009 and prior to the maturity date if the closing price of the AIM shares (converted to RMB at the prevailing RMB-to-Pound Sterling exchange rate) for a 30-trading day period prior to the date on which notice of such redemption is published is at least 130% of the applicable early redemption amount divided by the conversion ratio; or
- (2) when the aggregate principal amount of the Convertible Bonds outstanding is less than 10% of the aggregate principal amount originally issued.

The early redemption amount of a bond will be determined such that it provides the holder a gross yield of 2.215%.

*Put Options.* The holders have the option to require the Company to redeem all or some of the Convertible Bonds at the US dollar equivalent amount of the early redemption amount plus any accrued but unpaid interest at the occurrence of a change of control or a delisting of the Company's shares on AIM. In addition, on the third anniversary (March 26, 2010), the holders will have a right to redeem all or some of the bonds at a redemption price equal to the US dollar equivalent of its RMB principal amount multiplied by 103.47% together with any accrued but unpaid interest (the "Put Redemption Amount").

No beneficial conversion feature charge was recognized for the issuance of the Convertible Bonds as the estimated fair value of the ordinary shares was less than the conversion price on the date of issuance.

The embedded conversion option, call options, and put options are not bifurcated and recognized as derivatives based on the application of SFAS 133, "Accounting for Derivative Instruments and Hedging Activities", and related interpretations.

As of September 30, 2007, the carrying value of the Convertible Bonds was \$124,384,094. The Put Redemption Amount of \$4,158,936 (103.47%) is being amortized over a period of three years from March 26, 2007, the date of issuance, to March 26, 2010, the earliest redemption date, using the straight-line method, which approximates the effective interest rate method. The additional Redemption Amount of \$2,922,810 (105.9%) will be amortized from the earliest redemption date (March 26, 2010) through maturity (March 26, 2012) to the extent they are not redeemed at the early redemption date. For the nine-month period ended September 30, 2007, the Company recognized total finance cost on the Convertible Bonds of \$2,084,669.

## 12. COMMON SHARES

On March 17, 2006, the Company issued 6,600 and 3,400 shares to Mr. Xianshou Li and Mr. Yuncai Wu for \$0.66 and \$0.34, respectively.

On July 24, 2006, the Board of Directors approved a share split on a 6,666.67 to 1 basis for all outstanding shares.

On August 8, 2006, ReneSola issued 33,333,333 shares for cash consideration of \$1.50 per share in an initial public offer ("IPO") on AIM for total proceeds of \$50,000,000. The Company incurred share issuance

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costs of \$13,734,004, of which \$10,000,004 was settled by issue of shares (see note 13) and \$3,734,000 was incurred in cash. The cash payment comprises fees directly attributable to the IPO for underwriting, audit, legal and other professional services of \$2,067,715, \$703,057, \$671,399 and \$291,829, respectively.

### 13 SHARE BASED COMPENSATION

#### Share Award to Employees

Prior to 2006, the Company did not grant any share-based awards.

In August 2006, Mr. Xianshou Li, and certain other shareholders transferred 333,333 nonvested shares to Mr. Charles Xiaoshu Bai (Mr. Bai), the Chief Financial Officer of the Company. In accordance with the terms of the agreement, 111,111 shares vested immediately and 111,111 shares vested in August 2007. The remaining will vest in May 2008. If Mr. Bai does not fulfill his service condition, any remaining shares will be forfeited and returned to the shareholders. The fair value of the nonvested shares was \$1.50 per share based on the market price at grant date. These shares do not have an exercise price and will vest at no cost to Mr. Bai.

In November 2006, the Company entered into an agreement with Mr. Panjian Li (Mr. Li), Chief Executive Officer of ReneSola America, and with Binghua Huang (Mr. Huang), Chief Technology Officer of the Company, to grant 40,000 and 20,000 shares, respectively, each year for a period of five and three years, respectively, commencing January 2008. The fair value of the shares was \$4.47 per share based on the market price as of the grant date. These shares do not have an exercise price and will vest at no cost to Mr. Li or Mr. Huang.

A summary of the status of nonvested shares is presented below:

	Number of Shares	Weighted Average Grant-Date Fair Value	Aggregate Intrinsic Value
Granted during the year ended December 31, 2005	593,333	\$ 2.80	
Vested	(111,111)	\$ 2.80	
Nonvested at December 31, 2006	482,222	\$ 2.80	\$ 4,021,672
Granted	—		
Vested	(111,111)		
Forfeited	—		
Nonvested at September 30, 2007	371,111	\$ 2.80	\$ 2,569,055

Compensation cost of \$259,317 and \$190,867 has been charged against income during the nine-month period ended September 30, 2007 and 2006, respectively, which has been recognized as general and administrative expense. At September 30, 2007, there was \$ 1,139,126 total unrecognized compensation cost, which is expected to be recognized over a weighted average period of 3 years. The total fair value of shares vested during the nine-month period ended September 30, 2007 and 2006 was \$333,333 and \$166,667, respectively.

#### Share-based award to non-employees

In February 2006, Zhejiang Yuhui entered into an agreement with Diverso Management Limited ("Diverso") for Diverso to render services as an advisor in connection with the Company's initial public offer on AIM. In accordance with the terms of the agreement, Diverso was entitled to 10% of the initial public offer proceeds with an option to take 10% pre-IPO shares in settlement.

Diverso elected to take shares and the shareholders of the Company transferred 6,666,670 shares of their pre-IPO shares with a fair value of \$10,000,004. The fair value of the shares was determined based on the market

value of \$1.50 as of the date of listing. This amount has been recognized as share issuance cost by an offset against proceeds received from the IPO.

**2007 Share Incentive Plan**

On September 27, 2007, the Company adopted the Renesola Limited 2007 Share Incentive Plan (the “Plan”) that provides for grant of share options, restricted shares and restricted share units to participants, including employees and consultants of the Plan. A maximum of 7,500,000 authorized but unissued shares of the Company have been reserved and allocated to the Plan. The Plan shall be administered by the Compensation Committee of the Board of Directors (the “Committee”).

Except as otherwise noted in the award agreements with the employee or consultant, the options can be exercised within 6 years from the award date, except for participant’s termination of employment or service. The vesting schedule and the exercise price per share will be determined by the Committee and set forth in the individual award agreement. In the event of any distribution, share split, or recapitalization of the Company, the Committee shall make such proportionate and equitable adjustments, if any, to reflect such change with respect to (a) the aggregate number and type of shares that may be issued under the Plan and (b) the terms and conditions of any outstanding awards. Except as may otherwise be provided in any award agreement, if a change of control occurs and a participant’s awards are not converted, assumed, or replaced by a successor, such awards shall become fully exercisable and all forfeiture restrictions on such awards shall lapse.

As of September 30, 2007, there were no awards granted under the Plan.

**14. EMPLOYEE BENEFITS**

In accordance with the relevant rules and regulations in the PRC, employees of Zhejiang Yuhui are covered by retirement benefit plans established by the local government. These plans are defined contribution plans and Zhejiang Yuhui has contributed 20% of the basic salaries of its employees. Other than the contribution, there is no further obligation for payments to employees under these plans.

The total contribution of \$375,484 and \$73,826 was expensed in the nine-month periods ended September 30, 2007 and 2006, respectively.

**15. DISTRIBUTION OF PROFIT**

As stipulated by the relevant laws and regulations applicable to China’s foreign investment enterprises, the Company’s PRC subsidiary, Zhejiang Yuhui is required to make appropriations from net income as determined under accounting principles generally accepted in the PRC (“PRC GAAP”) to non distributable reserves which include a general reserve, an enterprise expansion reserve and a staff welfare and bonus reserve. The amount to be allocated to the expansion and staff welfare and bonus reserves is at the discretion of the directors.

The general reserve is used to offset future extraordinary losses. The subsidiary may, upon a resolution passed by the shareholder, convert the general reserve into capital. The staff welfare and bonus reserve is used for the collective welfare of the employees. The enterprise expansion reserve is for the expansion of Zhejiang Yuhui’s operations and can be converted to capital subject to approval by the relevant authorities. These reserves represent appropriations of the retained earnings determined in accordance with the Chinese law.

Additional paid-in capital includes Zhejiang Yuhui’s registered capital of \$1,500,182.

As a result of the PRC laws and regulations, Zhejiang Yuhui is restricted in its ability to distribute the registered capital and general reserve amounting to \$1,714,479 as at September 30, 2007.

**16. EARNINGS PER SHARE**

Basic and diluted earnings per share have been calculated as follows:

	Nine months ended September 30,	
	2007	2006
Net income—basic and diluted	\$ 25,465,014	\$ 15,997,615
Weighted-average number of common shares outstanding—basic	100,000,032	73,260,106
Dilutive effect of nonvested shares	147,634	—
Weighted-average number of common shares outstanding—diluted	100,147,666	73,260,106
Basic earnings per share	\$ 0.25	\$ 0.22
Diluted earnings per share	\$ 0.25	\$ 0.22

Diluted earnings per share calculation as of September 30, 2007 excludes 7,259,006 common shares issuable upon the assumed conversion of the Convertible Bonds as their effect would have been anti-dilutive.

**17. RELATED PARTY BALANCES AND TRANSACTIONS**

(a) Related party balances

Amounts due from related parties comprised advances for purchase of raw materials as follows:

	At September 30, 2007
Ruiyu Solar (former shareholder)	\$ 985,003
Jiangxi Jingke*	2,529,698
Shangrao Desheng*	10,570,247
Total	\$ 14,084,948

\* The brothers of Mr. Xianshou Li were the General Manager of Shangrao Desheng Industrial Co., Ltd ("Shangrao Desheng") in 2006 and Jiangxi Jingke Co., Ltd ("Jiangxi Jingke") in 2007.

Amounts due to related parties comprised short-term advances from the following related parties:

	At September 30, 2007
Ernest Tan (director)	\$ 3,800
Total	\$ 3,800

(b) Related party transactions

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During the nine-month periods ended September 30, 2007 and 2006, significant related party transactions were as follows:

	Nine months ended September 30,	
	2007	2006
Sale of goods to Newi-Solar GmbH	\$ —	\$ 825,000
Sale of goods to Yuhuan Country	—	27,161
Purchase of raw materials from Shangrao Desheng	26,252,739	2,787,780
Purchase of raw materials from Jiangxi Jingke	8,796,122	—
Purchase of office building	—	1,295,978
Purchase of land use right	—	334,949
Total	\$ 35,048,861	\$ 5,270,868

In April 2006, May 2006, August 2006 and February 2007, Mr. Xianshou Li and his family individually or jointly provided guarantees up to RMB30 million (\$3.8 million), RMB10.1 million (\$1.3 million), RMB85 million (\$10.9 million) and RMB260 million (\$34.6 million), respectively, for short-term borrowings from various domestic banks.

#### 18. COMMITMENTS AND CONTINGENCIES

As of September 30, 2007, commitments outstanding for purchase of property, plant and equipment were \$126,298,151.

#### 19. SEGMENT REPORTING

The Company operates in a single reportable business segment which comprises manufacture and sale of solar wafers and related products. The chief operating decision maker is the chief executive officer of the Company.

The following table summarizes the Company's revenues generated from each product:

	Nine months ended September 30,	
	2007	2006
Solar wafers	\$ 139,592,308	\$ 32,590,832
Processing revenue	8,931,421	3,089,756
Solar modules	—	2,176,052
Ingots	1,090,688	9,147,897
Solar cells	—	2,430,754
Other materials	3,312,668	2,663,736
Total	\$ 152,927,085	\$ 52,099,027

The following table summarizes the Company's revenues generated from different geographic locations:

	Nine months ended September 30.	
	2007	2006
Asia:		
Mainland China	\$ 88,862,481	\$ 35,888,891
Taiwan	51,883,771	6,560,284
Korea	5,843,557	6,000,066
Other Asian countries	4,234,509	1,285,424
Asia Total	150,824,318	49,734,665
Germany	56,340	1,774,080
Others	2,046,427	590,282
<b>Total</b>	<b>\$ 152,927,085</b>	<b>\$ 52,099,527</b>

Substantially all of the Company's long-lived assets are located in Mainland China.

**Major customers**

Details of the customers accounting for 10% or more of total net revenues were as follows:

	Nine months ended September 30.	
	2007	2006
Customer A	\$ 42,982,708	\$ 4,387,092
Customer B	44,084,248	7,985,450
Customer C	19,675,960	3,859,890
Customer D	3,623,174	7,749,255
Customer E	—	7,684,083

**20. SUBSEQUENT EVENT**

In October and November 2007, the Company granted 4,450,000 share options to directors, executive officers and other employees with exercise prices of £2.985 (\$6.069) to £3.600 (\$7.365). Total share-based compensation, net of estimated forfeitures, of approximately \$13.4 million will be recognized over the vesting period of 5 years. The Company has used the Black Scholes model to estimate the fair value of the options using the following assumptions: risk-free rate of return of 4.64% – 5.06%, weighted average expected option life of 4.27 – 4.5 years, estimated volatility rate 72.39% – 78.06% and expected dividend yield of 0%.





**ReneSola**



American Depositary Shares



**ReneSola Ltd**

Representing          Shares

**Credit Suisse**

**Deutsche Bank Securities**

**Piper Jaffray**

**CIBC World Markets**

**Lazard Capital Markets**

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**PART II**  
**INFORMATION NOT REQUIRED IN PROSPECTUS**

**ITEM 6. INDEMNIFICATION OF DIRECTORS AND OFFICERS.**

British Virgin Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the British Virgin Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime. Our Articles of Association provide for indemnification of officers and directors for losses, damages, costs and expenses incurred in their capacities as such, except through their own willful neglect or default.

Pursuant to indemnification agreements, the form of which is to be filed as Exhibit 10.2 to this registration statement, we agree to indemnify our directors and officers against certain liabilities and expenses incurred by such persons in connection with claims made by reason of their being such a director or officer.

The Underwriting Agreement, the form of which is to be filed as Exhibit 1.1 to this registration statement, will also provide for indemnification of us and our officers and directors.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers or persons controlling us pursuant to the foregoing provisions, we have been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

**ITEM 7. RECENT SALES OF UNREGISTERED SECURITIES.**

During the past three years, we have issued the following securities (including options to acquire our shares). We believe that each of the following issuances was exempt from registration under the Securities Act in reliance on Regulation D under the Securities Act or pursuant to Section 4(2) of the Securities Act regarding transactions not involving a public offering or in reliance on Regulation S under the Securities Act regarding sales by an issuer in offshore transactions.

<u>Purchaser</u>	<u>Date of Sale or Issuance</u>	<u>Type and Number of Securities</u>	<u>Consideration (\$)</u>	<u>Underwriting Discount and Commission</u>
Xianshou Li	March 17, 2006	6,600 ordinary shares	0.66	N/A
Yuncai Wu	March 17, 2006	3,400 ordinary shares	0.34	N/A

See "Market Price Information" for a description of the placing of 33,333,333 shares on the AIM of the London Stock Exchange.

See "Management's Discussion and Analysis of Financial Conditions and Results of Operations—Liquidity and Capital Resources" for a description of RMB928,700,000 U.S. Dollar Settled 1% Convertible Bonds due 2012.

See "Management—Share Incentive Plan" for a description of all options granted by the Company in October 2007.

**ITEM 8. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.**

- (a) Exhibits  
See Exhibit Index beginning on page II-4 of this registration statement.
- (b) Financial Statement Schedules  
Schedules have been omitted because the information required to be set forth therein is not applicable or is shown in the Consolidated Financial Statements or the Notes thereto.

**ITEM 9. UNDERTAKINGS.**

The undersigned registrant hereby undertakes to provide to the underwriter at the closing specified in the underwriting agreements, certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the provisions described in Item 6, or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant under Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) For the purpose of determining liability under the Securities Act of 1933 to any purchaser, each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

(4) That, for the purpose of determining liability of the registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities: The undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to

such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

- (i) Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;
- (ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;
- (iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and
- (iv) Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form F-1 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Jiahsan Zhejiang, People's Republic of China, on January 9, 2008.

**RENESOLA LTD**

By: /s/ Xianshou Li  
Name: Xianshou Li  
Title: Director and Chief Executive Officer

**POWER OF ATTORNEY**

Each person whose signature appears below constitutes and appoints Xianshou Li and Charles Xiaoshu Bai as attorneys-in-fact with full power of substitution, for him or her in any and all capacities, to do any and all acts and all things and to execute any and all instruments which said attorney and agent may deem necessary or desirable to enable the registrant to comply with the Securities Act of 1933, as amended (the "Securities Act"), and any rules, regulations and requirements of the Securities and Exchange Commission thereunder, in connection with the registration under the Securities Act of shares of the registrant (the "Shares"), including, without limitation, the power and authority to sign the name of each of the undersigned in the capacities indicated below to the registration statement on Form F-1 (the "registration statement") to be filed with the Securities and Exchange Commission with respect to such Shares, to any and all amendments or supplements to such registration statement, whether such amendments or supplements are filed before or after the effective date of such registration statement, to any related registration statement filed pursuant to Rule 462(b) under the Securities Act, and to any and all instruments or documents filed as part of or in connection with such registration statement or any and all amendments thereto, whether such amendments are filed before or after the effective date of such registration statement; and each of the undersigned hereby ratifies and confirms all that such attorney and agent shall do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Martin Bloom</u> Name: Martin Bloom	Chairman	January 9, 2008
<u>/s/ Xianshou Li</u> Name: Xianshaou Li	Director and Chief Executive Officer (principal executive officer)	January 9, 2008
<u>/s/ Charles Xiaoshu Bai</u> Name: Charles Xiaoshu Bai	Chief Financial Officer (principal financial and accounting officer)	January 9, 2008
<u>/s/ Yuncai Wu</u> Name: Yuncai Wu	Director	January 9, 2008
<u>/s/ Jing Wang</u> Name: Jing Wang	Director	January 9, 2008

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<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Binghua Huang</u> Name: Binghua Huang	Director	January 9, 2008
<u>/s/ Donald J. Puglisi</u> Name: Donald J. Puglisi Title: Managing Director, Puglisi & Associates	Authorized U.S. Representative	January 9, 2008

RENESOLA LTD  
EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description of Document</u>
1.1*	Form of Underwriting Agreement.
3.1	Memorandum and Articles of Association of the Registrant, as currently in effect.
4.1*	Registrant's Specimen American Depositary Receipt (included in Exhibit 4.3).
4.2	Registrant's Specimen Certificate for Shares.
4.3*	Form of Deposit Agreement among the Registrant, the depositary and holder of the American Depositary Receipts.
4.4	Deed of Agreement among Xianshou Li, Yuncai Wu and Diverso Management Limited dated as of May 31, 2006.
4.5	Deed of Agreement among Xianshou Li, Yuncai Wu, Diverso Management Limited and Charles Xiaoshu Bai dated as of August 3, 2006, amended as of March 7, 2007.
4.6	Lock-in Deed among the Registrant, Hanson Westhouse LLP, Xianshou Li and Ruixin Holdings Limited dated as of August 2, 2006.
4.7	Lock-in Deed among the Registrant, Hanson Westhouse LLP, Yuncai Wu and Yuncai Holdings Limited dated as of August 2, 2006.
4.8	Lock-in Deed among the Registrant, Hanson Westhouse LLP and Xiaoshu Bai dated as of August 2, 2006.
4.9	Lock-in Deed among the Registrant, Hanson Westhouse LLP and Diverso Management Limited dated as of August 2, 2006.
4.10	Restricted Share Subscription Agreement between the Registrant and Xiaoshu Bai.
5.1	Opinion of Harney Westwood & Riegels regarding the validity of the shares being registered.
8.1	Opinion of Harney Westwood & Riegels regarding certain British Virgin Islands tax matters.
8.2	Opinion of Latham & Watkins LLP regarding certain U.S. tax matters.
10.1	2007 Share Incentive Plan.
10.2	Form of Indemnification Agreement with the Registrant's directors.
10.3	Service Agreement among the Registrant, Zhejiang Yuhui and Xianshou Li.
10.4	Chief Finance Officer Service Agreement between Zhejiang Yuhui and Charles Xiaoshu Bai.
10.5	Service Agreement between the Registrant and Yuncai Wu.
10.6	Chief Technology Officer Service Agreement between the Registrant and Binghua Huang.
10.7	Employment Agreement among the Registrant, Zhejiang Yuhui and Panjian Li.
10.8	Technology Consultant Service Agreement between the Registrant and Ying Tao.
10.9	Chief Operating Officer Service Agreement between the Registrant and Cheng-Hsien Yeh.
10.10	English Translation of Real Estate Transfer Agreement between Zhejiang Yuhuan and Zhejiang Yuhui dated as of May 8, 2006.
10.11	English Translation of Fund Entrusted Management Contract between Zhejiang Yuhuan Solar Energy Co., Ltd. and Zhejiang Yuhui dated as of August 24, 2006.



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<u>Exhibit Number</u>	<u>Description of Document</u>
†10.12	Sales Contract between Motech Industries INC. and Zhejiang Yuhui dated as of November 17, 2006.
10.13	English Translation of Sales Contract between Suntech Power Co. Ltd. and Zhejiang Yuhui dated as of September 20, 2006.
10.14	English Translation of Form of Purchase Contract between Jingke Energy Co., Ltd. and Zhejiang Yuhui.
10.15	English Translation of Form of Purchase Contract between Shangrao Desheng Industrial Co., Ltd.
10.16	English Translation of Form of Guarantee Contract among Bank of China, Xiahe Lian and Xianshou Li.
10.17	English Translation of Mortgage Contract between Industrial and Commercial Bank of China and Xianshou Li dated as of May 26, 2006.
†10.18	English Translation of Equipment Purchase and Sales Contract between Shanghai Hanhong Precision Machinery Co., Ltd. and Zhejiang Yuhui dated as of June 2, 2007.
†10.19	Form of Equipment Purchase Contract between Meyer Burger AG and Zhejiang Yunhui.
10.20	English Translation of Contract between Beijing Oriental Keyun Crystal Technologies Co., Ltd. and Zhejiang Yuhui dated as of June 2, 2006.
10.21	English Translation of Purchase Contract between Beijing Oriental Keyun Crystal Technologies Co., Ltd. and Zhejiang Yuhui dated as of November 16, 2006 and Confirmation for Effectiveness of Contract.
10.22	Form of Contract between ALD Vacuum Technologies GmbH and Zhejiang Yuhui.
10.23	English Translation of Loan Agreement between Zhejiang Yuhuan and Zhejiang Yuhui dated as of October 30, 2006.
10.24	English Translation of Agreement among YCSESC, Zhejiang Yuhuan and Zhejiang Yuhui dated as of May 31, 2006.
†10.25	Sales Contract between Zhejiang Yuhui and Komex Inc. dated as of June 29, 2006.
10.26	Contract between HCT Shaping Systems SA and Zhejiang Yuhui dated as of May 23, 2007.
10.27	English translation of Share Trust Agreement among Xianshou Li, Yuncai Wu, Xiangjun Dong and Zhengmin Lian dated as of May 2, 2006 as well as Supplemental Agreement in July 2007.
10.28	Trust Deed between the Registrant and DB Trustees (Hong Kong) Limited dated as of March 26, 2007.
10.29	Paying and Conversion Agency Agreement among the Registrant, Deutsche Bank AG, Hong Kong Branch, Deutsche Bank Luxembourg S. A. and DB Trustees (Hong Kong) Limited dated as of March 26, 2007.
10.30	English Translation of Cooperation Agreement between the Registrant and Linzhou Zhongsheng Steel Co., Ltd. dated as of August 3, 2007.
10.31	English Translation of Equity Joint Venture Contract between Linzhou Zhongsheng Steel Co., Ltd. and ReneSola Ltd. dated as of August 3, 2007.
10.32	English Translation of Purchase Contract between Suntech Power Co., Ltd. and Zhejiang Yuhui dated as of September 30, 2007.

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<u>Exhibit Number</u>	<u>Description of Document</u>
10.33	English Translation of Lease Agreement between Zhejiang Yuhuan and Zhejiang Yuhui dated as of October 5, 2007.
10.34	English Translation of Polysilicon Supply Contract between Sichuan Yongxiang Polysilicon Co., Ltd. and Zhejiang Yuhui dated as of October 16, 2007.
10.35	Equipment Supply and Purchase Contract between Sichuan Renesola Silicon Material Co., Ltd. and Chemical Equipment Engineering Limited dated as of September 27, 2007.
10.36	English Translation of Equity Transfer Agreement between Ruiyu Solar Energy Technology Co., Ltd. and the Registrant dated as of April 20, 2006.
10.37	English Translation of Equity Transfer Agreement between Zhejiang Yuhuan and the Registrant dated as of April 20, 2006.
10.38	English Translation of Purchase Contract between Shangrao Desheng Industrial Co., Ltd. and Zhejiang Yuhui dated as of July 9, 2007.
10.39	English Translation of Polysilicon Supply Contract between Daqo New Material Co., Ltd. and Zhejiang Yuhui dated as of October 31, 2007.
10.40	English Translation of Supply and Purchase Contract between JA Solar Co., Ltd. and Zhejiang Yuhui dated as of December 13, 2007.
10.41	English Translation of Loan Contract between Bank of China and Zhejiang Yuhui dated as of January 2, 2008.
21.1	Subsidiaries of the Registrant.
23.1	Consent of Deloitte Touche & Tohmatsu, an Independent Registered Public Accounting Firm.
23.2	Consent of Harney Westwood & Riegels (included in Exhibit 5.1).
23.3	Consent of Latham & Watkins LLP (included in Exhibit 8.2).
23.4	Consent of Boss & Young.
24.1	Powers of Attorney (included on signature page).
99.1	Code of Business Conduct and Ethics of the Registrant.

\* To be filed by amendment.

† Confidential treatment is being requested with respect to portions of this exhibit and such confidential treatment portions have been deleted and replaced with “\*\*\*\*\*” and filed separately with the Securities and Exchange Commission pursuant to Rule 406 under the Securities Act of 1933.

TERRITORY OF THE BRITISH VIRGIN ISLANDS

THE BVI BUSINESS COMPANIES ACT, 2004

## MEMORANDUM OF ASSOCIATION

OF

RENESOLA LIMITED

A COMPANY LIMITED BY SHARES

**1 DEFINITIONS AND INTERPRETATION**

1.1 In this Memorandum of Association and the attached Articles of Association, if not inconsistent with the subject or context:

“**Act**” means the BVI Business Companies Act, 2004 (No. 16 of 2004) and includes the regulations made under the Act;

“**Articles**” means the attached Articles of Association of the Company;

“**Board**” means the board of Directors of the Company or the Directors present at a duly convened meeting of the Directors at which a quorum is present;

“**business day**” means a weekday on which banks are generally open for business in the City of London;

“**BVI Companies Act**” means the BVI Business Companies Act 2004 (as amended);

“**clear days**” in relation to the period of a notice means that period excluding the day when the notice is given or deemed to be given and the day for which it is given or on which it is to take effect;

“**Directors**” mean those persons holding office as directors of the Company from time to time;

“**Distribution**” in relation to a distribution by the Company to a Shareholder means the direct or indirect transfer of an asset, other than Shares, to or for the benefit of the Shareholder, or the incurring of a debt to or for the benefit of a Shareholder, in relation to Shares held by a Shareholder, and whether by means of the purchase of an asset, the purchase, redemption or other acquisition of Shares, a transfer of indebtedness or otherwise, and includes a dividend;

“**electronic**” means actuated by electric, magnetic, electro-magnetic, electro-chemical or electro-mechanical energy and “by electronic means” means by any manner capable of being so actuated and shall include e-mail and/or other data transmission service;

“**executed**” includes any mode of execution;

“**executive director**” means an Executive Chairman, Chief Executive Director, Joint Chief Executive Director, Managing Director, Joint Managing Director, Assistant Managing Director or Chief Operations Officer of the Company or a Director who is the holder of any other employment or executive office with the Company;

“**held**” means, in relation to Shares, the Shares entered in the register of members as being held by a member and term “holds” and “**holder**” shall be construed accordingly;

“**month**” means a calendar month;

“**Non Executive Director**” means any Director other than an Executive Director;

“**paid up**” means paid up or credited as paid up and includes any sum paid by way of premium;

“**recognised**” clearing house shall have the meaning ascribed by Section 285 of the Financial Services and Markets Act 2000;

“**Person**” means individuals, corporations, trusts, the estates of deceased individuals, partnerships and unincorporated associations of persons;

“**present in person**” means, in the case of an individual, that individual or his lawfully appointed attorney being present in person and, in the case of a corporation, being present by duly authorised representative or lawfully appointed attorney and, in relation to meetings, “**in person**” shall be construed accordingly;

“**recognized clearing house**” shall have the meaning ascribed by section 285 of the Financial Services and Markets Act 2000;

“**recognised investment exchange**” shall have the meaning ascribed by section 285 of the Financial Services and Markets Act 2000;

“**recognised person**” means a recognised clearing house or a nominee of a recognised clearing house or of a recognised investment exchange;

“**Regulations**” means the Uncertificated Securities Regulations 2001 (SI 2001/3755);

“**relevant system**” means a relevant system as referred to in the Regulations to include Crest;

“**Memorandum**” means this Memorandum of Association of the Company;

“**Registrar**” means the Registrar of Corporate Affairs appointed under section 229 of the Act;

“**Resolution of Directors**” means either:

- (a) a resolution approved at a duly convened and constituted meeting of directors of the Company or of a committee of directors of the Company by the affirmative vote of a majority of the directors present at the meeting who voted except that where a director is given more than one vote, he shall be counted by the number of votes he casts for the purpose of establishing a majority; or
- (b) a resolution consented to in writing by all directors or by all members of a committee of directors of the Company, as the case may be;

“**Resolution of Shareholders**” means either:

- (a) a resolution approved at a duly convened and constituted meeting of the Shareholders of the Company by the affirmative vote of a majority of in excess of 50% of the votes of the Shares entitled to vote thereon which were present at the meeting and were voted; or
- (b) a resolution consented to in writing by a majority of in excess of 50% of the votes of Shares entitled to vote thereon;

“**Seal**” means any seal which has been duly adopted as the common seal of the Company;

“**Securities**” means Shares and debt obligations of every kind of the Company, and including without limitation options, warrants and rights to acquire Shares or debt obligations;

“**Share**” means a share issued or to be issued by the Company;

“**Shareholder**” means a Person whose name is entered in the register of members of the Company as the holder of one or more Shares or fractional Shares;

“**Stock Exchange**” means London Stock Exchange Plc or any successor body carrying on its functions;

“**Treasury Share**” means a Share that was previously issued but was repurchased, redeemed or otherwise acquired by the Company and not cancelled;

“**UK CA 2006**” means the United Kingdom Companies Act 2006 including any modification, extension, re-enactment or renewal thereof and any regulations made thereunder;

“**UK Companies Act**” means the United Kingdom Companies Act 1985 including any modification, extension, re-enactment or renewal thereof and any regulations made thereunder;

“**United Kingdom**” means Great Britain and Northern Ireland.

“**written**” or any term of like import includes information generated, sent, received or stored by electronic, electrical, digital, magnetic, optical, electromagnetic, biometric or photonic means, including electronic data interchange, electronic mail, telegram, telex or telecopy, and “**in writing**” shall be construed accordingly.

1.2 In the Memorandum and the Articles, unless the context otherwise requires a reference to:

- (a) a “**Regulation**” is a reference to a regulation of the Articles;
- (b) a “**Clause**” is a reference to a clause of the Memorandum;
- (c) voting by Shareholders is a reference to the casting of the votes attached to the Shares held by the Shareholder voting;
- (d) the Act, the Memorandum or the Articles is a reference to the Act or those documents as amended or, in the case of the Act any re-enactment thereof; and
- (e) the singular includes the plural and vice versa.

1.3 Any words or expressions defined in the Act unless the context otherwise requires bear the same meaning in the Memorandum and the Articles unless otherwise defined herein.

1.4 Headings are inserted for convenience only and shall be disregarded in interpreting the Memorandum and the Articles.

**2 NAME**

The name of the Company is ReneSola Ltd.

**3 STATUS**

The Company is a company limited by shares.

**4 REGISTERED OFFICE AND REGISTERED AGENT**

4.1 The first registered office of the Company is at Craigmuir Chambers, Road Town, Tortola, British Virgin Islands, the office of the first registered agent.

4.2 The first registered agent of the Company is Harneys Corporate Services Limited of Craigmuir Chambers, P.O. Box 71, Road Town, Tortola, British Virgin Islands.

4.3 The Company may by Resolution of Shareholders or by Resolution of Directors change the location of its registered office or change its registered agent.

4.4 Any change of registered office or registered agent will take effect on the registration by the Registrar of a notice of the change filed by the existing registered agent or a legal practitioner in the British Virgin Islands acting on behalf of the Company.

**5 CAPACITY AND POWERS**

5.1 Subject to the Act and any other British Virgin Islands legislation, the Company has, irrespective of corporate benefit:

- (a) full capacity to carry on or undertake any business or activity, do any act or enter into any transaction; and
- (b) for the purposes of paragraph (a), full rights, powers and privileges.

5.2 For the purposes of section 9(4) of the Act, there are no limitations on the business that the Company may carry on.

**6 NUMBER AND CLASSES OF SHARES**

6.1 The Company is authorised to issue a maximum of 250,000,000 no par value Shares of a single class.

6.2 The Company may issue fractional Shares and a fractional Share shall have the corresponding fractional rights, obligations and liabilities of a whole Share of the same class or series of Shares.

6.3 Shares may be issued in one or more series of Shares as the directors may by Resolution of Directors determine from time to time.

**7 RIGHTS OF SHARES**

7.1 Each Share in the Company confers upon the Shareholder:

- (a) the right to one vote at a meeting of the Shareholders or on any Resolution of Shareholders;

- (b) the right to an equal share in any dividend paid by the Company; and
- (c) the right to an equal share in the distribution of the surplus assets of the Company on its liquidation.

7.2 The Company may by Resolution of Directors redeem, purchase or otherwise acquire all or any of the Shares in the Company subject to Regulation 3 of the Articles.

#### **8 VARIATION OF RIGHTS**

If at any time the Shares are divided into different classes, the rights attached to any class may only be varied, whether or not the Company is in liquidation, with the consent in writing of or by a resolution passed at a meeting by the holders of not less than 50% of the issued Shares in that class.

#### **9 RIGHTS NOT VARIED BY THE ISSUE OF SHARES PARI PASSU**

The rights conferred upon the holders of the Shares of any class shall not, unless otherwise expressly provided by the terms of issue of the Shares of that class, be deemed to be varied by the creation or issue of further Shares ranking *pari passu* therewith.

#### **10 REGISTERED SHARES**

10.1 The Company shall issue registered Shares only.

10.2 The Company is not authorised to issue bearer Shares, convert registered Shares to bearer Shares or exchange registered Shares for bearer Shares.

#### **11 TRANSFER OF SHARES**

11.1 Subject to the provisions of Sub-Regulations 6.2 and 6.3 of the Articles, the Company shall, on receipt of an instrument of transfer complying with Sub-Regulation 6.1 of the Articles, enter the name of the transferee of a Share in the register of members unless the directors resolve to refuse or delay the registration of the transfer for reasons that shall be specified in a Resolution of Directors.

11.2 The directors may not resolve to refuse or delay the transfer of a Share unless the Shareholder has failed to pay an amount due in respect of the Share.

#### **12 AMENDMENT OF THE MEMORANDUM AND THE ARTICLES**

12.1 Subject to Clause 8, the Company may amend the Memorandum or the Articles by Resolution of Shareholders

12.2 Any amendment of the Memorandum or the Articles will take effect on the registration by the Registrar of a notice of amendment, or restated Memorandum and Articles, filed by the registered agent.

Incorporator

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[ INCORPORATOR ]  
Authorised Signatory  
HARNEYS CORPORATE SERVICES LIMITED





**ARTICLES OF ASSOCIATION**

**OF**

**RENESOLA LIMITED**

A COMPANY LIMITED BY SHARES

**1. REGISTERED SHARES**

- 1.1 Every Shareholder is entitled to a certificate signed by a director or officer of the Company, or any other person authorised by Resolution of Directors, or under the Seal specifying the number of Shares held by him and the signature of the director, officer or authorised person and the Seal may be facsimiles.
- 1.2 Any Shareholder receiving a certificate shall indemnify and hold the Company and its directors and officers harmless from any loss or liability which it or they may incur by reason of any wrongful or fraudulent use or representation made by any person by virtue of the possession thereof. If a certificate for Shares is worn out or lost it may be renewed on production of the worn out certificate or on satisfactory proof of its loss together with such indemnity as may be required by Resolution of Directors.
- 1.3 If several Persons are registered as joint holders of any Shares, any one of such Persons may give an effectual receipt for any Distribution.

**2. SHARES**

- 2.1 Shares and other Securities may be issued at such times, to such Persons, for such consideration and on such terms as the directors may by Resolution of Directors determine.
- 2.2 Section 46 of the Act (*Pre-emptive rights*) does not apply to the Company.
- 2.3 A Share may be issued for consideration in any form, including money, a promissory note, or other written obligation to contribute money or property, real property, personal property (including goodwill and know-how), services rendered or a contract for future services.
- 2.4 No Shares may be issued for a consideration other than money, unless a Resolution of Directors has been passed stating:
- (a) the amount to be credited for the issue of the Shares;
  - (b) the determination of the directors of the reasonable present cash value of the non-money consideration for the issue; and
  - (c) that, in the opinion of the directors, the present cash value of the non-money consideration for the issue is not less than the amount to be credited for the issue of the Shares.

- 2.5 The Company shall keep a register (the “**register of members**”) containing:
- (a) the names and addresses of the Persons who hold Shares;
  - (b) the number of each class and series of Shares held by each Shareholder;
  - (c) the date on which the name of each Shareholder was entered in the register of members; and
  - (d) the date on which any Person ceased to be a Shareholder.
- 2.6 The register of members may be in any such form as the directors may approve, but if it is in magnetic, electronic or other data storage form, the Company must be able to produce legible evidence of its contents. Until the directors otherwise determine, the magnetic, electronic or other data storage form shall be the original register of members.
- 2.7 A Share is deemed to be issued when the name of the Shareholder is entered in the register of members.
- 2.8 Nothing in these Articles shall require title to any shares or other securities of the Company to be evidenced by a certificate if the BVI Companies Act and the rules of the Stock Exchange permit otherwise.
- 2.9 Subject to the BVI Companies Act and the rules of the Stock Exchange, the Board without further consultation with the holders of any Shares or securities of the Company may resolve that any class or series of Shares or other securities of the Company from time to time in issue or to be issued (including shares in issue at the date of the adoption of these Articles) may be issued, held, registered, converted to, transferred or otherwise dealt with in uncertificated form in accordance with the Regulations and practices instituted by the operator of the relevant system and no provision of these Articles will apply to any uncertificated share or other securities of the Company to the extent that they are inconsistent with the holding of such shares or other securities in uncertificated form or the transfer of title to any such shares or other securities by means of a relevant system or any provision of the Regulations.
- 2.10 Conversion of shares held in certificated form into shares held in uncertificated form, and vice versa, may be made in such manner as the Board may, in its absolute discretion, think fit (subject always to the Regulations and the requirements of the relevant system concerned). The Company shall enter on the register of members how many Shares are held by each Shareholder in uncertificated form and in certificated form and shall maintain the register of members in each case as is required by the Regulations and the relevant system concerned. Notwithstanding any provision of these Articles, a class or series of Shares shall not be treated as two classes by virtue only of that class or series comprising both certificated Shares and uncertificated Shares or as a result of any provision of these Articles or the Regulations which apply only in respect of certificated or uncertificated Shares.
- 2.11 If a share certificate for certificated Shares is defaced, worn out, lost or destroyed it may be replaced without fee but on such terms (if any) as to evidence and indemnity and to payment of any exceptional out-of-pocket expenses of the Company in investigating such evidence and preparing such indemnity as the Board may think fit and, in case of defacement or wearing out, on delivery up of the old certificate to the Company.
- 2.12 All forms of certificate for share or loan capital or other securities of the Company (other than letters of allotment, scrip certificates and other like documents) shall be issued under the Seal or in such other manner as the Board may authorise. The Board may by Resolution of Directors determine, either generally or in any particular case or cases, that any signatures on any such certificate need not be autographic but may be affixed to such certificate by some mechanical or electronic means or may be printed thereon or that such certificate need not be signed by any person.

2.13 Any Shareholder receiving a share certificate for certificated Shares shall indemnify and hold the Company and its Directors and officers harmless from any loss or liability which it or they may incur by reason of any wrongful or fraudulent use or representation made by any person by virtue of the possession thereof.

2.14 If several persons are registered as joint holders of any Shares, any one of such persons may give an effectual receipt for any dividend payable in respect of such Shares.

### 3. REDEMPTION OF SHARES AND TREASURY SHARES

3.1 The Company may purchase, redeem or otherwise acquire and hold its own Shares save that the Company may not, except pursuant to Sub-Regulation 3.7, purchase, redeem or otherwise acquire its own Shares without the consent of Shareholders whose Shares are to be purchased, redeemed or otherwise acquired unless the Company is permitted by the Act or any other provision in the Memorandum or Articles to purchase, redeem or otherwise acquire the Shares without their consent.

3.2 The Company may only offer to purchase, redeem or otherwise acquire Shares if the Resolution of Directors authorising the purchase, redemption or other acquisition contains a statement that the directors are satisfied, on reasonable grounds, that immediately after the acquisition the value of the Company's assets will exceed its liabilities and the Company will be able to pay its debts as they fall due.

3.3 Sections 60 (*Process for acquisition of own shares*), 61 (*Offer to one or more shareholders*) and 62 (*Shares redeemed otherwise than at the option of company*) of the Act shall not apply to the Company.

3.4 Shares that the Company purchases, redeems or otherwise acquires pursuant to this Regulation may be cancelled or held as Treasury Shares except to the extent that such Shares are in excess of 50% of the issued Shares in which case they shall be cancelled but they shall be available for reissue.

3.5 All rights and obligations attaching to a Treasury Share are suspended and shall not be exercised by the Company while it holds the Share as a Treasury Share.

3.6 Treasury Shares may be transferred by the Company on such terms and conditions (not otherwise inconsistent with the Memorandum and the Articles) as the Company may by Resolution of Directors determine.

3.7 Where:

(a) the Company undertakes any division of the issued Shares pursuant to section 40A of the Act, and

(b) pursuant such division a Shareholder holds a total number of Shares which includes a fractional Share,

the Company may compulsorily redeem such fractional Share so that (subsequent to such redemption) the Shareholder holds a whole number of Shares. Where the Company compulsorily redeems a fractional Share under this Regulation, the price at which such fractional Share is redeemed shall be calculated on the basis of US\$1.50 per Share (rounded up to the nearest 1¢).

### 4. MORTGAGES AND CHARGES OF SHARES

4.1 Shareholders may mortgage or charge their Shares.

4.2 There shall be entered in the register of members at the written request of the Shareholder:

(a) a statement that the Shares held by him are mortgaged or charged;

- (b) the name of the mortgagee or chargee; and
- (c) the date on which the particulars specified in subparagraphs (a) and (b) are entered in the register of members.
- 4.3 Where particulars of a mortgage or charge are entered in the register of members, such particulars may be cancelled:
- (a) with the written consent of the named mortgagee or chargee or anyone authorised to act on his behalf; or
- (b) upon evidence satisfactory to the directors of the discharge of the liability secured by the mortgage or charge and the issue of such indemnities as the directors shall consider necessary or desirable.
- 4.4 Whilst particulars of a mortgage or charge over Shares are entered in the register of members pursuant to this Regulation:
- (a) no transfer of any Share the subject of those particulars shall be effected;
- (b) the Company may not purchase, redeem or otherwise acquire any such Share; and
- (c) no replacement certificate shall be issued in respect of such Shares, without the written consent of the named mortgagee or chargee.
5. **FORFEITURE**
- 5.1 Shares that are not fully paid on issue are subject to the forfeiture provisions set forth in this Regulation and for this purpose Shares issued for a promissory note, other written obligation to contribute money or property or a contract for future services are deemed to be not fully paid.
- 5.2 A written notice of call specifying the date for payment to be made shall be served on the Shareholder who defaults in making payment in respect of the Shares.
- 5.3 The written notice of call referred to in Sub-Regulation 5.2 shall name a further date not earlier than the expiration of 14 days from the date of service of the notice on or before which the payment required by the notice is to be made and shall contain a statement that in the event of non-payment at or before the time named in the notice the Shares, or any of them, in respect of which payment is not made will be liable to be forfeited.
- 5.4 Where a written notice of call has been issued pursuant to Sub-Regulation 5.3 and the requirements of the notice have not been complied with, the directors may, at any time before tender of payment, forfeit and cancel the Shares to which the notice relates.
- 5.5 The Company is under no obligation to refund any moneys to the Shareholder whose Shares have been cancelled pursuant to Sub-Regulation 5.4 and that Shareholder shall be discharged from any further obligation to the Company.
6. **TRANSFER AND TRANSMISSION OF SHARES**
- 6.1 Subject to any limitations in the Memorandum, certificated Shares in the Company may be transferred by a written instrument of transfer signed by the transferor and containing the name and address of the transferee, but in the absence of such written instrument of transfer the Directors may accept such evidence of a transfer of Shares as they consider appropriate.

- 6.2 In the case of uncertificated Shares, and subject to the BVI Companies Act, a Shareholder shall be entitled to transfer his Shares and other securities by means of a relevant system and the operator of the relevant system shall act as agent of the Shareholders for the purposes of the transfer of Shares or other securities.
- 6.3 Any provision in these Articles in relation to the Shares shall not apply to any uncertificated Shares to the extent that they are inconsistent with the holding of any Shares in uncertificated form, the transfer of title to any Shares by means of a relevant system and any provision of the Regulations.
- 6.4 The transferor of any Shares shall remain the holder of those Shares until the name of the transferee is entered in the register as the holder of those Shares.
- 6.5 The Register may be closed at such times and for such periods as the Board may from time to time determine, not exceeding in whole thirty days in each year, upon notice being given by advertisement in a leading daily newspaper and in such other newspaper (if any) as may be required by the BVI Companies Act and the practice of the Stock Exchange.
- 6.6 The Board may decline to register a transfer of any Share to a person known to be a minor, bankrupt or person who is mentally disordered or a patient for the purpose of any statute relating to mental health.
- 6.7 The Board may also decline to register any transfer unless:-
- (a) any written instrument of transfer, duly stamped (if so required), is lodged with the Company at the registered office or such other place as the Board may appoint accompanied by the certificate for the Shares to which it relates (except in the case of a transfer by a recognised person or a holder of such Shares in respect of whom the Company is not required by law to deliver a certificate and to whom a certificate has not been issued in respect of such Shares);
  - (b) there is provided such evidence as the Board may reasonably require to show the right of the transferor to make the transfer and, if the instrument of transfer is executed by some other person on his behalf, the authority of that person to do so;
  - (c) any instrument of transfer is in respect of only one class or series of Share; and
  - (d) in the case of a transfer to joint holders, the number of joint holders to whom the Share is to be transferred does not exceed four.
- The Company may retain an instrument of transfer which is registered but a transfer which the Directors refuse to register shall (except in the case of known or suspected fraud) be returned to the person lodging it when notice of the refusal is given.
- 6.8 If the Board declines to register a transfer it shall, within ten business days or such other period (if any) as may be prescribed by the BVI Companies Act, send to the transferee notice of the refusal.
- 6.9 No fee shall be charged by the Company for registering any transfer, probate, letters of administration, certificate of death or marriage, power of attorney, distringas or stop notice, order of court or other instrument relating to or affecting the title of any Share, or otherwise making any entry in the Register relating to any Share.
- 6.10 The executor or administrator of a deceased Shareholder, the guardian of an incompetent member or the trustee of a bankrupt Shareholder shall be the only person recognised by the Company as having any title to his Share but they shall not be entitled to exercise any rights as a Shareholder of the Company until they have proceeded as set forth in the next following three regulations.

- 6.11 The production to the Company of any document which is evidence of probate of the will, or letters of administration of the estate, or confirmation as executor, of a deceased Shareholder or of the appointment of a guardian of an incompetent Shareholder or the trustee of a bankrupt Shareholder shall be accepted by the Company even if the deceased, incompetent or bankrupt Shareholder is domiciled outside the British Virgin Islands if the document evidencing the grant of probate or letters of administration, confirmation as executor, appointment as guardian or trustee in bankruptcy is issued by a foreign court which had competent jurisdiction in the matter. For the purpose of establishing whether or not a foreign court had competent jurisdiction in such a matter the Directors may obtain appropriate legal advice. The Directors may also require an indemnity to be given by the executor, administrator, guardian or trustee in bankruptcy.
- 6.12 Any person becoming entitled by operation of law or otherwise to a Share or Shares in consequence of the death, incompetence or bankruptcy of any Shareholder may be registered as a Shareholder upon such evidence being produced as may reasonably be required by the Directors and in the case of uncertificated Shares subject also to the facilities and requirements of the relevant system concerned. An application by any such person to be registered as a Shareholder shall for all purposes be deemed to be a transfer of Shares of the deceased, incompetent or bankrupt Shareholder and the Directors shall treat it as such.
- 6.13 Any person who has become entitled to a Share or Shares in consequence of the death, incompetence or bankruptcy of any Shareholder may, instead of being registered himself, request in writing that some person to be named by him be registered as the transferee of such Share or Shares and such request shall likewise be treated as if it were a transfer.
- 6.14 What amounts to incompetence on the part of a person is a matter to be determined by the court having regard to all the relevant evidence and the circumstances of the case.

7. **MEETINGS AND CONSENTS OF SHAREHOLDERS**

- 7.1 Any director of the Company may convene meetings of the Shareholders at such times and in such manner and places within or outside the British Virgin Islands as the director considers necessary or desirable provided that once in every year the directors shall convene an annual meeting of shareholders.
- 7.2 Upon the written request of Shareholders entitled to exercise 10% or more of the voting rights in respect of the matter for which the meeting is requested the directors shall convene a meeting of Shareholders.
- 7.3 The director convening a meeting shall give not less than 14 days' notice of a meeting of Shareholders to:
- (a) those Shareholders whose names on the date the notice is given appear as Shareholders in the register of members of the Company and are entitled to vote at the meeting on a date to be determined by the directors; and
  - (b) the other directors.
- 7.4 The director convening a meeting of Shareholders may fix as the record date for determining those Shareholders that are entitled to vote at the meeting the date notice is given of the meeting, or such other date as may be specified in the notice, being a date not earlier than the date of the notice.

- 7.5 A meeting of Shareholders held in contravention of the requirement to give notice is valid if Shareholders holding at least 90% of the total voting rights on all the matters to be considered at the meeting have waived notice of the meeting and, for this purpose, the presence of a Shareholder at the meeting shall constitute waiver in relation to all the Shares which that Shareholder holds.
- 7.6 The inadvertent failure of a director who convenes a meeting to give notice of a meeting to a Shareholder or another director, or the fact that a Shareholder or another director has not received notice, does not invalidate the meeting.
- 7.7 A Shareholder may be represented at a meeting of Shareholders by a proxy who may speak and vote on behalf of the Shareholder.
- 7.8 The instrument appointing a proxy shall be produced at the place designated for the meeting before the time for holding the meeting at which the person named in such instrument proposes to vote. The notice of the meeting may specify an alternative or additional place or time at which the proxy shall be presented.
- 7.9 The instrument appointing a proxy shall be in substantially the following form or such other form as the chairman of the meeting shall accept as properly evidencing the wishes of the Shareholder appointing the proxy.

[ COMPANY NAME ]

I/We being a Shareholder of the above Company HEREBY APPOINT \_\_\_\_\_ of \_\_\_\_\_ or failing him \_\_\_\_\_ of \_\_\_\_\_ to be my/our proxy to vote for me/us at the meeting of Shareholders to be held on the \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ and at any adjournment thereof.

(Any restrictions on voting to be inserted here.)

Signed this \_\_ day of \_\_\_\_\_, 20\_\_\_\_

\_\_\_\_\_  
Shareholder

- 7.10 The following applies where Shares are jointly owned:
- (a) if two or more persons hold Shares jointly each of them may be present in person or by proxy at a meeting of Shareholders and may speak as a Shareholder;
  - (b) if only one of the joint owners is present in person or by proxy he may vote on behalf of all joint owners; and
  - (c) if two or more of the joint owners are present in person or by proxy they must vote as one.
- 7.11 A Shareholder shall be deemed to be present at a meeting of Shareholders if he participates by telephone or other electronic means and all Shareholders participating in the meeting are able to hear each other.
- 7.12 A meeting of Shareholders is duly constituted if, at the commencement of the meeting, there are present in person or by proxy not less than 50% of the votes of the Shares entitled to vote on Resolutions of Shareholders to be considered at the meeting. A quorum may comprise a single Shareholder or proxy



- and then such person may pass a Resolution of Shareholders and a certificate signed by such person accompanied where such person be a proxy by a copy of the proxy instrument shall constitute a valid Resolution of Shareholders.
- 7.13 If within two hours from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of Shareholders, shall be dissolved; in any other case it shall stand adjourned to the next business day in the jurisdiction in which the meeting was to have been held at the same time and place or to such other time and place as the directors may determine, and if at the adjourned meeting there are present within one hour from the time appointed for the meeting in person or by proxy not less than one third of the votes of the Shares or each class or series of Shares entitled to vote on the matters to be considered by the meeting, those present shall constitute a quorum but otherwise the meeting shall be dissolved.
- 7.14 At every meeting of Shareholders, the Chairman of the Board shall preside as chairman of the meeting. If there is no Chairman of the Board or if the Chairman of the Board is not present at the meeting, the Shareholders present shall choose one of their number to be the chairman. If the Shareholders are unable to choose a chairman for any reason, then the person representing the greatest number of voting Shares present in person or by proxy at the meeting shall preside as chairman failing which the oldest individual Shareholder or representative of a Shareholder present shall take the chair.
- 7.15 The chairman may, with the consent of the meeting, adjourn any meeting from time to time, and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.
- 7.16 At any meeting of the Shareholders the chairman is responsible for deciding in such manner as he considers appropriate whether any resolution proposed has been carried or not and the result of his decision shall be announced to the meeting and recorded in the minutes of the meeting. If the chairman has any doubt as to the outcome of the vote on a proposed resolution, he shall cause a poll to be taken of all votes cast upon such resolution. If the chairman fails to take a poll then any Shareholder present in person or by proxy who disputes the announcement by the chairman of the result of any vote may immediately following such announcement demand that a poll be taken and the chairman shall cause a poll to be taken. If a poll is taken at any meeting, the result shall be announced to the meeting and recorded in the minutes of the meeting.
- 7.17 Subject to the specific provisions contained in this Regulation for the appointment of representatives of Persons other than individuals the right of any individual to speak for or represent a Shareholder shall be determined by the law of the jurisdiction where, and by the documents by which, the Person is constituted or derives its existence. In case of doubt, the directors may in good faith seek legal advice from any qualified person and unless and until a court of competent jurisdiction shall otherwise rule, the directors may rely and act upon such advice without incurring any liability to any Shareholder or the Company.
- 7.18 Any Person other than an individual which is a Shareholder may by resolution of its directors or other governing body authorise such individual as it thinks fit to act as its representative at any meeting of Shareholders or of any class of Shareholders, and the individual so authorised shall be entitled to exercise the same rights on behalf of the Shareholder which he represents as that Shareholder could exercise if it were an individual.
- 7.19 The chairman of any meeting at which a vote is cast by proxy or on behalf of any Person other than an individual may call for a notarially certified copy of such proxy or authority which shall be produced within 7 days of being so requested or the votes cast by such proxy or on behalf of such Person shall be disregarded.

- 7.20 Directors of the Company may attend and speak at any meeting of Shareholders and at any separate meeting of the holders of any class or series of Shares.
- 7.21 An action that may be taken by the Shareholders at a meeting may also be taken by a resolution consented to in writing, without the need for any notice, but if any Resolution of Shareholders is adopted otherwise than by the unanimous written consent of all Shareholders, a copy of such resolution shall forthwith be sent to all Shareholders not consenting to such resolution. The consent may be in the form of counterparts, each counterpart being signed by one or more Shareholders. If the consent is in one or more counterparts, and the counterparts bear different dates, then the resolution shall take effect on the earliest date upon which Shareholders holding a sufficient number of votes of Shares to constitute a Resolution of Shareholders have consented to the resolution by signed counterparts.
- 8. DIRECTORS**
- 8.1 The first directors of the Company shall be appointed by the first registered agent within 6 months of the date of incorporation of the Company; and thereafter, the directors shall be elected by Resolution of Shareholders.
- 8.2 No person shall be appointed as a director, or nominated as a reserve director, of the Company unless he has consented in writing to be a director or to be nominated as a reserve director.
- 8.3 Subject to Sub-Regulation 8.1, the minimum number of directors shall be one and the maximum number shall be ten.
- 8.4 Each director holds office for the term, if any, fixed by the Resolution of Shareholders appointing him, or until his earlier death, resignation, removal or retirement at the age of 70 years. If no term is fixed on the appointment of a director, the director serves indefinitely until his earlier death, resignation, retirement or removal.
- 8.5 The directors may at any time appoint any person to be a director either to fill a vacancy or as an addition to the existing directors. Where the directors appoint a person as a director to fill a vacancy or as an additional director the term shall not exceed the term that remained when the person who has ceased to be a director ceased to hold office or until the next annual general meeting (where such appointment shall be approved by the Shareholders) whenever is earlier.
- 8.6 A vacancy in relation to directors occurs if a director dies or otherwise ceases to hold office prior to the expiration of his term of office.
- 8.7 Where the Company only has one Shareholder who is an individual and that Shareholder is also the sole director of the Company, the sole Shareholder/director may, by instrument in writing, nominate a person who is not disqualified from being a director of the Company as a reserve director of the Company to act in the place of the sole director in the event of his death.
- 8.8 The nomination of a person as a reserve director of the Company ceases to have effect if:
- (a) before the death of the sole Shareholder/director who nominated him,
    - (i) he resigns as reserve director, or
    - (ii) the sole Shareholder/director revokes the nomination in writing; or
  - (b) the sole Shareholder/director who nominated him ceases to be able to be the sole Shareholder/director of the Company for any reason other than his death.

- 8.9 The Company shall keep a register of directors containing:
- (a) the names and addresses of the persons who are directors of the Company or who have been nominated as reserve directors of the Company;
  - (b) the date on which each person whose name is entered in the register was appointed as a director, or nominated as a reserve director, of the Company;
  - (c) the date on which each person named as a director ceased to be a director of the Company;
  - (d) the date on which the nomination of any person nominated as a reserve director ceased to have effect; and
  - (e) such other information as may be prescribed by the Act.
- 8.10 The register of directors may be kept in any such form as the directors may approve, but if it is in magnetic, electronic or other data storage form, the Company must be able to produce legible evidence of its contents. Until a Resolution of Directors determining otherwise is passed, the magnetic, electronic or other data storage shall be the original register of directors.
- 8.11 A director is not required to hold a Share as a qualification to office.
- 8.12 Without prejudice to the provisions of retirement by rotation hereinafter contained, the office of a Director shall be vacated in any of the events following, namely:
- (a) if (not being an Executive Director whose contract precludes resignation) he resigns his office by notice in writing delivered to the registered office or tendered at a meeting of the Board; or
  - (b) if the Board resolves that he is through physical or mental incapacity or mental disorder no longer able to perform the functions of a Director; or
  - (c) if he fails, without leave, to attend (whether or not an alternate Director appointed by him attends) three successive Board meetings or four Board meetings in any consecutive period of 12 months despite a notice being given to him prior to such third or fourth meeting (as the case may be) that the provisions of this paragraph might apply and not less than two-thirds of all the other Directors (excluding the Director concerned and, in his capacity as such, any alternate director appointed by the Director concerned) resolving that his office should be vacated; or
  - (d) if he becomes bankrupt or insolvent or makes an arrangement or composition with his creditors or applies to the Court for an interim order under section 253 of the United Kingdom Insolvency Act 1986 in connection with a voluntary arrangement; or
  - (e) any event analogous to those listed in Regulation 8.15 under the laws of any other jurisdiction occurs in relation to a Director; or
  - (f) if he is prohibited by law from being a Director; or
  - (g) if he ceases to be a Director by virtue of the BVI Companies Act or is removed from office pursuant to these Articles.

In the case of Regulation 8.15 (b) to (e) inclusive above, the Director shall be removed from office.

- 8.13 A resolution of Directors declaring that a Director has vacated office under regulation 8.12 shall be conclusive as to that fact and as to the ground of vacation as stated in the resolution.
- 8.14 Without prejudice to any of the provisions for disqualification of Directors or for the retirement by rotation hereinafter contained, the office of a Director shall be vacated if by notice in writing delivered to the registered office or tendered at a meeting of the Board his resignation is requested by all of the other Directors (being not less than three in number) excluding the Director concerned and, in his capacity as such, any alternate Director appointed by the Director concerned.
- 8.15 At every annual meeting of Shareholders one-third of the Directors for the time being or, if their number is not a multiple of three, then the number nearest to and not exceeding one-third shall retire from office.
- 8.16 The Directors to retire on each occasion shall be those subject to retirement by rotation who have been longest in office since their last election, but as between persons who became or were re-elected Directors on the same day those to retire shall (unless they otherwise agree amongst themselves) be determined by lot. The Directors to retire on each occasion both as to number and identity shall be determined by the composition of the Board at the date of the notice convening the annual meeting of Shareholders, and no Director shall be required to retire or be relieved from retiring by reason of any change in the number or identity of the Directors after the date of such notice but before the close of the meeting.
- 8.17 A Director who retires at the annual meeting of Shareholders shall be eligible for re-election. If he is not re-elected he shall retain office until the meeting elects someone in his place, or if it does not do so, until the end of the meeting.
- 8.18 Subject to the provisions of these Articles, the Company may by a Resolution of Shareholders at the meeting at which a Director retires in the manner aforesaid fill the vacated office by electing a person and in default the retiring Director shall, if willing to continue to act, be deemed to have been re-elected, unless at such meeting it is expressly resolved not to fill such vacated office or unless a resolution for the re-election of such Director shall have been put to the meeting and lost.
- 8.19 A Director may hold the office of an Executive Director or a Non Executive Director.
- 8.20 An Executive Director shall receive such remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine, and either in addition to or in lieu of his remuneration as a Director.
- 8.21 Each Director shall have the power to appoint any person to be his alternate Director and may at his discretion remove such alternate Director. If such alternate Director is not another Director, such appointment, unless previously approved by the Board, shall have effect only upon and subject to it being so approved. Any appointment or removal of an alternate Director shall be effected by notice in writing signed by the appointor and delivered to the registered office or tendered at a meeting of the Board. An alternate Director shall, if his appointor so requests, be entitled to receive notices of meetings of the Board or of committees of the Board to the same extent as, but in lieu of, the Director appointing him and shall be entitled to such extent to attend at and vote as a Director at any such meeting at which the Director appointing him is not personally present and to exercise and discharge all the functions, powers and duties of his appointor as a Director and for the purposes of the proceedings at such meeting the provisions of these Articles shall apply as if he were a Director.

- 8.22 Every person acting as an alternate Director shall (except as regards power to appoint an alternate Director and remuneration) be subject in all respects to the provisions of these Articles relating to Directors and shall alone be responsible to the Company for his acts and defaults and shall not be deemed to be the agent of or for the Director appointing him. An alternate Director may be paid expenses and shall be entitled to be indemnified by the Company to the same extent mutatis mutandis as if he were a Director but shall not be entitled to receive from the Company any fee in his capacity as an alternate Director except only such part (if any) of the remuneration otherwise payable to the Director appointing him as such Director may by notice in writing to the Company from time to time direct.
- 8.23 Every person acting as an alternate Director shall have one vote for each Director for whom he acts as alternate (in addition to his own vote if he is also a Director). The signature of an alternate Director to any resolution in writing of the Board or a committee of the Board shall, unless the notice of his appointment provides to the contrary, be as effective as the signature of his appointor.
- 8.24 An alternate Director shall ipso facto cease to be an alternate Director if his appointor ceases for any reason to be a Director provided that, if at any meeting any Director retires by rotation or otherwise but is re-elected at the same meeting, any appointment made by him pursuant to this regulation which was in force immediately before his retirement shall remain in force as though he had not retired.
- 8.25 Each of the Directors shall be paid a fee at such rate as may from time to time be determined by the Board provided that the aggregate of all such fees so paid to Directors (excluding amounts payable under any other regulation and any amount payable under any service contract) shall not exceed \$1,000,000 per annum, or such higher amount as may from time to time be determined by Resolution of Shareholders.
- 8.26 Each Director may be paid his reasonable travelling, hotel and incidental expenses of attending and returning from meetings of the Board or committees of the Board or meetings of Shareholders or separate meetings of the holders of any class or series of Shares or of debentures of the Company and shall be paid all expenses properly and reasonably incurred by him in the conduct of the Company's business or in the discharge of his duties as a Director. Any Director who, by request, goes or resides abroad for any purposes of the Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to any remuneration provided for by or pursuant to any other regulation.

**9. POWERS OF DIRECTORS**

- 9.1 The business and affairs of the Company shall be managed by, or under the direction or supervision of, the directors of the Company. The directors of the Company have all the powers necessary for managing, and for directing and supervising, the business and affairs of the Company. The directors may pay all expenses incurred preliminary to and in connection with the incorporation of the Company and may exercise all such powers of the Company as are not by the Act or by the Memorandum or the Articles required to be exercised by the Shareholders.
- 9.2 Each director shall exercise his powers for a proper purpose and shall not act or agree to the Company acting in a manner that contravenes the Memorandum, the Articles or the Act. Each director, in exercising his powers or performing his duties, shall act honestly and in good faith in what the director believes to be the best interests of the Company.

- 9.3 If the Company is the wholly owned subsidiary of a holding company, a director of the Company may, when exercising powers or performing duties as a director, act in a manner which he believes is in the best interests of the holding company even though it may not be in the best interests of the Company.
- 9.4 Any director which is a body corporate may appoint any individual as its duly authorised representative for the purpose of representing it at meetings of the directors, with respect to the signing of consents or otherwise.
- 9.5 The continuing directors may act notwithstanding any vacancy in their body.
- 9.6 The directors may by Resolution of Directors exercise all the powers of the Company to incur indebtedness, liabilities or obligations and to secure indebtedness, liabilities or obligations whether of the Company or of any third party.
- 9.7 All cheques, promissory notes, drafts, bills of exchange and other negotiable instruments and all receipts for moneys paid to the Company shall be signed, drawn, accepted, endorsed or otherwise executed, as the case may be, in such manner as shall from time to time be determined by Resolution of Directors.
- 9.8 For the purposes of Section 175 (*Disposition of assets*) of the Act, the directors may by Resolution of Directors determine that any sale, transfer, lease, exchange or other disposition is in the usual or regular course of the business carried on by the Company and such determination is, in the absence of fraud, conclusive.

**10. PROCEEDINGS OF DIRECTORS**

- 10.1 Any one director of the Company may call a meeting of the directors by sending a written notice to each other director.
- 10.2 The directors of the Company or any committee thereof may meet at such times and in such manner and places within or outside the British Virgin Islands as the directors may determine to be necessary or desirable.
- 10.3 A director is deemed to be present at a meeting of directors if he participates by telephone or other electronic means and all directors participating in the meeting are able to hear each other.
- 10.4 A director shall be given not less than 3 days' notice of meetings of directors, but a meeting of directors held without 3 days' notice having been given to all directors shall be valid if all the directors entitled to vote at the meeting who do not attend waive notice of the meeting, and for this purpose the presence of a director at a meeting shall constitute waiver by that director. The inadvertent failure to give notice of a meeting to a director, or the fact that a director has not received the notice, does not invalidate the meeting.
- 10.5 A director may by a written instrument appoint an alternate who need not be a director and the alternate shall be entitled to attend meetings in the absence of the director who appointed him and to vote in place of the director until the appointment lapses or is terminated.
- 10.6 A meeting of directors is duly constituted for all purposes if at the commencement of the meeting there are present in person or by alternate not less than one-half of the total number of directors, unless there are only 2 directors in which case the quorum is 2.
- 10.7 If the Company has only one director the provisions herein contained for meetings of directors do not apply and such sole director has full power to represent and act for the Company in all matters as are not by the Act, the Memorandum or the Articles required to be exercised by the Shareholders. In lieu

of minutes of a meeting the sole director shall record in writing and sign a note or memorandum of all matters requiring a Resolution of Directors. Such a note or memorandum constitutes sufficient evidence of such resolution for all purposes.

10.8 At meetings of directors at which the Chairman of the Board is present, he shall preside as chairman of the meeting. If there is no Chairman of the Board or if the Chairman of the Board is not present, the directors present shall choose one of their number to be chairman of the meeting.

10.9 An action that may be taken by the directors or a committee of directors at a meeting may also be taken by a Resolution of Directors or a resolution of a committee of directors consented to in writing by all directors or by all members of the committee, as the case may be, without the need for any notice. The consent may be in the form of counterparts each counterpart being signed by one or more directors. If the consent is in one or more counterparts, and the counterparts bear different dates, then the resolution shall take effect on the date upon which the last director has consented to the resolution by signed counterparts.

## 11. COMMITTEES

11.1 The directors may, by Resolution of Directors, designate one or more committees, each consisting of one or more directors, and delegate one or more of their powers, including the power to affix the Seal, to the committee.

11.2 The directors have no power to delegate to a committee of directors any of the following powers:

- (a) to amend the Memorandum or the Articles;
- (b) to designate committees of directors;
- (c) to delegate powers to a committee of directors;
- (d) to appoint or remove directors;
- (e) to appoint or remove an agent;
- (f) to approve a plan of merger, consolidation or arrangement;
- (g) to make a declaration of solvency or to approve a liquidation plan; or
- (h) to make a determination that immediately after a proposed Distribution the value of the Company's assets will exceed its liabilities and the Company will be able to pay its debts as they fall due.

11.3 Sub-Regulation 11.2(b) and (c) do not prevent a committee of directors, where authorised by the Resolution of Directors appointing such committee or by a subsequent Resolution of Directors, from appointing a sub-committee and delegating powers exercisable by the committee to the sub-committee.

11.4 The meetings and proceedings of each committee of directors consisting of 2 or more directors shall be governed *mutatis mutandis* by the provisions of the Articles regulating the proceedings of directors so far as the same are not superseded by any provisions in the Resolution of Directors establishing the committee.

11.5 Where the directors delegate their powers to a committee of directors they remain responsible for the exercise of that power by the committee, unless they believed on reasonable grounds at all times before the exercise of the power that the committee would exercise the power in conformity with the duties imposed on directors of the Company under the Act.

**12. OFFICERS AND AGENTS**

- 12.1 The Company may by Resolution of Directors appoint officers of the Company at such times as may be considered necessary or expedient. Any number of offices may be held by the same person.
- 12.2 The officers shall perform such duties as are prescribed at the time of their appointment subject to any modification in such duties as may be prescribed thereafter by Resolution of Directors. In the absence of any specific prescription of duties it shall be the responsibility of the Chairman of the Board to preside at meetings of directors and Shareholders, the president to manage the day to day affairs of the Company, the vice-presidents to act in order of seniority in the absence of the president but otherwise to perform such duties as may be delegated to them by the president, the secretaries to maintain the register of members, minute books and records (other than financial records) of the Company and to ensure compliance with all procedural requirements imposed on the Company by applicable law, and the treasurer to be responsible for the financial affairs of the Company.
- 12.3 The emoluments of all officers shall be fixed by Resolution of Directors.
- 12.4 The officers of the Company shall hold office until their successors are duly appointed, but any officer elected or appointed by the directors may be removed at any time, with or without cause, by Resolution of Directors. Any vacancy occurring in any office of the Company may be filled by Resolution of Directors.
- 12.5 The directors may, by Resolution of Directors, appoint any person, including a person who is a director, to be an agent of the Company.
- 12.6 An agent of the Company shall have such powers and authority of the directors, including the power and authority to affix the Seal, as are set forth in the Articles or in the Resolution of Directors appointing the agent, except that no agent has any power or authority with respect to the following:
- (a) to amend the Memorandum or the Articles;
  - (b) to change the registered office or agent;
  - (c) to designate committees of directors;
  - (d) to delegate powers to a committee of directors;
  - (e) to appoint or remove directors;
  - (f) to appoint or remove an agent;
  - (g) to fix emoluments of directors;
  - (h) to approve a plan of merger, consolidation or arrangement;
  - (i) to make a declaration of solvency or to approve a liquidation plan;
  - (j) to make a determination that immediately after a proposed Distribution the value of the Company's assets will exceed its liabilities and the Company will be able to pay its debts as they fall due; or



- (k) to authorise the Company to continue as a company incorporated under the laws of a jurisdiction outside the British Virgin Islands.
- 12.7 The Resolution of Directors appointing an agent may authorise the agent to appoint one or more substitutes or delegates to exercise some or all of the powers conferred on the agent by the Company.
- 12.8 The directors may remove an agent appointed by the Company and may revoke or vary a power conferred on him.
- 13 TAKEOVER PROVISIONS**
- 13.1 Except with the consent of the Board, when:-
- (a) any person acquires, whether by a series of transactions over a period of time or not, Shares which (taken together with Shares held or acquired by persons acting in concert with him) carry 30% or more of the voting rights of the Company; or
- (b) any person who, together with persons acting in concert with him, holds not less than 30% but not more than 50% of the voting rights and such person, or any person acting in concert with him, acquires additional Shares which increase his percentage of the voting rights;
- such person ("**the offeror**") shall extend an offer, on the basis set out in this Regulation 13, to the holders of all the issued shares in the Company.
- 13.2 Any offer made under this Regulation must be conditional only upon the offeror having received acceptances in respect of Shares which, together with Shares acquired or agreed to be acquired before or during the offer, will result in the offeror and any person acting in concert with it holding Shares carrying more than 50% of the voting rights.
- 13.3 No acquisition of Shares which would give rise to a requirement for any offer under this Regulation may be made or registered if the making or implementation of such offer would or might be dependent on the passing of a resolution at any meeting of Shareholders of the Company or upon any other conditions, consents or arrangements.
- 13.4 Offers made under this Regulation must, in respect of each class of Share capital involved, be in cash or be accompanied by a cash alternative at not less than the highest price paid by the offeror or any person acting in concert with it for Shares of that class during the offer period and within 12 months prior to its commencement. The cash offer or the cash alternative must remain open after the offer has become or is declared unconditional as to acceptances for not less than 14 days after the date on which it would otherwise have expired.
- 13.5 No nominee of an offeror or persons acting in concert with it may be appointed as a Director, nor may an offeror and persons acting in concert with it exercise the votes attaching to any Shares held in the Company until the offer document has been posted.
- 13.6 Any offer required to be made pursuant to this Regulation 13 shall be made on terms that would be required by the then current United Kingdom City Code on Takeovers and Mergers ("**the City Code**"), save to the extent that the board otherwise determines. In relation to any offer required to be made pursuant to this Regulation 13, any matter which under the City Code would fall to be determined by the Panel shall be determined by the board in its absolute discretion or by such person appointed by the board to make such determination.
- 13.7 Except with the consent of the board, Shareholders shall comply with the requirements of the City Code and the Rules Governing Substantial Acquisitions of Shares ("**the SARS**"), as may from time to time be

published by the United Kingdom Panel on Takeovers and Mergers ("the Panel"), in relation to any dealings in any Shares of the Company and in relation to their dealings with the Company in relation to all matters. Any matter which under the City Code or the SARS would fall to be determined by the Panel shall be determined by the Board in its absolute discretion or by such person appointed by the Board to make such determination. Any notice which under the City Code or the SARS is required to be given to the Panel or any person (other than the Company) shall be given to the Company at its registered office.

13.8 If at any time the Board is satisfied that any Shareholder having incurred an obligation under this Regulation 13 to extend an offer to the holders of all the issued Shares shall have failed so to do, or that any Shareholders is in default of any other obligation imposed upon Shareholders pursuant to this Regulation 13, then the Board may, in its absolute discretion at any time thereafter by notice (a "**direction notice**") to such Shareholders and any other Shareholders acting in concert with such Shareholders (together "**the defaulters**") direct that:

- (a) in respect of the Shares held by the defaulters (the "**default shares**") the defaulters shall not be entitled to vote at a general meeting either personally or by proxy or to exercise any other right conferred by membership in relation to meetings of the Company;
- (b) except in a liquidation of the Company, no payment shall be made of any sums due from the Company on the default shares, whether in respect of capital or dividend or otherwise, and the Company shall not meet any liability to pay interest on any such payment when it is finally paid to the Shareholders;
- (c) no other distribution shall be made on the default shares.

The Board may at any time give notice cancelling a direction notice.

13.9 In construing this Regulation 13, words and expressions used in or defined in the City Code shall bear the same meanings given by the City Code.

#### 14. CONFLICT OF INTERESTS

14.1 A director of the Company shall, forthwith after becoming aware of the fact that he is interested in a transaction entered into or to be entered into by the Company, disclose the interest to all other directors of the Company.

14.2 For the purposes of Sub-Regulation 14.1, a disclosure to all other directors to the effect that a director is a member, director or officer of another named entity or has a fiduciary relationship with respect to the entity or a named individual and is to be regarded as interested in any transaction which may, after the date of the entry into the transaction or disclosure of the interest, be entered into with that entity or individual, is a sufficient disclosure of interest in relation to that transaction.

14.3 A director of the Company who is interested in a transaction entered into or to be entered into by the Company may:

14.4 vote on a matter relating to the transaction;

14.5 attend a meeting of directors at which a matter relating to the transaction arises and be included among the directors present at the meeting for the purposes of a quorum; and

14.6 sign a document on behalf of the Company, or do any other thing in his capacity as a director, that relates to the transaction,

and, subject to compliance with the Act shall not, by reason of his office be accountable to the Company for any benefit which he derives from such transaction and no such transaction shall be liable to be avoided on the grounds of any such interest or benefit.

15. **INDEMNIFICATION**

15.1 Subject to the limitations hereinafter provided the Company shall indemnify against all expenses, including legal fees, and against all judgments, fines and amounts paid in settlement and reasonably incurred in connection with legal, administrative or investigative proceedings any person who:

- (a) is or was a party or is threatened to be made a party to any threatened, pending or completed proceedings, whether civil, criminal, administrative or investigative, by reason of the fact that the person is or was a director of the Company; or
- (b) is or was, at the request of the Company, serving as a director of, or in any other capacity is or was acting for, another body corporate or a partnership, joint venture, trust or other enterprise.
- (c) The indemnity in Sub-Regulation 15.1 only applies if the person acted honestly and in good faith with a view to the best interests of the Company and, in the case of criminal proceedings, the person had no reasonable cause to believe that their conduct was unlawful.

15.2 For the purposes of Sub-Regulation 15.1(c), a director acts in the best interests of the Company if he acts in the best interests of

- (a) the Company's holding company; or
- (b) a Shareholder or Shareholders of the Company;

in either case, in the circumstances specified in Sub-Regulation 15.1 or the Act, as the case may be.

15.3 The decision of the directors as to whether the person acted honestly and in good faith and with a view to the best interests of the Company and as to whether the person had no reasonable cause to believe that his conduct was unlawful is, in the absence of fraud, sufficient for the purposes of the Articles, unless a question of law is involved.

15.4 The termination of any proceedings by any judgment, order, settlement, conviction or the entering of a *nolle prosequi* does not, by itself, create a presumption that the person did not act honestly and in good faith and with a view to the best interests of the Company or that the person had reasonable cause to believe that his conduct was unlawful.

15.5 Expenses, including legal fees, incurred by a director in defending any legal, administrative or investigative proceedings may be paid by the Company in advance of the final disposition of such proceedings upon receipt of an undertaking by or on behalf of the director to repay the amount if it shall ultimately be determined that the director is not entitled to be indemnified by the Company in accordance with Sub-Regulation 15.1.

15.6 Expenses, including legal fees, incurred by a former director in defending any legal, administrative or investigative proceedings may be paid by the Company in advance of the final disposition of such proceedings upon receipt of an undertaking by or on behalf of the former director to repay the amount if it shall ultimately be determined that the former director is not entitled to be indemnified by the Company in accordance with Sub-Regulation 15.1 and upon such terms and conditions, if any, as the Company deems appropriate.

- 15.7 The indemnification and advancement of expenses provided by, or granted pursuant to, this section is not exclusive of any other rights to which the person seeking indemnification or advancement of expenses may be entitled under any agreement, Resolution of Shareholders, resolution of disinterested directors or otherwise, both as acting in the person's official capacity and as to acting in another capacity while serving as a director of the Company.
- 15.8 If a person referred to in Sub-Regulation 15.1 has been successful in defence of any proceedings referred to in Sub-Regulation 15.1, the person is entitled to be indemnified against all expenses, including legal fees, and against all judgments, fines and amounts paid in settlement and reasonably incurred by the person in connection with the proceedings.
- 15.9 The Company may purchase and maintain insurance in relation to any person who is or was a director, officer or liquidator of the Company, or who at the request of the Company is or was serving as a director, officer or liquidator of, or in any other capacity is or was acting for, another body corporate or a partnership, joint venture, trust or other enterprise, against any liability asserted against the person and incurred by the person in that capacity, whether or not the Company has or would have had the power to indemnify the person against the liability as provided in the Articles.

## 16 RECORDS

- 16.1 The Company shall keep the following documents at the office of its registered agent:
- (a) the Memorandum and the Articles;
  - (b) the register of members, or a copy of the register of members;
  - (c) the register of directors, or a copy of the register of directors; and
  - (d) copies of all notices and other documents filed by the Company with the Registrar of Corporate Affairs in the previous 10 years.
- 16.2 Until the directors determine otherwise by Resolution of Directors the Company shall keep the original register of members and original register of directors at the office of its registered agent.
- 16.3 If the Company maintains only a copy of the register of members or a copy of the register of directors at the office of its registered agent, it shall:
- (a) within 15 days of any change in either register, notify the registered agent in writing of the change; and
  - (b) provide the registered agent with a written record of the physical address of the place or places at which the original register of members or the original register of directors is kept.
- 16.4 The Company shall keep the following records at the office of its registered agent or at such other place or places, within or outside the British Virgin Islands, as the directors may determine:
- (a) minutes of meetings and Resolutions of Shareholders and classes of Shareholders; and
  - (b) minutes of meetings and Resolutions of Directors and committees of directors.

16.5 Where any original records referred to in this Regulation are maintained other than at the office of the registered agent of the Company, and the place at which the original records is changed, the Company shall provide the registered agent with the physical address of the new location of the records of the Company within 14 days of the change of location.

16.6 The records kept by the Company under this Regulation shall be in written form or either wholly or partly as electronic records complying with the requirements of the Electronic Transactions Act, 2001 (No. 5 of 2001) as from time to time amended or re-enacted.

**17 REGISTER OF CHARGES**

The Company shall maintain at the office of its registered agent a register of charges in which there shall be entered the following particulars regarding each mortgage, charge and other encumbrance created by the Company:

17.1 the date of creation of the charge;

17.2 a short description of the liability secured by the charge;

17.3 a short description of the property charged;

17.4 the name and address of the trustee for the security or, if there is no such trustee, the name and address of the chargee;

17.5 unless the charge is a security to bearer, the name and address of the holder of the charge; and

17.6 details of any prohibition or restriction contained in the instrument creating the charge on the power of the Company to create any future charge ranking in priority to or equally with the charge.

**18 SEAL**

The Company shall have a Seal an impression of which shall be kept at the office of the registered agent of the Company. The Company may have more than one Seal and references herein to the Seal shall be references to every Seal which shall have been duly adopted by Resolution of Directors. The directors shall provide for the safe custody of the Seal and for an imprint thereof to be kept at the registered office. Except as otherwise expressly provided herein the Seal when affixed to any written instrument shall be witnessed and attested to by the signature of any one director or other person so authorised from time to time by Resolution of Directors. Such authorisation may be before or after the Seal is affixed, may be general or specific and may refer to any number of sealings. The directors may provide for a facsimile of the Seal and of the signature of any director or authorised person which may be reproduced by printing or other means on any instrument and it shall have the same force and validity as if the Seal had been affixed to such instrument and the same had been attested to as hereinbefore described.

**19 DISTRIBUTIONS BY WAY OF DIVIDEND**

19.1 The directors of the Company may, by Resolution of Directors, authorise a Distribution by way of dividend at a time and of an amount they think fit if they are satisfied, on reasonable grounds, that, immediately after the Distribution, the value of the Company's assets will exceed its liabilities and the Company will be able to pay its debts as they fall due.

19.2 Dividends may be paid in money, shares, or other property.

- 19.3 Notice of any dividend that may have been declared shall be given to each Shareholder as specified in Sub-Regulation 22 and all dividends unclaimed for 3 years after having been declared may be forfeited by Resolution of Directors for the benefit of the Company.
- 19.4 No dividend shall bear interest as against the Company and no dividend shall be paid on Treasury Shares.
- 20 ACCOUNTS AND AUDIT**
- 20.1 The Board shall cause to be kept accounting records sufficient to give a true and fair view of the state of the Company's affairs and to show and explain its transactions in accordance with both the BVI Companies Act and the UK Companies Act. The Company shall also keep all accounting records as would be required by the UK Companies Act to show and explain its transactions were the Company a public limited company incorporated in England and Wales.
- 20.2 The accounting records shall be kept at the registered office or, subject to the BVI Companies Act, at such other place or places as the Board may think fit and shall always be open to inspection by the officers of the Company. No Shareholder (other than an officer of the Company) shall have any right of inspecting any accounting record or book or document of the Company except as conferred by law or authorised by the Board
- 20.3 Subject to regulation 20.2 a printed copy of every balance sheet and profit and loss account together with the report of the Board thereon and including every other document as would be required by the UK Companies Act were the Company a public limited company incorporated in England and Wales to be annexed thereto, which is to be laid before the annual meeting of Shareholders were the Company a public limited company incorporated in England and Wales, together with a copy of the Auditors' report, shall be sent to each person entitled thereto at least twenty one days before the date of the meeting in accordance with the requirements of the BVI Companies Act, and copies shall also be sent in appropriate numbers to the Stock Exchange in accordance with its regulations.
- 20.4 The Company need not, if the Board so decides send copies of such documents to Shareholders, but may instead send them a summary financial statement derived from the Company's balance sheet and profit and loss account and the report of the Board thereon, in such form and containing such information as would be required by the UK Companies Act were the Company a public limited company incorporated in England and Wales provided that copies of the documents referred to in Regulation 20.1 shall be sent to any Shareholders who wishes to receive them and the Company shall comply with the provisions of the UK Companies Act as to the manner in which it is to ascertain whether a Shareholder wishes to receive them as if the Company were a public limited company incorporated in England and Wales.
- 21. AUDIT**
- Auditors shall be appointed and their duties regulated in accordance with the UK Companies Act as if the Company were a public limited company incorporated in England and Wales
- 22 NOTICES**
- 22.1 Any notice, information or written statement to be given by the Company to Shareholders may be given by personal service or by mail addressed to each Shareholder at the address shown in the register of members.
- 22.2 Any summons, notice, order, document, process, information or written statement to be served on the Company may be served by leaving it, or by sending it by registered mail addressed to the Company, at its registered office, or by leaving it with, or by sending it by registered mail to, the registered agent of the Company.

22.3 Service of any summons, notice, order, document, process, information or written statement to be served on the Company may be proved by showing that the summons, notice, order, document, process, information or written statement was delivered to the registered office or the registered agent of the Company or that it was mailed in such time as to admit to its being delivered to the registered office or the registered agent of the Company in the normal course of delivery within the period prescribed for service and was correctly addressed and the postage was prepaid.

23 **VOLUNTARY LIQUIDATION**

The Company may by Resolution of Shareholders or by Resolution of Directors appoint a voluntary liquidator.

24 **CONTINUATION**

The Company may by Resolution of Shareholders or by a resolution passed unanimously by all directors of the Company continue as a company incorporated under the laws of a jurisdiction outside the British Virgin Islands in the manner provided under those laws.

25 **DISCLOSURE OF INTEREST IN SHARES AND FAILURE TO DISCLOSE**

25.1 Subject to any requirement under the Act, the provisions of Chapter 5 of the Disclosure and Transparency Rules which relate to the requirement of persons to disclose their interests in shares, shall apply to the Company as if its Home State (as defined in such rules) was the United Kingdom and such rules shall be deemed to be incorporated into these Regulations and shall bind the Company and the Shareholders (other than the Depository).

25.2 Subject to any requirement under the Act, the provisions of section 793 of the UK CA 2006 shall be deemed to be incorporated into these Regulations and shall bind the Company and the Shareholders and references in such section to "a public company" shall be deemed to be references to the Company.

25.3 Where notice is served by the Company under section 793 of the UK CA 2006 (a "section 793 notice") on a Shareholder, or another person whom the Company knows or has reasonable cause to believe to be interested in shares held by that Shareholder, and the Shareholder or other person has failed in relation to any shares (the "default shares", which expression includes any shares issued to such Shareholder after the date of the section 793 notice in respect of those shares) to give the Company the information required within 14 days following the date of service of the section 793 notice, the Board may serve on the holder of such default shares a notice (a "disenfranchisement notice") whereupon the following sanctions apply, unless the Board otherwise decides:

25.3.1 the Shareholder shall not be entitled in respect of the default shares to be present or to vote (either in person or by proxy) at a General Meeting or at a separate meeting of the holders of a class of shares or on a poll or to exercise other rights conferred by membership in relation to the meeting or poll; and

25.3.2 where the default shares represent at least 0.25 per cent in nominal value of the issued shares of their class (calculated exclusive of any shares held as Treasury Shares):

(a) a dividend (or any part of a dividend) or other amount payable in respect of the default shares shall be withheld by the Company, which has no obligation to pay interest on it; and

- (b) no transfer of any of the default shares shall be registered unless:
  - (i) the transfer is an excepted transfer; or
  - (ii) the Shareholder is not himself in default in supplying the information required and the Shareholder proves to the satisfaction of the Board that no person in default in supplying the information required is interested in any of the shares the subject of the transfer; or
  - (iii) registration of the transfer is required by any Relevant System,(and, for the purpose of ensuring this Regulation 25.3.2(b) can apply to all shares held by the holder, the Company may, in accordance with the regulations of any Relevant System, issue written notification to the operator of the Relevant System requiring the conversion into certificated form of any shares held by the holder in uncertificated form).

**26 REMOVAL OF SANCTIONS**

The sanctions under Regulation 25 shall cease to apply seven days after the receipt by the Company of:

- 26.1 notice of registration of an excepted transfer, in relation to the default shares the subject of the excepted transfer; and
- 26.2 all information required by the section 793 notice, in a form satisfactory to the Board, in relation to any default shares.

**27 NOTICE TO PERSON OTHER THAN A SHAREHOLDER**

Where, on the basis of information obtained from a Shareholder in respect of a share held by him, the Company issues a section 793 notice to another person, it shall at the same time send a copy of the section 793 notice to the Shareholder, but the accidental omission to do so, or the non-receipt by the Shareholder of the copy, does not invalidate or otherwise affect the application of Regulation 25.

**28 INTEREST IN SHARES, FAILURE TO GIVE INFORMATION AND EXCEPTED TRANSFERS**

28.1 For the purpose of Regulations 25 to 27:

- 28.1.1 “**interested**” has the same meaning as in Part 22 of the UK CA 2006;
- 28.1.2 reference to a person having failed to give the Company the information required by a section 793 notice, or being in default in supplying such information, includes:
  - (a) reference to his having failed or refused to give all or any part of it; and
  - (b) reference to his having given information which he knows to be false in a material particular or having recklessly given information which is false in a material particular; and
- 28.1.3 “**excepted transfer**” means, in relation to shares held by a Shareholder:
  - (a) a transfer pursuant to acceptance of a takeover offer for the Company (within the meaning of section 428(1) of the UK Companies Act or section 974 of the UK CA 2006, whichever is in force at the relevant date); or



- (b) a transfer where the Directors are satisfied that the transfer is made pursuant to a bona fide sale of the whole of the beneficial ownership of the shares to a party unconnected with the member or with any person appearing to be interested in such shares including any such sale made through a recognised investment exchange (as defined in the Financial Services and Markets Act 2000) (being a statute in force in the UK as may be amended or re-enacted from time to time) or another stock exchange outside the United Kingdom on which shares in the capital of the Company are normally traded. For the purposes of this sub-paragraph any associate (as that term is defined in Section 435 of the UK Insolvency Act 1986) shall be included amongst the persons who are connected with the member or any person appearing to be interested in such shares.

28.2 Regulations 25 to 28 are in addition to and without prejudice to the BVI Companies Act.

Signed for HARNEYS CORPORATE SERVICES LIMITED of Craigmuir Chambers, Road Town, Tortola, British Virgin Islands for the purpose of incorporating a BVI Business Company under the laws of the British Virgin Islands on [ INCORP DATE ]:

Incorporator

---

[ INCORPORATOR ]  
Authorised Signatory  
HARNEYS CORPORATE SERVICES LIMITED

SHARE CERTIFICATE

Certificate Number \_\_\_\_\_

Number of Shares \_\_\_\_\_

**ReneSola Ltd**  
**(No: BC1016246)**  
**(the "Company")**

Incorporated in the British Virgin Islands

THIS IS TO CERTIFY THAT \_\_\_\_\_ of \_\_\_\_\_ is/are the registered holder of \_\_\_\_\_ share in the Company subject to the Memorandum and Articles of Association of the Company.

Given under the Common Seal of the Company  
this \_\_ day of \_\_\_\_\_.

\_\_\_\_\_  
Director/Officer

DATED 31 May 2006

(1) THE SELLERS

(2) DIVERSO MANAGEMENT LIMITED

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DEED

relating to the sale and purchase of certain shares  
in the issued share capital of Renesola Ltd

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**BETWEEN:-**

- (1) **THE SELLERS** whose names and addresses are set out in the Schedule (the "**Sellers**"); and
- (2) **DIVERSO MANAGEMENT LIMITED**, a company incorporated in Hong Kong Special Administrative Region with the registered number 1020133 whose registered office is at Suite 2205, 22/F, Kinwick Center, 32 Hollywood Road, Central, Hong Kong (the "**Buyer**").

**WHEREAS:-**

- (A) The Sellers are the legal and beneficial owners of no par value shares in the capital of the Company in the proportions set out in Column 3 of the Schedule, such shares being the entire issued share capital of the Company at the date hereof.
- (B) The Sellers wish to sell and the Buyer wishes to buy the Shares on the terms and conditions set out in this Deed.

**IT IS AGREED** as follows:-

1. **INTERPRETATION**

1.1 In this Deed:-

**"Business Day"**

means a day (other than a Saturday) on which banks in the City of London are generally open for business

**"Company"**

means Renesola Ltd, a company incorporated in the British Virgin Islands with the registered number 1016246 and having its registered office at Craigmuir Chambers, Road Town, Tortola, British Virgin Islands

**"Completion"**

means completion of the sale and purchase of the Shares in accordance with this Deed

**"Consideration"**

means the consideration set out in Column 5 of the Schedule

**"Encumbrance"**

means any encumbrance or security interest of any kind whatsoever including without limitation a mortgage, charge, pledge, lien, hypothecation, restriction, right to acquire, right of pre-emption, option, conversion right, third party right or interest, right of set-off or counterclaim, equities, trust arrangement or any other type of preferential agreement (such as a retention of title arrangement) having similar effect or any other rights exercisable by or claims by third parties

**“Share”** means a no par value share in the capital of the Company

- 1.2 In this Deed, reference to a Clause or Schedule is a reference to a clause of or schedule to this Deed;
- 1.3 The Schedule forms part of this Deed and shall be interpreted and construed as though it was set out in this Deed.
- 1.4 The headings to the Clauses, Schedule and paragraphs of the Schedule are for convenience only and shall not affect the interpretation or construction of this Deed.

**2. SALE AND PURCHASE OF THE SHARES**

- 2.1 Each Seller agrees to sell and the Buyer agrees to buy the whole of the legal and beneficial interest in such number of Shares as are set out opposite his name in Column 4 of the Schedule, with all rights attached or accruing to them at Completion and the Buyer hereby agrees to acquire such Shares.
- 2.2 Each Seller severally covenants to the Buyer that he has, and will at Completion have, the right to sell and transfer the whole of the legal and beneficial interest in and title to the number of Shares set out opposite his name in Column 4 of the Schedule.
- 2.3 Each Seller severally covenants to the Buyer that the number of Shares as set out opposite his name in Column 4 of the Schedule will on Completion be free from all Encumbrances.
- 2.4 Each Seller agrees to waive any rights of pre-emption he may have in respect of the Shares being transferred to the Buyer pursuant to this Deed.

**3. CONSIDERATION**

- 3.1 The consideration for the purchase of the Shares is the Consideration.
- 3.2 The Buyer shall pay the Consideration to the Sellers at Completion.

**4. COMPLETION**

- 4.1 Completion shall take place as soon as all the business referred to in Clause 4.2 has been transacted.
- 4.2 At Completion the Sellers shall deliver to the Buyer duly executed transfers of the Shares to the Buyer or as it directs together with the share certificates for all of the Shares.
- 4.3 The Buyer is not obliged to complete this Deed unless each of the Sellers has fulfilled all of his or her obligations under this Clause.

5. **POWER OF ATTORNEY**

5.1 Each Seller hereby irrevocably appoints the Buyer to be its attorney to act for it and on its behalf to exercise all or any of the voting and other rights attaching to the Shares in respect of which the Sellers are the registered holders as the Buyer shall in his absolute discretion think fit and in particular (without limitation):-

5.1.1 to receive or waive any notice of or consent to the holding on short notice of any general meeting or separate meeting of the holders of any class of shares of the Company;

5.1.2 to execute a form of proxy in respect of the Shares appointing any person to attend general meetings and separate meetings of the holders of any class of shares of the Company and to exercise the votes attaching to the Shares on the Sellers' behalf; and

5.1.3 to exercise all other rights and privileges held by or accruing to the Sellers as holders of the Shares, to receive dividends and other distributions in respect of the Shares and to give a good receipt for them;

all in such form and on such terms as the Buyer shall in its absolute discretion think fit and whatsoever the Buyer shall lawfully do or purport to do in pursuance of this power of attorney the Sellers hereby undertake to ratify and confirm.

5.2 This power of attorney is irrevocable for a period terminating on the day the transfer to the Buyer of the Shares takes effect and the Shares are registered in the name of the Buyer.

6. **NOTICES**

6.1 Any notice or other communication pursuant to, or in connection with, this Deed shall be in writing and delivered personally, or sent by first class pre-paid recorded delivery post (air mail if overseas), to the Buyer at its registered office from time to time, and to each Seller at the address given for that Seller in Column 2 of the Schedule (or to such other address as may from time to time have been notified in writing to the other party in accordance with this Clause 6), or sent by facsimile to the numbers set out below:-

6.1.1 Mr Li + 86 573 477 3063;

6.1.2 Mr Wu + 86 573 477 3063;

6.1.3 Buyer + 86 21 62484627

6.2 Subject to Clause 6.3, any notice or other communication shall be deemed to have been served:-

6.2.1 if delivered personally, when left at the address referred to in Clause 6.1;

6.2.2 if sent by pre-paid recorded delivery post (other than air mail), two days after posting it; or

6.2.3 if sent by air mail, six days after posting it.

6.3 If a notice is given or deemed given at a time or on a date which is not a Business Day, it shall be deemed to have been given on the next Business Day.

7. **ENTIRE AGREEMENT**

7.1 This Deed sets out the entire agreement and understanding between the parties in respect of the sale and purchase of the Shares. This Deed supersedes and extinguishes any prior agreements, arrangements or statements. It is agreed that:-

7.1.1 no party has not entered into this Deed in reliance upon any representation, warranty or undertaking of any other party which is not expressly set out or referred to in this Deed;

7.1.2 no party shall have any remedy in respect of any misrepresentation or any untrue statement made by any other party which is not contained in this Deed nor for any breach of warranty which is not contained in this Deed; and

7.1.3 this Clause shall not exclude any liability for, or remedy in respect of fraud or fraudulent misrepresentation.

7.2 No variation of this Deed shall be effective unless made in writing and signed by or on behalf of the Buyer and each of the Sellers.

8. **INVALIDITY**

If any provision of this Deed is held to be unenforceable or illegal, in whole or in part, such provision or part shall to that extent be deemed not to form part of this Deed but the enforceability of the remainder of this Deed shall remain unaffected.

9. **EFFECT OF COMPLETION**

This Deed in so far as any of its provisions remain to be, or are capable of being, performed or observed, shall remain in full force and effect after Completion.

10. **ASSIGNMENT**

This Deed is personal to the parties and neither it nor any of the benefits arising under it may be assigned without the prior written consent of the other party and neither party shall purport to assign or transfer the same provided always that this Deed and the benefits arising under it may be assigned by the Buyer to any group undertaking in relation to the Buyer (the "Buyer's group") provided further that in the event of such undertaking ceasing to be a member of the Buyer's group this Deed shall be deemed to be transferred to any other member of the Buyer's group immediately before such cessation.



11. **CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

Except as expressly provided in this Deed, a person who is not a party to this Deed shall have no rights under the Contracts (Rights of Third Parties) Act 1999 to rely upon or enforce any term of this Deed provided that this does not affect any right or remedy of the third party which exists or is available apart from that Act.

12. **COUNTERPARTS**

This Deed may be executed in any number of counterparts and by each of the parties on separate counterparts each of which when executed and delivered shall be deemed to be an original, but all the counterparts together shall constitute one and the same deed.

13. **LAW AND JURISDICTION AND SERVICE OF PROCESS**

13.1 This Deed shall be governed by and construed in accordance with the laws of England.

13.2 The parties hereby submit to the exclusive jurisdiction of the High Court of England in relation to any dispute or claim arising out of or in connection with this Deed.

13.3 The parties hereby agree that any legal proceedings may be served on them by delivering a copy of such proceedings to them at their respective addresses set out in this Deed.

**EXECUTED** by the parties on the date which first appears in this Deed.

**SCHEDULE**

**SELLERS' NAMES, ADDRESSES, SHAREHOLDINGS AND SALE CONSIDERATION**

(1) Name	(2) Address	(3) No. of shares in the Company	(4) No. of shares to be Sold to Buyer	(5) Sale Consideration (USD)
Li Xian Shou (PRC Identity No 330106196808010015)	Chengzhong Road ZhuGang Town YuHuan County Zhejiang Province PRC	6,600	660	0.66
Wu Yan Cai (PRC Identity No 332627671104001)	Suite 201 No. 32 Xianqian Road Cheng Guan Cheng District Zhejiang Province PRC	3,400	340	0.34
<b>TOTAL</b>		<b>10,000</b>	<b>1000</b>	<b>1</b>



**SIGNED** (but not delivered until the date hereof) **AS A DEED** by **LI XIAN SHOU** in the presence of:- )  
)  
)

/s/ Xianshou Li

/s/ Amanda Yao  
*Signature of witness*

/s/ Amanda Yao  
*Name of witness*

Address

Occupation

**SIGNED** (but not delivered until the date hereof) **AS A DEED** by **WU YAN CAI** in the presence of:- )  
)  
)

/s/ Yuncai Wu

/s/ Amanda Yao  
*Signature of witness*

/s/ Amanda Yao  
*Name of witness*

Address

Occupation

DATED 7 MARCH 2007

- (1) THE SELLERS
- (2) RUIXIN HOLDINGS LTD
- (3) YUNCAI HOLDINGS LTD
- (4) XIAOSHU BAI

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DEED  
relating to the sale and purchase of certain shares  
in the issued share capital of ReneSola Ltd

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**BETWEEN:-**

- (1) **THE SELLERS** whose names and addresses are set out in Schedule 1 (the "**Sellers**");
- (2) **RUIXIN HOLDINGS LTD**, a company incorporate in the BVI with registered number 1035693 and registered office at Craigmuir Chambers, Road Town, Tortola, British Virgin Islands ("**Ruixin**");
- (3) **YUNCAI HOLDINGS LTD**, a company incorporate in the BVI with registered number 1035692 and registered office at Craigmuir Chambers, Road Town, Tortola, British Virgin Islands ("**Yunca**"); and
- (4) **XIAOSHU BAI** of Apt. 502, Block C, Dan Gui Yuan, Jing Guan Xin Cheng, 9 Xin Xi Wang Road, Chengdu, Sichuan, China 610041 (the "**Buyer**").

**WHEREAS:-**

- (A) The Sellers are the legal and beneficial owners of no par value shares in the capital of the Company in the proportions set out in Column 3 of Schedule 1.
- (B) The Sellers wish to transfer to the Buyer such number of Shares as set out in Column 4 of Schedule 1 on the terms and conditions set out in this Deed.
- (C) The parties to this Deed intend that the legal ownership of the Shares shall be transferred entirely at Completion as set out in Column 4 of Schedule 1 and the beneficial ownership shall be transferred in three tranches as set out in Columns 5, 6 and 7 of Schedule 1.
- (D) It is contemplated by the parties to this Deed that the Shares held by certain of the Sellers, that is, Li Xian Shou and Wu Yun Cai, shall be transferred to Ruixin and Yuncai after the transfer of the legal interest in the Shares and the beneficial interest in the first tranche of Shares to the Buyer and prior to Admission.

**IT IS AGREED** as follows:-

**1. INTERPRETATION**

1.1 In this Deed:-

"Admission"	means the admission of the entire issued share capital of the Company to trading on the Alternative Investment Market of the London Stock Exchange plc
"Business Day"	means a day (other than a Saturday) on which banks in the City of London are generally open for business
"Company"	means ReneSola Ltd, a company incorporated in the British Virgin Islands with the registered number 1016246 and having its registered office at Craigmuir Chambers, Road Town, Tortola, British Virgin Islands
"Completion"	means completion of the sale and purchase of the Shares in accordance with this Deed
"Disposal"	includes any sale, grant of options over, transfer, charge, pledge, or other disposal or agreement to dispose of any Shares

"Effective Date"	means 24 July 2006
"Employment Agreement"	means the agreement dated 20 May 2006 between (1) Zhejiang Yuhui Solar Energy Source Co., Ltd and (2) the Buyer relating to his engagement as Chief Financial Officer
"Encumbrance"	means, except in the case of the arrangements relating to the transfer of the beneficial interest in the Shares as contemplated by this Deed, any encumbrance or security interest of any kind whatsoever including without limitation a mortgage, charge, pledge, lien, hypothecation, restriction, right to acquire, right of pre-emption, option, conversion right, third party right or interest, right of set-off or counterclaim, equities, trust arrangement or any other type of preferential agreement (such as a retention of title arrangement) having similar effect or any other rights exercisable by or claims by third parties
"First Vesting Date"	means the first anniversary of Admission
"Second Vesting Date"	means 20 May 2008
"Share"	means a no par value share in the capital of the Company and "Shares" shall be construed accordingly

- 1.2 In this Deed, reference to a Clause or Schedule is a reference to a clause of or schedule to this Deed;
- 1.3 The Schedules form part of this Deed and shall be interpreted and construed as though they were set out in this Deed.
- 1.4 The headings to the Clauses, Schedules and paragraphs of the Schedules are for convenience only and shall not affect the interpretation or construction of this Deed.

**2. AMENDMENT AND RESTATEMENT OF THE ORIGINAL DEED**

Without prejudice to their accrued rights and obligations, the parties hereto agree that the Original Deed shall be amended and restated by the deletion of all of its provisions and their replacement by the provisions of this Deed and the Original Deed shall hereafter be read and construed for all purposes in accordance to the provisions herein.

**3. EFFECTIVE DATE**

- 3.1 As between the parties it is intended that this Deed shall have the effect as if it had taken effect on the close of business on the Effective Date.

**4. SALE AND PURCHASE OF THE SHARES**

- 4.1 Each Seller agrees to sell and the Buyer agrees to buy the whole of the legal interest in such number of Shares as are set out opposite his name in Column 4 of Schedule 1 with all related rights attached or accruing to them at Completion and the Buyer hereby agrees to acquire such Shares.



- 4.2 Each Seller severally covenants to the Buyer that he has, and will at Completion have, the right to sell and transfer the whole of the legal and beneficial interest in and title to the number of Shares set out opposite his name in Columns 4 and 5 respectively of Schedule 1.
- 4.3 Each Seller severally covenants to the Buyer that the number of Shares as set out opposite his name in Column 4 of Schedule 1 will on Completion be free from all Encumbrances.
- 4.4 Each Seller agrees to waive any rights of pre-emption he may have in respect of the Shares being transferred to the Buyer pursuant to this Deed.
- 4.5 Completion shall take place as soon as all the business referred to in Clause 3.6 has been transacted.
- 4.6 At Completion the Sellers shall deliver to the Buyer duly executed transfers of the relevant number of Shares set out against each of their respective names as shown in Schedule 1 (in the form set out in Schedule 2) to the Buyer or as it directs and procure the delivery to the Buyer of the share certificates for such Shares.
- 4.7 The Buyer is not obliged to complete this Deed unless each of the Sellers has fulfilled all of his or her obligations under this Clause.

**5. TRANSFER OF BENEFICIAL INTEREST**

5.1 The parties agree that the beneficial interest in the Shares acquired pursuant to Clause 3.1 above will be transferred from each of the Sellers (or each of Ruixin, Yuncai and Diverso as the case may be) to the Buyer on:-

- 5.1.1 Completion;
- 5.1.2 the First Vesting Date; and
- 5.1.3 the Second Vesting Date,

in accordance with Columns 5, 6 and 7 of Schedule 1.

5.2 At the First Vesting Date, each of Ruixin, Yuncai and Diverso severally covenants to the Buyer that:-

- 5.2.1 it will have the right to transfer the beneficial interest in the number of Shares set out opposite his name in Column 6 of Schedule 1.
- 5.2.2 the number of Shares as set out opposite his name in Column 6 of Schedule 1 will on Completion be free from all Encumbrances.

5.3 At the Second Vesting Date, each of Ruixin, Yuncai and Diverso severally covenants to the Buyer that:-

- 5.3.1 it will have the right to transfer the beneficial interest in the number of Shares set out opposite his name in Column 7 of Schedule 1.
- 5.3.2 the number of Shares as set out opposite his name in Column 7 of Schedule 1 will on Completion be free from all Encumbrances.

**6. CONSIDERATION**

The legal and beneficial interest in the Shares shall be transferred from each of the Sellers to the Buyer for nil Consideration.

**7. POWERS OF ATTORNEY**

**7.1 Power of Attorney Pending Registration of Shares**

7.1.1 Each Seller hereby irrevocably appoints the Buyer to be its attorney to act for it and on its behalf to exercise all or any of the voting and other rights attaching to the Shares in respect of which the Sellers are the registered holders as the Buyer shall in his absolute discretion think fit and in particular (without limitation):-

- (a) to receive or waive any notice of or consent to the holding on short notice of any general meeting or separate meeting of the holders of any class of shares of the Company;
- (b) to execute a form of proxy in respect of the Shares appointing any person to attend general meetings and separate meetings of the holders of any class of shares of the Company and to exercise the votes attaching to the Shares on the Sellers' behalf; and
- (c) to exercise all other rights and privileges held by or accruing to the Sellers as holders of the Shares, to receive dividends and other distributions in respect of the Shares and to give a good receipt for them,

all in such form and on such terms as the Buyer shall in its absolute discretion think fit and whatsoever the Buyer shall lawfully do or purport to do in pursuance of this power of attorney the Sellers hereby undertake to ratify and confirm.

7.1.2 This power of attorney is irrevocable for a period terminating on the day the transfer to the Buyer of the Shares takes effect and the Shares are registered in the name of the Buyer.

**7.2 Power of Attorney on Termination of Employment**

7.2.1 The Buyer irrevocably appoints each of Ruixin, Yuncai and Diverso to be its attorney to act for it and on its behalf to carry out any action or to execute any document in relation to the transfer contemplated by Clause 9.1 below all in such form and on such terms as the Buyer shall in its absolute discretion think fit and whatsoever the Buyer shall lawfully do or purport to do in pursuance of this power of attorney the Sellers hereby undertake to ratify and confirm.

7.2.2 This power of attorney is irrevocable for a period terminating on the day the transfer of Shares as contemplated by Clause 9.1 below to each of Ruixin, Yuncai and Diverso takes effect and the Shares are registered in their name.

**8. LOCK-IN**

The Buyer undertakes with each of Ruixin, Yuncai and Diverso that he will not effect a Disposal of any Shares in which the beneficial interest is yet to pass in accordance with the provisions of Clause 8 and 9 below (as applicable).

**9. TERMINATION OF EMPLOYMENT**

9.1 In the event that:

9.1.1 the Buyer's employment pursuant to the Employment Agreement is terminated by the Company in accordance with Clause 9.3 of the Employment Agreement or applicable laws; or

- 9.1.2 the Buyer leaves the Company's employment without the Company's prior written consent prior to the expiry of the Employment Agreement  
the Buyer agrees to transfer for nil consideration the legal interest in those Shares in which the beneficial interest has not yet passed to him in accordance with Clause 5 above within 10 working days.
- 9.2 The Buyer covenants to each of Ruixin, Yuncai and Diverso that the Buyer will have, at the date of the transfer contemplated by Clause 9.1 above, the right to sell and transfer the whole of the legal interest in and title to those Shares in which the beneficial interest has not yet passed to him in accordance with Clause 4 above and that such Shares shall be free from all Encumbrances.
- 9.3 If the Buyer leaves the Company's employment in circumstances other than those envisaged in Clauses 9.1 above, then, subject to Clause 9.4 below, on the date of such cessation of employment (the "Leaving Date") the Buyer shall be entitled to have transferred to and vested in him the interests have not yet passed to him in accordance with Clause 5 above.
- 9.4 The Buyer's entitlement to the beneficial interests in the Shares pursuant to Clause 9.3 above from each of Ruixin, Yuncai and Diverso shall be determined on the following basis:
- 9.4.1 If the Leaving Date falls on or prior to the First Vesting Date, thenL  
$$N = (D \div 365) * S$$
  
Where:  
N = number of Shares in which, pursuant to the operation of this Clause 9.4.1 and Clause 9.3 above, the beneficial interests shall pass to the Buyer  
D = number of days that have elapsed since the date of Admission up to and including the Leaving Date  
S = number of Shares set out opposite the name of each of Ruixin, Yuncai and Diverso respectively in Column 6 of Schedule 1
- 9.4.2 If the Leaving Date falls on or prior to the Second Vesting Date, then:  
$$N = (D \div 286) * S$$
  
Where:  
N = number of Shares in which, pursuant to the operation of this Clause 9.4.2 and Clause 9.3 above, the beneficial interests shall pass to the Buyer  
D = number of days that have elapsed since the First Vesting Date up to and including the Leaving Date  
S = number of Shares set out opposite the name of each of Ruixin, Yuncai and Diverso respectively in Column 7 of Schedule 1
- 9.5 At the Leaving Date, each of Ruixin, Yuncai and Diverso severally covenants to the Buyers that:
- 9.5.1 it will have the right to transfer the beneficial interest in such number of Shares to which the Buyers is entitled as determined pursuant to Clause 9.4 above; and

- 9.5.2 such number of Shares to which the Buyer is entitled as determined pursuant to Clause 9.4 above will be free from all Encumbrances.
- 9.6 For the avoidance of doubt, any transfer of Shares triggered by the operation of this Clause 9 before the First Vesting Date shall not take place until the First Vesting Date.

**10. GUARANTEE**

- 10.1 Li Xian Shou guarantees to the Buyer the due performance and observance by Ruixin of its obligations, commitments and undertakings under this Deed. This guarantee shall continue in force until all the obligations, commitments and undertakings of Ruixin under this Deed shall have been performed or satisfied.
- 10.2 Wu Yun Cai guarantees to the Buyer the due performance and observance by Yuncai of its obligations, commitments and undertakings under this Deed. This guarantee shall continue in force until all the obligations, commitments and undertakings of Yuncai under this Deed shall have been performed or satisfied.

**11. NOTICES**

- 11.1 Any notice or other communication pursuant to, or in connection with, this Deed shall be in writing and delivered personally, or sent by first class pre-paid recorded delivery post (air mail if overseas), to each party at the addresses given in this Deed (or to such other address as may from time to time have been notified in writing to the other party in accordance with this Clause 11), or sent by facsimile to the numbers set out below:-
- |        |                            |                        |
|--------|----------------------------|------------------------|
| 11.1.1 | Li Xian Shou/Ruixin        | + 86 573 477 3063;     |
| 11.1.2 | Wu Yun Cai/Yuncai          | + 86 573 477 3063;     |
| 11.1.3 | Diverso Management Limited | + 86 216 248 4627; and |
| 11.1.4 | Buyer                      | + 86 573 477 3063.     |
- 11.2 Subject to Clause 10.3, any notice or other communication shall be deemed to have been served:-
- |        |   |
|--------|---|
| 11.2.1 | if delivered personally, when left at the address referred to in Clause 10.1;                   |
| 11.2.2 | if sent by pre-paid recorded delivery post (other than air mail), two days after posting it; or |
| 11.2.3 | if sent by air mail, six days after posting it.   |
- 11.3 If a notice is given or deemed given at a time or on a date which is not a Business Day, it shall be deemed to have been given on the next Business Day.

**12. FURTHER ASSURANCE**

The Sellers shall at any time at no cost to the Buyer after the date of this Deed do or procure the doing of all such acts and things and/or execute or procure the execution of all such documents as the Buyer may request for the purpose of transferring the Shares to the Buyer or giving the Buyer the full benefit of all the provisions of this Deed.

- 13. ENTIRE AGREEMENT**
- 13.1 This Deed sets out the entire agreement and understanding between the parties in respect of the sale and purchase of the Shares. This Deed supersedes and extinguishes any prior agreements, arrangements or statements relating to the Shares whether they be entered into between the parties or between each and any of the parties and the Company. It is agreed that:-
- 13.1.1 no party has not entered into this Deed in reliance upon any representation, warranty or undertaking of any other party which is not expressly set out or referred to in this Deed;
- 13.1.2 no party shall have any remedy in respect of any misrepresentation or any untrue statement made by any other party which is not contained in this Deed nor for any breach of warranty which is not contained in this Deed; and
- 13.1.3 this Clause shall not exclude any liability for, or remedy in respect of fraud or fraudulent misrepresentation.
- 13.2 No variation of this Deed shall be effective unless made in writing and signed by or on behalf of the Buyer and each of the Sellers.
- 14. INVALIDITY**
- If any provision of this Deed is held to be unenforceable or illegal, in whole or in part, such provision or part shall to that extent be deemed not to form part of this Deed but the enforceability of the remainder of this Deed shall remain unaffected.
- 15. EFFECT OF COMPLETION**
- This Deed in so far as any of its provisions remain to be, or are capable of being, performed or observed, shall remain in full force and effect after Completion.
- 16. ASSIGNMENT**
- This Deed is personal to the parties and neither it nor any of the benefits arising under it may be assigned without the prior written consent of the other party and neither party shall purport to assign or transfer the same provided always that this Deed and the benefits arising under it may be assigned by the Buyer to any group undertaking in relation to the Buyer (the "Buyer's group") provided further that in the event of such undertaking ceasing to be a member of the Buyer's group this Deed shall be deemed to be transferred to any other member of the Buyer's group immediately before such cessation.
- 17. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**
- Except as expressly provided in this Deed, a person who is not a party to this Deed shall have no rights under the Contracts (Rights of Third Parties) Act 1999 to rely upon or enforce any term of this Deed provided that this does not affect any right or remedy of the third party which exists or is available apart from that Act.
- 18. COUNTERPARTS**
- This Deed may be executed in any number of counterparts and by each of the parties on separate counterparts each of which when executed and delivered shall be deemed to be an original, but all the counterparts together shall constitute one and the same deed.

**19. LAW AND JURISDICTION AND SERVICE OF PROCESS**

19.1 This Deed shall be governed by and construed in accordance with the laws of England.

19.2 The parties hereby submit to the exclusive jurisdiction of the High Court of England in relation to any dispute or claim arising out of or in connection with this Deed.

19.3 The parties hereby agree that any legal proceedings may be served on them by delivering a copy of such proceedings to them at their respective addresses set out in this Deed.

**EXECUTED** by the parties on the date which first appears in this Deed.

SCHEDULE 1

SELLERS' NAMES, ADDRESSES, SHAREHOLDINGS AND VESTING SCHEDULE

(1) Name	(2) Address	(3) No. of shares in the Company	(4) No. of shares for which legal ownership to be transferred to Buyer at Completion	(5) No. of shares for which beneficial ownership to be transferred at Completion	(6) No. of shares for which beneficial ownership to be transferred at First Vesting Date	(7) No. of shares for which beneficial ownership to be transferred at Second Vesting Date
Li Xian Shou (PRC Identity No 330106196808010015)	Chengzhong Road ZhuGang Town YuHuan County Zhejiang Province PRC		198,000	66,000	0	0
Ruixin Holdings Ltd (No 1035693)	Craigmuir Chambers Road Town Tortola British Virgin Islands	39,600,019	0	0	66,000	66,000
Wu Yun Cai (PRC Identity No 332627671104001)	Suite 201 No. 32 Xianqian Road Cheng Guan Cheng District Zhejiang Province PRC		102,000	34,000	0	0
Yuncai Holdings Ltd (No 1035692)	Craigmuir Chambers Road Town Tortola British Virgin Islands	20,400,010	0	0	34,000	34,000
Diverso Management Limited (No 1020133)	Suite 2205 22/F Kinwick Center 32 Hollywood Road Central Hong Kong		6,666,670	33,333	11,111	11,111
TOTAL			66,666,699	333,333	111,111	111,111

SCHEDULE 2

SHARE TRANSFER FORM

RENESOLA LTD

Incorporated under the BVI Business Companies Act 2004

Registered No. 1016246

(the "Company")

SHARE TRANSFER

[We/I], [Insert name of Seller] of [insert address of Seller], for nil consideration do hereby transfer to XIAOSHU BAI of Apt. 502, Block C, Dan Gui Yuan, Jing Guan Xin Cheng, 9 Xin Xi Wang Road, Chengdu, Sichuan, China 610041, [insert number of Shares] no par value shares standing in [my/our] name in the share register of the Company.

IN WITNESS WHEREOF this share transfer has been executed by the Transferor on [insert date] 2006.

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[For and behalf of]  
[insert name of Seller]



**SIGNED** (but not delivered until )  
the date hereof) **AS A DEED** by )  
**LI XIAN SHOU** )  
in the presence of:- )

\_\_\_\_\_  
/s/ Xianshou Li

\_\_\_\_\_  
/s/ Jie Li  
*Signature of witness*

\_\_\_\_\_  
Jie Li  
*Name of witness*

\_\_\_\_\_  
No.8 Baoqun Rd, Yaozhuang, Jianshan, Zhejiang, China  
*Address of witness*

\_\_\_\_\_  
Employee

\_\_\_\_\_  
*Occupation of witness*

**EXECUTED** (but not delivered until )  
the date hereof) **AS A DEED** by )  
**RUIXIN HOLDINGS LTD** )  
acting by a Director in the presence of:- )

\_\_\_\_\_  
/s/ Xianshou Li

\_\_\_\_\_  
/s/ Jie Li  
*Signature of witness*

\_\_\_\_\_  
Jie Li  
*Name of witness*

\_\_\_\_\_  
No.8 Baoqun Rd, Yaozhuang, Jianshan, Zhejiang, China  
*Address of witness*

\_\_\_\_\_  
Employee

\_\_\_\_\_  
*Occupation of witness*

**SIGNED** (but not delivered until )  
the date hereof) **AS A DEED** by )  
**WU YAN CAI** )  
in the presence of:- )

\_\_\_\_\_  
*/s/ Yuncai Wu*

\_\_\_\_\_  
*/s/ Jie Li*  
*Signature of witness*

\_\_\_\_\_  
Jie Li  
Name of witness

\_\_\_\_\_  
No.8 Baoqun Rd, Yaozhuang, Jianshan, Zhejiang, China  
Address of witness

\_\_\_\_\_  
Employee  
Occupation of witness

**EXECUTED** (but not delivered until )  
the date hereof) **AS A DEED** by )  
**YUNCAI HOLDINGS LTD** )  
acting by a Director in the presence of:- )

\_\_\_\_\_  
*/s/ Yuncai Wu*

\_\_\_\_\_  
*/s/ Jie Li*  
*Signature of witness*

\_\_\_\_\_  
Jie Li  
Name of witness

\_\_\_\_\_  
No.8 Baoqun Rd, Yaozhuang, Jianshan, Zhejiang, China  
Address of witness

\_\_\_\_\_  
Employee  
Occupation of witness

EXECUTED (but not delivered until )  
the date hereof) AS A DEED by )  
DIVERSO MANAGEMENT LIMITED, )  
a company incorporated in Hong Kong, by )  
JONATHAN GLEN and )  
STEPHEN EDKINS )  
being persons who, in accordance with the )  
laws of that territory, are acting under the )  
authority of that company in the presence of:- )

/s/ \_\_\_\_\_

/s/ \_\_\_\_\_  
Signature of witness

\_\_\_\_\_  
Name of witness

Pinsent Mansons, Citipoint  
Address

\_\_\_\_\_  
Occupation

SIGNED (but not delivered until )  
the date hereof) AS A DEED by )  
XIAOSHU BAI )  
in the presence of:- )

/s/ \_\_\_\_\_

/s/ Jie Li \_\_\_\_\_  
Signature of witness

Jie Li \_\_\_\_\_  
Name of witness

No.8 Baoqun Rd, Yaozhuang, Jianshan, Zhejiang, China  
Address of witness

\_\_\_\_\_  
Employee  
Occupation of witness

DATED 2 AUGUST 2006

RENESOLA LIMITED

- and -

HANSON WESTHOUSE LLP

- and -

LI XIAN SHOU

- and -

RUIXIN HOLDINGS LIMITED

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LOCK-IN DEED

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**STEPTOE & JOHNSON**

99 Gresham Street  
London EC2V 7NG  
Tel: +44 20 7367 8000  
Fax: +44 20 7367 8001

THIS DEED is made the 2<sup>nd</sup> day of August 2006

**BETWEEN:**

- (1) **RENESOLA LIMITED** (a company incorporated in the British Virgin Islands under the BVI Act with registered number 1016246) whose registered office is at Craigmuir Chambers, Road Town, Tortola, British Virgin Islands (“**Company**”);
- (2) **HANSON WESTHOUSE LLP** (a limited liability partnership registered in England under number OC305445) whose registered office is at One Angel Court, London EC2R 7HJ (“**Westhouse**”);
- (3) **LI XIAN SHOU** (PRC Identity No 330106196808010015) of Chengzhong Road, ZhuGang Town, Yulluan County, Zhejiang Province, PRC (“**Mr Li**”); and
- (4) **RUIXIN HOLDINGS LIMITED** (a company incorporated in the British Virgin Islands under the BVI Act with registered number 1035693) whose registered office is at Craigmuir Chambers, Road Town, Tortola, British Virgin Islands (“**Ruixin**”).

**WHEREAS:**

- (A) The Company has authorised Westhouse to make application to the London Stock Exchange for the Existing Shares and the Placing Shares to be admitted to trading on AIM and in that connection the parties have entered into the Placing Agreement (as defined below).
- (B) The parties now wish to enter into this Deed in order to regulate the manner in which Ruixin may deal with any Shares (as defined below) held by it.
- (C) Mr. Li now wishes to enter into this Deed in order to guarantee the obligations of Ruixin arising under this Deed.

**NOW THIS DEED WITNESSES as follows:**

**1. Definitions and Interpretation**

1.1 Save as set out in clause 1.2 in this. Deed words and expressions shall have the same meaning as set out in the Placing Agreement (as defined below).

1.2 In this Deed (except where the context otherwise requires):

“**BVI Act**” means the BVI Business Companies Act 2004 (as amended) of the British Virgin Islands;

“**Connected Person**” means a person who shall be deemed to be connected with another if that person is connected with such other person within the meaning of section 839 of the Income and Corporation Taxes Act 1988 or section 346 of the Companies Act 1985;

“Dealing Day”	means any day on which the London Stock Exchange is open for business for the trading of securities on AIM;
“Deposit Letter”	means the letter in the agreed form governing the operation of the deposit arrangement referred to in clause 3 in respect of the deposit of the share certificate representing Ruixin’s holding of Shares;
“Disposal”	includes any sale, grant of options over, transfer, charge, pledge, or other disposal or agreement to dispose of any Shares and “dispose” shall be construed accordingly;
“Locked-In Shares”	has that meaning, set out in clauses 2.1.2. and 2.3.2;
“Placing Agreement”	means the placing agreement entered into on the same date as this Deed between the Company (1) Westhouse (2) and the Directors (3);
“Restricted Period”	means the period from the date of Admission up to and including the date falling twelve (12) months from that date;
“Semi-Restricted Period”	means the period from the expiry of the Restricted Period up to and including the first anniversary of that date;
“Share Purchase Agreement”	means the share purchase agreement dated June 2006 between Bai Xiao Shu, (1) Diverso Management Limited (2) Mr Li (3) and Wu Yun Cai (4);
“Shares”	means any shares in the capital of the Company; and
“Specified Price”	has that meaning set out in clauses 2.1.2 and 2.3.2.

1.3 In this Deed (except where the context otherwise requires):

- (a) any reference to a clause or Schedule is to the relevant clause or Schedule of or to this Deed and any reference to a paragraph is to the relevant paragraph of the clause or Schedule in which it appears;
- (b) the clause headings are included for convenience only and shall not affect the interpretation of this Deed;
- (c) use of the singular includes the plural and vice versa;
- (d) use of any gender includes the other genders;
- (e) any reference to “persons” includes natural persons, firms, partnerships, companies, corporations, associations, organisations, governments, states, foundations and trusts (in each case whether or not having separate legal personality);

- (f) the word “**subsidiary**” has the meaning given to it by section 736 of the Companies Act 1985;
- (g) any reference to a statute, statutory provision or subordinate legislation shall (except where the context otherwise requires) be construed as referring to:
  - (i) such legislation as amended and in force from time to time and to any legislation which (either with or without modification) re-enacts, consolidates or enacts in rewritten form any such legislation; and
  - (ii) any former legislation which it re-enacts, consolidates or enacts in rewritten form;
- (h) any reference to an English legal term for any action, remedy, method of judicial proceeding, legal document, legal status, court, official or any legal concept or thing shall, in respect of any jurisdiction other than England, be deemed to include a reference to what most nearly approximates in that jurisdiction to the English legal term;
- (i) any phrase introduced by the terms “**including**”, “**include**”, “**in particular**” or any similar expression shall be construed as illustrative and shall not limit the sense of the words preceding those terms;
- (j) any reference to a “**company**” shall be construed so as to include any company, corporation or other body corporate, wherever and however incorporated or established; and
- (k) any reference to any other document is a reference to that other document as amended, varied, supplemented, or novated (in each case, other than in breach of the provisions of this Deed) at any time.

**2. LOCK-IN AND ORDERLY MARKET ARRANGEMENTS**

2.1 Ruixin hereby undertakes with the Company and Westhouse that, except as provided in clauses 2.2 and 2.3 it will not (and will procure so far as it is able that any Connected Person will not):

- 2.1.1 during the Restricted Period effect any Disposal of its interest in:
  - (i) all or any Shares which are beneficially owned by it or any Connected Person or which it or any Connected Person will otherwise hold or control (otherwise than as a trustee) on or immediately following Admission; and
  - (ii) all or any Shares which are allotted or issued to it pursuant to any capital reorganisation (including, for the avoidance of doubt, by way of capitalisation of profits, share premium account or any capital or reserve account of the Company or by way of any consolidation or sub-division of share capital) or by way of rights or otherwise on or after Admission and before the end of the Restricted Period in respect of any Shares beneficially owned, held or controlled by it or any Connected Person; and



2.1.2 without the consent of Westhouse (such consent not to be unreasonably withheld or delayed) during the Semi-Restricted Period effect any Disposal of its interest in:

- (i) all or any Shares which are beneficially owned by it or any Connected Person or which it or any Connected Person will otherwise hold or control (otherwise than as a trustee) on or immediately following the Restricted Period; and
- (ii) all or any Shares which are allotted or issued to it or any Connected Person pursuant to the exercise of any share option, any capital reorganisation (including, for the avoidance of doubt, by way of capitalisation of profits, share premium account or any capital or reserve account of the Company or by way of any consolidation or sub-division of share capital) or by way of rights or otherwise after the Restricted Period and before the end of the Semi-Restricted Period in respect of any Shares beneficially owned, held or controlled by it or any Connected Person;

and unless such Disposal is made through Westhouse (or the broker for the time being of the Company) or unless Westhouse (or such other broker as there may be for the time being of the Company) notifies Ruixin in writing that such Disposal is approved through another broker. Westhouse acknowledges that its fees and commissions for brokering a Disposal under this clause 2.1.2 shall be reasonably competitive in the circumstances and it will use its reasonable endeavours to obtain a competitive sale price in respect of any such Disposal. If Ruixin wishes to effect any such Disposal then, in the case of a sale or transfer of Shares, it shall instruct Westhouse to arrange for the sale or transfer of such Shares (the “**Locked-In Shares**”) at not less than the minimum price which it requests for the Locked-In Shares (the “**Specified Price**”). If Westhouse fails to arrange for the sale or transfer of the Locked-In Shares at a price not less than the Specified Price within five Dealing Days of being instructed to do so and otherwise in accordance with usual market procedures and terms of sale (including commission) then Ruixin shall be entitled to sell all or any of the Locked-In Shares otherwise than through Westhouse within a further five Dealing Days thereafter provided that the Locked-In Shares are not sold at a price less than the Specified Price.

2.2 The parties agree that:

- 2.2.1 the restrictions contained in clause 2.1.1 shall not apply to any of the following:
- (i) any Disposal pursuant to a court order made by a court of competent jurisdiction;

(ii) an acceptance of a general offer for the ordinary share capital of the Company or the provision of an irrevocable undertaking to accept such an offer;

2.2.2 the restrictions contained in clause 2.1.2 shall not apply in respect of any Disposal made by Ruixin (i) in order to satisfy a claim made against Mr Li under or in connection with the Placing Agreement or (ii) to Bai Xiao Shu in accordance with the terms of the Share Purchase Agreement.

2.3 Any Disposal permitted pursuant to the provisions of clause 2.2 shall be subject to the following provisions:

2.3.1 any Disposal shall be notified in advance to the Company and Westhouse in writing at least five Business Days prior to the entry into of any agreement or undertaking relating to the same; and

2.3.2 if Ruixin wishes or is required (as the case may be) to make a Disposal pursuant to clause 2.2.1(i) or clause 2.2.1(ii) it shall (i) notify the Company and Westhouse in advance (in accordance with clause 2.3.1) of the intention to effect such a Disposal and (ii) in the case of a sale or transfer of Shares, instruct Westhouse to arrange for the sale or transfer of such Shares (the "**Locked-In Shares**") at not less than the minimum price which it requests for the Locked-In Shares (the "**Specified Price**") and if Westhouse fails to arrange for the sale or transfer of the Locked-In Shares at a price not less than the Specified Price within five Dealing Days of being instructed to do so and otherwise in accordance with usual market procedures and terms of sale (including commission) then Ruixin shall be entitled to sell all or any of the Locked-In Shares otherwise than through Westhouse within a further five Dealing Days thereafter provided that the Locked-In Shares are not sold at a price less than the Specified Price;

subject always to the Company and Westhouse having the right, at their reasonable discretion, to waive the notice period under clause 2.3.1.

### 3. DEPOSIT OF SHARE CERTIFICATE

In addition and without prejudice to the provisions of clause 2 and by way of security in respect of the performance of Ruixin's obligations under clause 2 Ruixin shall within 5 Business Days of the date of this Deed and in any event no later than 2 Business Days prior to the date of Admission deposit the share certificate representing the Shares held by it in the Company with the Company's Solicitors to be dealt with in accordance with the terms of the Deposit Letter.

### 4. GUARANTEE

Mr Li hereby unconditionally and irrevocably undertakes to procure and guarantees (as primary obligor and not as surety only) to Westhouse and the Company the due and proper performance by Ruixin of all its obligations under this Deed. This guarantee shall be a continuing security and shall not be discharged or released or varied by any

arrangement whatsoever between Mr Li and Ruixin or otherwise without the prior written consent of Westhouse (such consent not to be unreasonably withheld or delayed) and the Company. Nothing in this clause shall remove or mitigate the liability of Ruixin under or in connection with this Deed for any default in the performance of its obligations under this Deed.

**5. CONFIDENTIALITY**

Each party undertakes to each other party that it will not at any time hereafter use, divulge or communicate to any person, except to its professional representatives or advisers or as may be required by law or any legal or regulatory authority, any confidential information concerning the business or affairs of each other party or of any member of the group of companies to which the other party belongs which may have or may in future come to its knowledge and each of the parties shall use its reasonable endeavours to prevent the publication or disclosure of any confidential information concerning such matters.

**6. WAIVER AND REMEDIES**

The failure to exercise or delay in exercising a right or remedy provided by this Deed or by law does not constitute a waiver of the right or remedy or a waiver of other rights or remedies. A waiver of a breach of any of the terms of this Deed or of a default under this Deed does not constitute a waiver of any other breach or default and shall not affect the other terms of this Deed. A waiver of a breach of any of the terms of this Deed or of a default under this Deed will not prevent a party from subsequently requiring compliance with the waived obligation. The rights and remedies provided by this Deed are cumulative and (subject as otherwise provided in this Deed) are not exclusive of any rights or remedies provided by law.

**7. LANGUAGE**

This Deed is drawn up in the English language. If this Deed is translated into another language, the English language text shall in any event prevail.

**8. TIME OF THE ESSENCE**

Any time, date or period mentioned in this Deed may be extended by mutual agreement between the parties hereto but as regards any time, date or period originally fixed or any time, date or period so extended time shall be of the essence.

**9. ASSIGNMENT**

The benefit of this Deed may not be assigned by any party without the prior written consent of each of the other parties (provided that Westhouse may assign its rights under this Deed to a subsidiary or parent company of Westhouse or to any other entity, whether new or existing, carrying on all or substantially all of the business of Westhouse following the reorganisation or transfer of the business and assets of Westhouse, without such consent), but subject thereto this Deed shall be binding upon and ensure for the benefit of the respective executors, administrators, heirs, successors and assignees of the parties

**10. COSTS AND EXPENSES**

Save as provided in the Placing Agreement, each party shall pay its own costs relating to the negotiation, preparation, execution and implementation by it of this Deed and of each document referred to in it.

**11. VARIATION**

No variation of this Deed shall be valid unless it is in writing and signed by or on behalf of each of the parties.

**12. SEVERANCE**

12.1 If any provision of this Deed shall be found by any court or administrative body of competent jurisdiction to be invalid or unenforceable, such invalidity or unenforceability shall not affect the other provisions of this Deed which shall remain in full force and effect.

12.2 If any provision of this Deed is so found to be invalid or unenforceable but would be valid or enforceable if some part of the provision were deleted, the provision in question shall apply with such modification(s) as may be necessary to make it valid and enforceable.

**13. NOTICES**

13.1 Any notices or other communication requiring to be given or served under or in connection with this Deed shall be in writing and shall be sufficiently given or served if delivered:

*in the case of the Company, Mr Li or Ruixin to:*

Address: No. 8 Baoqun Road, YaoZhuang, Jiashan, Zhejiang  
314117, PRC

Fax: 0086-73-4773063

Attention: Li Xian Shou

*with a copy to:*

Address: Pinsent Masons, Dashwood House, 69 Old Broad Street,  
London EC2M 1NR

Fax: +44(0) 20 7418 7050

Attention: Jon Harris or Sean Page

*if to Westhouse:*

Address: 12<sup>th</sup> Floor, 1 Angel Court, London EC2R 7HJ

Fax: +44(0) 20 7796 4875

Attention: Tim Feather

or to the parties' respective registered offices (if different) or as otherwise notified by them from time to time (in accordance with the provisions of this clause 13).

- 13.2 Any such notice shall be delivered by hand or sent by fax transmission or pre-paid first class post and, in the absence of evidence of earlier receipt, if delivered by fax shall conclusively be deemed to have been given or served at the time of printout of a transmission report showing that the correct number of pages has been sent without error and if sent by post shall conclusively be deemed to have been received 48 hours after the time of posting if posted in the United Kingdom to a United Kingdom address or, if posted in the United Kingdom to a non United Kingdom address (or outside the United Kingdom to a United Kingdom address), it shall conclusively be deemed to have been received 7 days after the date of posting.

**14. COUNTERPARTS**

This Deed may be executed in any number of counterparts and by different parties on separate counterparts, each of which when so executed and delivered shall be an original, but all of the counterparts shall together constitute one and the same instrument.

**15. RIGHTS OF THIRD PARTIES (EXCLUSION)**

No term of this Deed shall be enforceable under the Contracts (Rights of Third Parties) Act 1999 by a third party, but this does not affect any right or remedy of a third party which exists or is available apart from under that Act.

**16. GOVERNING LAW AND JURISDICTION**

- 16.1 The construction, validity and performance of this Deed shall be governed by English Law and the parties irrevocably submit to the non-exclusive jurisdiction of the Courts of England.
- 16.2 Each of Mr Li, Ruixin and the Company hereby agrees that process by which any proceedings are commenced in England and Wales may be served on them by being delivered to the Company's Solicitors and each of Mr Li, Ruixin and the Company hereby appoints the Company's Solicitors as his or its agent for this purpose.
- 16.3 Nothing in this clause 16 affects the right of Westhouse to serve process in any other manner permitted by law.

This document has been executed as a deed on the date stated at the beginning of it.

EXECUTED as a DEED by )  
RENESOLA LIMITED )  
acting by one of its directors )

Director: Xianshou Li

EXECUTED as a DEED by )  
HANSON WESTHOUSE LLP )  
acting by /s/\_\_\_\_\_, a member and )  
/s/ Tim Feather , a member )

/s/  
\_\_\_\_\_

Member

/s/ Tim Feather  
\_\_\_\_\_

Member

SIGNED as a DEED by )  
LI XIAN SHOU ) /s/ Xianshou Li  
in the presence of: )

Witness Name: Jie Li

Witness Signature: /s/ Jie Li

Address: No.8 Baoqun Rd, Yaozhuang

Jianshan, Zhejiang, China

Occupation: Employee

EXECUTED as a DEED by )  
RUIXIN HOLDINGS LIMITED )  
acting by one of its directors )

Director: /s/ Xianshou Li

DATED 2 August 2006

**RENESOLA LIMITED**

**- and -**

**HANSON WESTHOUSE LLP**

**- and -**

**WU YUN CAI**

**- and -**

**YUNCAI HOLDINGS LIMITED**

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**LOCK-IN DEED**

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**STEPTOE & JOHNSON**  
99 Gresham Street  
London EC2V 7NG  
Tel: +44 20 7367 8000  
Fax: +44 20 7367 8001

**THIS DEED** is made the 2<sup>nd</sup> day of August 2006

**BETWEEN:**

- (1) **RENESOLA LIMITED** (a company incorporated in the British Virgin Islands under the BVI Act with registered number 1016246) whose registered office is at Craigmuir Chambers, Road Town, Tortola, British Virgin Islands ("**Company**");
- (2) **HANSON WESTHOUSE LLP** (a limited liability partnership registered in England under number OC305445) whose registered office is at One Angel Court, London EC2R 7HJ ("**Westhouse**");
- (3) **WU YUN CAI** (PRC Identity No 332627671104001) of Suite 201, No. 32 Xianqian Road, Cheng Guan Cheng District, Zhejiang Province, PRC ("**Mr Wu**"); and
- (4) **YUNCAI HOLDINGS LIMITED** (a company incorporated in the British Virgin Islands under the BVI Act with registered number 1035692) whose registered office is at Craigmuir Chambers, Road Town, Tortola, British Virgin Islands ("**Yuncaï**").

**WHEREAS:**

- (A) The Company has authorised Westhouse to make application to the London Stock Exchange for the Existing Shares and the Placing Shares to be admitted to trading on AIM and in that connection the parties have entered into the Placing Agreement (as defined below).
- (B) The parties now wish to enter into this Deed in order to regulate the manner in which Yuncai may deal with any Shares (as defined below) held by it.
- (C) Mr. Wu now wishes to enter into this Deed in order to guarantee the obligations of Yuncai arising under this Deed.

**NOW THIS DEED WITNESSES** as follows:

**1. DEFINITIONS AND INTERPRETATION**

1.1 Save as set out in clause 1.2 in this Deed words and expressions shall have the same meaning as set out in the Placing Agreement (as defined below).

1.2 In this Deed (except where the context otherwise requires):

"**BVI Act**" means the BVI Business Companies Act 2004 (as amended) of the British Virgin Islands;



<b>“Connected Person”</b>	means a person who shall be deemed to be connected with another if that person is connected with such other person within the meaning of section 839 of the Income and Corporation Taxes Act 1988 or section 346 of the Companies Act 1985;
<b>“Dealing Day”</b>	means any day on which the London Stock Exchange is open for business for the trading of securities on AIM;
<b>“Deposit Letter”</b>	means the letter in the agreed form governing the operation of the deposit arrangement referred to in clause 3 in respect of the deposit of the share certificate representing Yuncai’s holding of Shares;
<b>“Disposal”</b>	includes any sale, grant of options over, transfer, charge, pledge, or other disposal or agreement to dispose of any Shares and <b>“dispose”</b> shall be construed accordingly;
<b>“Locked-In Shares”</b>	has that meaning set out in clauses 2.1.2 and 2.3.2;
<b>“Placing Agreement”</b>	means the placing agreement entered into on the same date as this Deed between the Company (1) Westhouse (2) and the Directors (3);
<b>“Restricted Period”</b>	means the period from the date of Admission up to and including the date falling twelve (12) months from that date;
<b>“Semi-Restricted Period”</b>	means the period from the expiry of the Restricted Period up to and including the first anniversary of that date;
<b>“Share Purchase Agreement”</b>	means the share purchase agreement dated June 2006 between Bai Xiao Shu (1) Diverso Management Limited (2) Li Xian Shou (3) and Mr Wu (4);

**“Shares”** means any shares in the capital of the Company; and

**“Specified Price”** has that meaning set out in clauses 2.1.2 and 2.3.2.

1.3 In this Deed (except where the context otherwise requires):

- (a) any reference to a clause or Schedule is to the relevant clause or Schedule of or to this Deed and any reference to a paragraph is to the relevant paragraph of the clause or Schedule in which it appears;
- (b) the clause headings are included for convenience only and shall not affect the interpretation of this Deed;
- (c) use of the singular includes the plural and vice versa;
- (d) use of any gender includes the other genders;
- (e) any reference to **“persons”** includes natural persons, firms, partnerships, companies, corporations, associations, organisations, governments, states, foundations and trusts (in each case whether or not having separate legal personality);
- (f) the word **“subsidiary”** has the meaning given to it by section 736 of the Companies Act 1985;
- (g) any reference to a statute, statutory provision or subordinate legislation shall (except where the context otherwise requires) be construed as referring to:
  - (i) such legislation as amended and in force from time to time and to any legislation which (either with or without modification) re-enacts, consolidates or enacts in rewritten form any such legislation; and
  - (ii) any former legislation which it re-enacts, consolidates or enacts in rewritten form;

- (h) any reference to an English legal term for any action, remedy, method of judicial proceeding, legal document, legal status, court, official or any legal concept or thing shall, in respect of any jurisdiction other than England, be deemed to include a reference to what most nearly approximates in that jurisdiction to the English legal term;
- (i) any phrase introduced by the terms “including”, “include”, “in particular” or any similar expression shall be construed as illustrative and shall not limit the sense of the words preceding those terms;
- (j) any reference to a “company” shall be construed so as to include any company, corporation or other body corporate, wherever and however incorporated or established; and
- (k) any reference to any other document is a reference to that other document as amended, varied, supplemented, or novated (in each case, other than in breach of the provisions of this Deed) at any time.

2. LOCK-IN AND ORDERLY MARKET ARRANGEMENTS

2.1 Yuncai hereby undertakes with the Company and Westhouse that, except as provided in clauses 2.2 and 2.3 it will not (and will procure so far as it is able that any Connected Person will not):

2.1.1 during the Restricted Period effect any Disposal of its interest in:

- (i) all or any Shares which are beneficially owned by it or any Connected Person or which it or any Connected Person will otherwise hold or control (otherwise than as a trustee) on or immediately following Admission; and
- (ii) all or any Shares which are allotted or issued to it pursuant to any capital reorganisation (including, for the avoidance of doubt, by way of capitalisation of profits, share premium account or any capital or reserve account of the Company or by way of any consolidation or sub-division of share capital) or by way of rights or otherwise on or after Admission and before the end of the Restricted Period in respect of any Shares beneficially owned, held or controlled by it or any Connected Person; and

2.1.2 without the consent of Westhouse (such consent not to be unreasonably withheld or delayed) during the Semi-Restricted Period effect any Disposal of its interest in:

- (i) all or any Shares which are beneficially owned by it or any Connected Person or which it or any Connected Person will otherwise hold or control (otherwise than as a trustee) on or immediately following the Restricted Period; and
- (ii) all or any Shares which are allotted or issued to it or any Connected Person pursuant to the exercise of any share option, any capital reorganisation (including, for the avoidance of doubt, by way of capitalisation of profits, share premium account or any capital or reserve account of the Company or by way of any consolidation or sub-division of share capital) or by way of rights or otherwise after the Restricted Period and before the end of the Semi-Restricted Period in respect of any Shares beneficially owned, held or controlled by it or any Connected Person;

and unless such Disposal is made through Westhouse (or the broker for the time being of the Company) or unless Westhouse (or such other broker as there may be for the time being of the Company) notifies Yuncai in writing that such Disposal is approved through another broker. Westhouse acknowledges that its fees and commissions for brokering a Disposal under this clause 2.1.2 shall be reasonably competitive in the circumstances and it will use its reasonable endeavours to obtain a competitive sale price in respect of any such Disposal. If Yuncai wishes to effect any such Disposal then, in the case of a sale or transfer of Shares, it shall instruct Westhouse to arrange for the sale or transfer of such Shares (the “**Locked-In Shares**”) at not less than the minimum price which it requests for the Locked-In Shares (the “**Specified Price**”). If Westhouse fails to arrange for the sale or transfer of the Locked-In Shares at a price not less than the Specified Price within five Dealing Days of being instructed to do so and otherwise in accordance with usual market procedures and terms of sale (including commission) then Yuncai shall be entitled to sell all or any of the Locked-In Shares otherwise than through Westhouse within a further five Dealing Days thereafter provided that the Locked-In Shares are not sold at a price less than the Specified Price.

2.2 The parties agree that:

2.2.1 the restrictions contained in clause 2.1.1 shall not apply to any of the following:

- (i) any Disposal pursuant to a court order made by a court of competent jurisdiction;

(ii) an acceptance of a general offer for the ordinary share capital of the Company or the provision of an irrevocable undertaking to accept such an offer;

2.2.2 the restrictions contained in clause 2.1.2 shall not apply in respect of any Disposal made by Yuncai (i) in order to satisfy a claim made against Mr Wu under or in connection with the Placing Agreement or (ii) to Bai Xiao Shu in accordance with the terms of the Share Purchase Agreement.

2.3 Any Disposal permitted pursuant to the provisions of clause 2.2 shall be subject to the following provisions:

2.3.1 any Disposal shall be notified in advance to the Company and Westhouse in writing at least five Business Days prior to the entry into of any agreement or undertaking relating to the same; and

2.3.2 if Yuncai wishes or is required (as the case may be) to make a Disposal pursuant to clause 2.2.1(i) or clause 2.2.1(ii) it shall (i) notify the Company and Westhouse in advance (in accordance with clause 2.3.1) of the intention to effect such a Disposal and (ii) in the case of a sale or transfer of Shares, instruct Westhouse to arrange for the sale or transfer of such Shares (the "**Locked-In Shares**") at not less than the minimum price which it requests for the Locked-In Shares (the "**Specified Price**") and if Westhouse fails to arrange for the sale or transfer of the Locked-In Shares at a price not less than the Specified Price within five Dealing Days of being instructed to do so and otherwise in accordance with usual market procedures and terms of sale (including commission) then Yuncai shall be entitled to sell all or any of the Locked-In Shares otherwise than through Westhouse within a further five Dealing Days thereafter provided that the Locked-In Shares are not sold at a price less than the Specified Price;

subject always to the Company and Westhouse having the right, at their reasonable discretion, to waive the notice period under clause 2.3.1.

### 3. DEPOSIT OF SHARE CERTIFICATE

In addition and without prejudice to the provisions of clause 2 and by way of security in respect of the performance of Yuncai's obligations under clause 2 Yuncai shall within 5 Business Days of the date of this Deed and in any event no later than 2 Business Days prior to the date of Admission deposit the share certificate representing the Shares held by it in the Company with the Company's Solicitors to be dealt with in accordance with the terms of the Deposit Letter.

**4. GUARANTEE**

Mr Wu hereby unconditionally and irrevocably undertakes to procure and guarantees (as primary obligor and not as surety only) to Westhouse and the Company the due and proper performance by Yuncai of all its obligations under this Deed. This guarantee shall be a continuing security and shall not be discharged or released or varied by any arrangement whatsoever between Mr Wu and Yuncai or otherwise without the prior written consent of Westhouse (such consent not to be unreasonably withheld or delayed) and the Company. Nothing in this clause shall remove or mitigate the liability of Yuncai under or in connection with this Deed for any default in the performance of its obligations under this Deed.

**5. CONFIDENTIALITY**

Each party undertakes to each other party that it will not at any time hereafter use, divulge or communicate to any person, except to its professional representatives or advisers or as may be required by law or any legal or regulatory authority, any confidential information concerning the business or affairs of each other party or of any member of the group of companies to which the other party belongs which may have or may in future come to its knowledge and each of the parties shall use its reasonable endeavours to prevent the publication or disclosure of any confidential information concerning such matters.

**6. WAIVER AND REMEDIES**

The failure to exercise or delay in exercising a right or remedy provided by this Deed or by law does not constitute a waiver of the right or remedy or a waiver of other rights or remedies. A waiver of a breach of any of the terms of this Deed or of a default under this Deed does not constitute a waiver of any other breach or default and shall not affect the other terms of this Deed. A waiver of a breach of any of the terms of this Deed or of a default under this Deed will not prevent a party from subsequently requiring compliance with the waived obligation. The rights and remedies provided by this Deed are cumulative and (subject as otherwise provided in this Deed) are not exclusive of any rights or remedies provided by law.

**7. LANGUAGE**

This Deed is drawn up in the English language. If this Deed is translated into another language, the English language text shall in any event prevail.

**8. TIME OF THE ESSENCE**

Any time, date or period mentioned in this Deed may be extended by mutual agreement between the parties hereto but as regards any time, date or period originally fixed or any time, date or period so extended time shall be of the essence.

**9. ASSIGNMENT**

The benefit of this Deed may not be assigned by any party without the prior written consent of each of the other parties (provided that Westhouse may assign its rights under this Deed to a subsidiary or parent company of Westhouse or to any other entity, whether new or existing, carrying on all or substantially all of the business of Westhouse following the reorganisation or transfer of the business and assets of Westhouse, without such consent), but subject thereto this Deed shall be binding upon and ensure for the benefit of the respective executors, administrators, heirs, successors and assignees of the parties

**10. COSTS AND EXPENSES**

Save as provided in the Placing Agreement, each party shall pay its own costs relating to the negotiation, preparation, execution and implementation by it of this Deed and of each document referred to in it.

**11. VARIATION**

No variation of this Deed shall be valid unless it is in writing and signed by or on behalf of each of the parties.

**12. SEVERANCE**

12.1 If any provision of this Deed shall be found by any court or administrative body of competent jurisdiction to be invalid or unenforceable, such invalidity or unenforceability shall not affect the other provisions of this Deed which shall remain in full force and effect.

12.2 If any provision of this Deed is so found to be invalid or unenforceable but would be valid or enforceable if some part of the provision were deleted, the provision in question shall apply with such modification(s) as may be necessary to make it valid and enforceable.

13. NOTICES

13.1 Any notices or other communication requiring to be given or served under or in connection with this Deed shall be in writing and shall be sufficiently given or served if delivered:

*in the case of the Company, Mr Wu or Yuncai to:*

Address: No. 8 Baoqun Road, YaoZhuang, Jiashan, Zhejiang 314117, PRC

Fax: 0086-573-4773063

Attention: Wu Yun Cai

*with a copy to:*

Address: Pinsent Masons, Dashwood House, 69 Old Broad Street, London EC2M 1NR

Fax: +44(0) 20 7418 7050

Attention: Jon Harris or Sean Page

*if to Westhouse:*

Address: 12<sup>th</sup> Floor, 1 Angel Court, London EC2R 7HJ

Fax: +44(0) 20 7796 4875

Attention: Tim Feather

or to the parties' respective registered offices (if different) or as otherwise notified by them from time to time (in accordance with the provisions of this clause 13).

13.2 Any such notice shall be delivered by hand or sent by fax transmission or pre-paid first class post and, in the absence of evidence of earlier receipt, if delivered by fax shall conclusively be deemed to have been given or served at the time of printout of a transmission report showing that the correct number of pages has been sent without error and if sent by post shall conclusively be deemed to have been received 48 hours after the time of posting if posted in the United Kingdom to a United Kingdom address or, if posted in the United Kingdom to a non United Kingdom address (or outside the United Kingdom to a United Kingdom address), it shall conclusively be deemed to have been received 7 days after the date of posting.



**14. COUNTERPARTS**

This Deed may be executed in any number of counterparts and by different parties on separate counterparts, each of which when so executed and delivered shall be an original, but all of the counterparts shall together constitute one and the same instrument.

**15. RIGHTS OF THIRD PARTIES (EXCLUSION)**

No term of this Deed shall be enforceable under the Contracts (Rights of Third Parties) Act 1999 by a third party, but this does not affect any right or remedy of a third party which exists or is available apart from under that Act.

**16. GOVERNING LAW AND JURISDICTION**

16.1 The construction, validity and performance of this Deed shall be governed by English Law and the parties irrevocably submit to the non-exclusive jurisdiction of the Courts of England.

16.2 Each of Mr Wu, Yuncai and the Company hereby agrees that process by which any proceedings are commenced in England and Wales may be served on them by being delivered to the Company's Solicitors and each of Mr Wu, Yuncai and the Company hereby appoints the Company's Solicitors as his or its agent for this purpose.

16.3 Nothing in this clause 16 affects the right of Westhouse to serve process in any other manner permitted by law.

This document has been executed as a deed on the date stated at the beginning of it.

EXECUTED as a DEED by )  
RENESOLA LIMITED )  
acting by one of its directors )

Director: /s/ Xianshou Li

EXECUTED as a DEED by )  
HANSON WESTHOUSE LLP )  
acting by /s/ , a member and )  
/s/ Tim Feather, a member )

/s/  
\_\_\_\_\_

Member

/s/ Tim Feather  
\_\_\_\_\_

Member

SIGNED as a DEED by )  
WU YUN CAI ) /s/ Yuncai Wu  
in the presence of: )

Witness Name: Jie Li

Witness Signature: /s/ Jie Li

Address: No. 8 Baoqun Rd, Yaozhuang

Jianshan, Zhejiang, China

Occupation: Employee

EXECUTED as a DEED by )  
YUNCAI HOLDINGS LIMITED )  
acting by one of its directors )

Director: /s/ Yuncai Wu

DATED 2 August 2006

**RENESOLA LIMITED**

- and -

**HANSON WESTHOUSE LLP**

- and -

**BAI XIAO SHU**

---

**LOCK-IN DEED**

---

**STEPTOE & JOHNSON**

99 Gresham Street  
London EC2V 7NG  
Tel: +44 20 7367 8000  
Fax: +44 20 7367 8001

**BETWEEN:**

- (1) **RENESOLA LIMITED** (a company incorporated in the British Virgin Islands under the BVI Act with registered number 1016246) whose registered office is at Craigmuir Chambers, Road Town, Tortola, British Virgin Islands (“**Company**”);
- (2) **HANSON WESTHOUSE LLP** (a limited liability partnership registered in England under number OC305445) whose registered office is at One Angel Court, London EC2R 7HJ (“**Westhouse**”); and,
- (3) **BAI XIAO SHU** of Apt. 502, Block C, Dan Gui Yuan, Jing Guan Xin Cheng, 9 Xiii Xi Wang Road, Chengdu, Sichuan, China 61004 (“**Mr. Bai**”).

**WHEREAS:**

- (A) The Company has authorised Westhouse to make application to the London Stock Exchange for the Existing Shares and the Placing Shares to be admitted to trading on AIM and in that connection the parties have entered into the Placing Agreement (as defined below).
- (B) The parties now wish to enter into this Deed in order to regulate the manner in which Mr. Bai may deal with any Shares (as defined below) held by it.

**NOW THIS DEED WITNESSES** as follows:

**1. DEFINITIONS AND INTERPRETATION**

1.1 Save as set out in clause 1.2 in this Deed words and expressions shall have the same meaning as set out in the Placing Agreement (as defined below).

1.2 In this Deed (except where the context otherwise requires):

“ <b>BVI Act</b> ”	means the BVI Business Companies Act 2004 (as amended) of the British Virgin Islands;
“ <b>Connected Person</b> ”	means a person who shall be deemed to be connected with another if that person is connected with such other person within the meaning of section 839 of the Income and Corporation Taxes Act 1988 or section 346 of the Companies Act 1985;
“ <b>Dealing Day</b> ”	means any day on which the London Stock Exchange is open for business for the trading of securities on AIM;
“ <b>Deposit Letter</b> ”	means the letter in the agreed form governing the operation of the deposit arrangement referred to in clause 3 in respect of the deposit of the share certificate representing Mr. Bai’s holding of Shares;

<b>“Disposal”</b>	includes any sale, grant of options over, transfer, charge, pledge, or other disposal or agreement to dispose of any Shares and <b>“dispose”</b> shall be construed accordingly;
<b>“Locked-In Shares”</b>	has that meaning set out in clauses 2.1.2 and 2.3.2;
<b>“Placing Agreement”</b>	means the placing agreement entered into on the same date as this Deed between the Company (1) Westhouse (2) and the Directors (3);
<b>“Restricted Period”</b>	means the period from the date of Admission up to and including the date falling twelve (12) months from that date;
<b>“Semi-Restricted Period”</b>	means the period from the expiry of the Restricted Period up to and including the first anniversary of that date;
<b>“Shares”</b>	means any shares in the capital of the Company; and
<b>“Specified Price”</b>	has that meaning set out in clauses 2.1.2 and 2.3.2.

1.3 In this Deed (except where the context otherwise requires):

- (a) any reference to a clause or Schedule is to the relevant clause or Schedule of or to this Deed and any reference to a paragraph is to the relevant paragraph of the clause or Schedule in which it appears;
- (b) the clause headings are included for convenience only and shall not affect the interpretation of this Deed;
- (c) use of the singular includes the plural and vice versa;
- (d) use of any gender includes the other genders;
- (e) any reference to **“persons”** includes natural persons, firms, partnerships, companies, corporations, associations, organisations, governments, states, foundations and trusts (in each case whether or not having separate legal personality);
- (f) the word **“subsidiary”** has the meaning given to it by section 736 of the Companies Act 1985;
- (g) any reference to a statute, statutory provision or subordinate legislation shall (except where the context otherwise requires) be construed as referring to:

- (i) such legislation as amended and in force from time to time and to any legislation which (either with or without modification) re-enacts, consolidates or enacts in rewritten form any such legislation; and
- (ii) any former legislation which it re-enacts, consolidates or enacts in rewritten form;
- (h) any reference to an English legal term for any action, remedy, method of judicial proceeding, legal document, legal status, court, official or any legal concept or thing shall, in respect of any jurisdiction other than England, be deemed to include a reference to what most nearly approximates in that jurisdiction to the English legal term;
- (i) any phrase introduced by the terms “including”, “include”, “in particular” or any similar expression shall be construed as illustrative and shall not limit the sense of the words preceding those terms;
- (j) any reference to a “company” shall be construed so as to include any company, corporation or other body corporate, wherever and however incorporated or established; and
- (k) any reference to any other document is a reference to that other document as amended, varied, supplemented, or novated (in each case, other than in breach of the provisions of this Deed) at any time.

## 2. LOCK-IN AND ORDERLY MARKET ARRANGEMENTS

2.1 Mr Bai hereby undertakes with the Company and Westhouse that, except as provided in clauses 2.2 and 2.3 he will not (and will procure so far as he is able that any Connected Person will not):

- 2.1.1 during the Restricted Period effect any Disposal of his interest in:
  - (i) all or any Shares which are beneficially owned by him or any Connected Person or which he or any Connected Person will otherwise hold or control (otherwise than as a trustee) on or immediately following Admission; and
  - (ii) all or any Shares which are allotted or issued to him, pursuant to any capital reorganisation (including, for the avoidance of doubt, by way of capitalisation of profits, share premium account or any capital or reserve account of the Company or by way of any consolidation or sub-division of share capital) or by way of rights or otherwise on or after Admission and before the end of the Restricted Period in respect of any Shares beneficially owned, held or controlled by him or any Connected Person; and
- 2.1.2 without the consent of Westhouse (such consent not to be unreasonably withheld or delayed) during the Semi-Restricted Period effect any Disposal of his interest in:
  - (i) all or any Shares which are beneficially owned by him or any Connected Person or which he or any Connected Person will otherwise hold or control (otherwise than as a trustee) on or immediately following the Restricted Period; and

- (ii) all or any Shares which are allotted or issued to him or any Connected Person pursuant to the exercise of any share option, any capital reorganisation (including, for the avoidance of doubt, by way of capitalisation of profits, share premium account or any capital or reserve account of the Company or by way of any consolidation or sub-division of share capital) or by way of rights or otherwise after the Restricted Period and before the end of the Semi-Restricted Period in respect of any Shares beneficially owned, held or controlled by him or any Connected Person;
- and unless such Disposal is made through Westhouse (or the broker for the time being of the Company) or unless Westhouse (or such other broker as there may be for the time being of the Company) notifies Mr Bai in writing that such Disposal is approved through another broker. Westhouse acknowledges that its fees and commissions for brokering a Disposal under this clause 2.1.2 shall be reasonably competitive in the circumstances and it will use its reasonable endeavours to obtain a competitive sale price in respect of any such Disposal. If Mr Bai wishes to effect any such Disposal then, in the case of a sale or transfer of Shares, he shall instruct Westhouse to arrange for the sale or transfer of such Shares (the "Locked-In Shares") at not less than the minimum price which he requests for the Locked-In Shares (the "Specified Price"). If Westhouse fails to arrange for the sale or transfer of the Locked-In Shares at a price not less than the Specified Price within five Dealing Days of being instructed to do so and otherwise in accordance with usual market procedures and terms of sale (including commission) then Mr. Bai shall be entitled to sell all or any of the Locked-In Shares otherwise than through Westhouse within a further five Dealing Days thereafter provided that the Locked-In Shares are not sold at a price less than the Specified Price.
- 2.2 The parties agree that the restrictions contained in clause 2.1.1 shall not apply to any of the following:
- (i) any Disposal pursuant to a court order made by a court of competent jurisdiction;
- (ii) an acceptance of a general offer for the ordinary share capital of the Company or the provision of an irrevocable undertaking to accept such an offer.
- 2.3 Any Disposal permitted pursuant to the provisions of clause 2.2 shall be subject to the following provisions:
- 2.3.1 any Disposal shall be notified in advance to the Company and Westhouse in writing at least five Business Days prior to the entry into of any agreement or undertaking relating to the same; and

2.3.2 if Mr. Bai wishes or is required (as the case may be) to make a Disposal pursuant to clause 2.2.1 he shall (i) notify the Company and Westhouse in advance (in accordance with clause 2.3.1) of the intention to effect such a Disposal and (ii) in the case of a sale or transfer of Shares, instruct Westhouse to arrange for the sale or transfer of such Shares (the “**Locked-In Shares**”) at not less than the minimum price which he requests for the Locked-In Shares (the “**Specified Price**”) and if Westhouse fails to arrange for the sale or transfer of the Locked-In Shares at a price not less than the Specified Price within five Dealing Days of being instructed to do so and otherwise in accordance with usual market procedures and terms of sale (including commission) then Mr. Bai shall be entitled to sell all or any of the Locked-In Shares otherwise than through Westhouse within a further five Dealing Days thereafter provided that the Locked-In Shares are not sold at a price less than the Specified Price;

subject always to the Company and Westhouse having the right, at their reasonable discretion, to waive the notice period under clause 2.3.1.

**3. DEPOSIT OF SHARE CERTIFICATE**

In addition and without prejudice to the provisions of clause 2 and by way of security in respect of the performance of Mr. Bai’s obligations under clause 2 Mr. Bai shall within 5 Business Days of the date of this Deed and in any event no later than 2 Business Days prior to the date of Admission deposit the share certificate representing the Shares held by him in the Company with the Company’s Solicitors to be dealt with in accordance with the terms of the Deposit Letter.

**4. CONFIDENTIALITY**

Each party undertakes to each other party that it will not at any time hereafter use, divulge or communicate to any person, except to its professional representatives or advisers or as may be required by law or any legal or regulatory authority, any confidential information concerning the business or affairs of each other party or of any member of the group of companies to which the other party belongs which may have or may in the future come to its knowledge and each of the parties shall use its reasonable endeavours to prevent the publication or disclosure of any confidential information concerning such matters.

**5. WAIVER AND REMEDIES**

The failure to exercise or delay in exercising a right or remedy provided by this Deed or by law does not constitute a waiver of the right or remedy or a waiver of other rights or remedies. A waiver of a breach of any of the terms of this Deed or of a default under this Deed does not constitute a waiver of any other breach or default and shall not affect the other terms of this Deed. A waiver of a breach of any of the terms of this Deed or of a default under this Deed will not prevent a party from subsequently requiring compliance with the waived obligation. The rights and remedies provided by this Deed are cumulative and (subject as otherwise provided in this Deed) are not exclusive of any rights or remedies provided by law.



**6. LANGUAGE**

This Deed is drawn up in the English language. If this Deed is translated into another language, the English language text shall in any event prevail.

**7. TIME OF THE ESSENCE**

Any time, date or period mentioned in this Deed may be extended by mutual agreement between the parties hereto but as regards any time, date or period originally fixed or any time, date or period so extended time shall be of the essence.

**8. ASSIGNMENT**

The benefit of this Deed may not be assigned by any party without the prior written consent of each of the other parties (provided that Westhouse may assign its rights under this Deed to a subsidiary or parent company of Westhouse or to any other entity, whether new or existing, carrying on all or substantially all of the business of Westhouse following the reorganisation or transfer of the business and assets of Westhouse, without such consent), but subject thereto this Deed shall be binding upon and ensure for the benefit of the respective executors, administrators, heirs, successors and assignees of the parties

**9. COSTS AND EXPENSES**

Save as provided in the Placing Agreement, each party shall pay its own costs relating to the negotiation, preparation, execution and implementation by it of this Deed and of each document referred to in it.

**10. VARIATION**

No variation of this Deed shall be valid unless it is in writing and signed by or on behalf of each of the parties.

**11. SEVERANCE**

11.1 If any provision of this Deed shall be found by any court or administrative body of competent jurisdiction to be invalid or unenforceable, such invalidity or unenforceability shall not affect the other provisions of this Deed which shall remain in full force and effect.

11.2 If any provision of this Deed is so found to be invalid or unenforceable but would be valid or enforceable if some part of the provision were deleted, the provision in question shall apply with such modification(s) as may be necessary to make it valid and enforceable.

**12. NOTICES**

12.1 Any notices or other communication requiring to be given or served under or in connection with this Deed shall be in writing (which term shall include a communication by post, fax and/or email) and shall be sufficiently given or served if delivered:

*in the case of the Company or Mr Bai to:*

Address: No. 8 Baoqun Road, YaoZhuang, Jiashan, Zhejiang 314117, PRC

Fax: 0086-573-4773063

Attention: Bai Xiao Shu

*with a copy to:*

Address: Pinsent Masons, Dashwood House, 69 Old Broad Street, London EC2M 1NR

Fax: +44(0) 20 7418 7050

Attention: Jon Harris or Sean Page

*if to Westhouse:*

Address: 12th Floor, 1 Angel Court, London EC2R 7HJ

Fax: +44(0) 20 7796 4875

Attention: Tim Feather

or to the parties' respective registered offices (if different) or as otherwise notified by them from time to time (in accordance with the provisions of this clause 12).

12.2 Any such notice shall be delivered by hand or sent by fax transmission or pre-paid first class post and, in the absence of evidence of earlier receipt, if delivered by fax shall conclusively be deemed to have been given or served at the time of printout of a transmission report showing that the correct number of pages has been sent without error and if sent by post shall conclusively be deemed to have been received 48 hours after the time of posting if posted in the United Kingdom to a United Kingdom address or, if posted in the United Kingdom to a non United Kingdom address (or outside the United Kingdom to a United Kingdom address), it shall conclusively be deemed to have been received 7 days after the date of posting.

**13. COUNTERPARTS**

This Deed may be executed in any number of counterparts and by different parties on separate counterparts, each of which when so executed and delivered shall be an original, but all of the counterparts shall together constitute one and the same instrument.

**14. RIGHTS OF THIRD PARTIES (EXCLUSION)**

No term of this Deed shall be enforceable under the Contracts (Rights of Third Parties) Act 1999 by a third party, but this does not affect any right or remedy of a third party which exists or is available apart from under that Act.

**15. GOVERNING LAW AND JURISDICTION**

15.1 The construction, validity and performance of this Deed shall be governed by English Law and the parties irrevocably submit to the non-exclusive jurisdiction of the Courts of England.

15.2 Each of Mr. Bai and the Company hereby agrees that process by which any proceedings are commenced in England and Wales may be served on them by being delivered to the Company's Solicitors and each of Mr. Bai and the Company hereby appoints the Company's Solicitors as his or its agent for this purpose.

15.3 Nothing in this clause 15 affects the right of Westhouse to serve process in any other manner permitted by law.

This document has been executed as a deed on the date stated at the beginning of it.

EXECUTED as a DEED by  
RENESOLA LIMITED  
acting by one of its directors

Director:  /s/ Xianshou Li

EXECUTED as a DEED by  
HANSON WESTHOUSE LLP  
acting by  /s/ , a member and  
 /s/ , a member

/s/  
Member

/s/  
Member

SIGNED as a DEED by /s/ Xiaoshu Bai  
BAI XIAO SHU )  
in the presence of: )

Witness Name: Jie Li  
Witness Signature:  /s/ Jie Li  
Address: No. 8 Baoqun Road Yaozhuang  
Jiashan, Zhejiang, PRC  
Occupation: Employee

DATED 2 August 2006

**RENESOLA LIMITED**

- and -

**HANSON WESTHOUSE LLP**

- and -

**DIVERSO MANAGEMENT LIMITED**

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**LOCK-IN DEED**

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**STEPTOE & JOHNSON**

99 Gresham Street  
London EC2V 7NG  
Tel: +44 20 7367 8000  
Fax: +44 20 7367 8001

**BETWEEN:**

- (1) **RENESOLA LIMITED** (a company incorporated in the British Virgin Islands under the BVI Act with registered number 1016246) whose registered office is at Craigmuir Chambers, Road Town, Tortola, British Virgin Islands (“**Company**”);
- (2) **HANSON WESTHOUSE LLP** (a limited liability partnership registered in England under number OC305445) whose registered office is at One Angel Court, London EC2R 7HJ (“**Westhouse**”); and
- (3) **DIVERSO MANAGEMENT LIMITED** (a company incorporated in Hong Kong Special Administrative Region with registered number 1020133) whose registered office address is at Suite 2205, 22/F Kinwick Center, 32 Hollywood Road, Central Hong Kong (“**Diverso**”).

**WHEREAS:**

- (A) The Company has authorised Westhouse to make application to the London Stock Exchange for the Existing Shares and the Placing Shares to be admitted to trading on AIM and in that connection the Company and Westhouse have entered into the Placing Agreement (as defined below).
- (B) Pursuant to the SPA (as defined below) Diverso acquired 1,000 Shares (as defined below).
- (C) The parties now wish to enter into this Deed in order to regulate the manner in which Diverso may deal with any Shares held by it.

**NOW THIS DEED WITNESSES** as follows:

**1. DEFINITIONS AND INTERPRETATION**

1.1 Save as set out in clause 1.2 in this Deed words and expressions shall have the same meaning as set out in the Placing Agreement (as defined below).

1.2 In this Deed (except where the context otherwise requires):

“**BVI Act**” means the BVI Business Companies Act 2004 (as amended) of the British Virgin Islands;

“**Connected Person**” means a person who shall be deemed to be connected with another if that person is connected with such other person within the meaning of section 839 of the Income and Corporation Taxes Act 1988 or section 346 of the Companies Act 1985;

<b>“Dealing Day”</b>	means any day on which the London Stock Exchange is open for business for the trading of securities on AIM;
<b>“Disposal”</b>	includes any sale, grant of options over, transfer, charge, pledge, or other disposal or agreement to dispose of any Shares and <b>“dispose”</b> shall be construed accordingly;
<b>“Initial IPO”</b>	means in relation to the Company the first admission of its shares to trading on AIM and the offering of its shares for the first time in accordance with the Admission Document, the Placing Agreement, the Independent Subscription Agreements and all other documents referred to therein or ancillary thereto;
<b>“IPO Shares”</b>	means such number of Shares purchased by Diverso pursuant to the Initial IPO having an aggregate subscription price of up to USD \$4,617,640.50;
<b>“Locked-In Shares”</b>	has that meaning set out in clauses 2.1.2 and 2.3.2;
<b>“Placing Agreement”</b>	means the placing agreement entered into on the same date as this Deed between the Company (1) Westhouse (2) and the Directors (3);
<b>“Restricted Period”</b>	means the period from the date of Admission up to and including the date falling six (6) months from that date;
<b>“Semi-Restricted Period”</b>	means the period from the expiry of the Restricted Period up to and including the date falling six (6) months from that date;

**“Shares”**

means any shares in the capital of the Company;

**“SPA”**

means the share purchase agreement dated 31 May 2006 entered into between Li Xian Shou and Wu Yan Cai (1) and Diverso (2) in respect of the sale of certain Shares to Diverso; and

**“Specified Price”**

has that meaning set out in clauses 2.1.2 and 2.3.2.

1.3 In this Deed (except where the context otherwise requires):

- (a) any reference to a clause or Schedule is to the relevant clause or Schedule of or to this Deed and any reference to a paragraph is to the relevant paragraph of the clause or Schedule in which it appears;
- (b) the clause headings are included for convenience only and shall not affect the interpretation of this Deed;
- (c) use of the singular includes the plural and vice versa;
- (d) use of any gender includes the other genders;
- (e) any reference to **“persons”** includes natural persons, firms, partnerships, companies, corporations, associations, organisations, governments, states, foundations and trusts (in each case whether or not having separate legal personality);
- (f) the word **“subsidiary”** has the meaning given to it by section 736 of the Companies Act 1985;
- (g) any reference to a statute, statutory provision or subordinate legislation shall (except where the context otherwise requires) be construed as referring to:
  - (i) such legislation as amended and in force from time to time and to any legislation which (either with or without modification) re-enacts, consolidates or enacts in rewritten form any such legislation; and



- (ii) any former legislation which it re-enacts, consolidates or enacts in rewritten form;
- (h) any reference to an English legal term for any action, remedy, method of judicial proceeding, legal document, legal status, court, official or any legal concept or thing shall, in respect of any jurisdiction other than England, be deemed to include a reference to what most nearly approximates in that jurisdiction to the English legal term;
- (i) any phrase introduced by the terms “including”, “include”, “in particular” or any similar expression shall be construed as illustrative and shall not limit the sense of the words preceding those terms;
- (j) any reference to a “company” shall be construed so as to include any company, corporation or other body corporate, wherever and however incorporated or established; and
- (k) any reference to any other document is a reference to that other document as amended, varied, supplemented, or novated (in each case, other than in breach of the provisions of this Deed) at any time.

## 2. LOCK-IN AND ORDERLY MARKET ARRANGEMENTS

2.1 Diverso hereby undertakes with the Company and Westhouse that, except as provided in clauses 2.2 and 2.3 or unless and to the extent that Westhouse (in its sole discretion) waives the restrictions contained in this clause 2.1 it will not (and will procure so far as it is able that any Connected Person will not):

- 2.1.1 during the Restricted Period effect any Disposal (other than by way of Diverso granting a charge over any of its Shares or in respect of the IPO Shares) of its interest in:
- (i) all or any Shares which are beneficially owned by it or any Connected Person or which it or any Connected Person will otherwise hold or control (otherwise than as a trustee) on or immediately following Admission; and
  - (ii) all or any Shares which are allotted, issued or transferred to it pursuant to any capital reorganisation (including, for the avoidance of doubt, by way of capitalisation of profits, share premium account or any capital or reserve account of the Company or by way of any consolidation or sub-division of share capital) or by way of rights or otherwise on or after Admission and before the end of the Restricted Period in respect of any Shares beneficially owned, held or controlled by it or any Connected Person; and

2.1.2 without the consent of Westhouse (such consent not to be unreasonably withheld or delayed) during the Semi-Restricted Period effect any Disposal (other than by way of Diverso granting a charge over any of its Shares) of its interest in:

- (i) all or any Shares which are beneficially owned by it or any Connected Person or which it or any Connected Person will otherwise hold or control (otherwise than as a trustee) on or immediately following the Restricted Period; and
- (ii) all or any Shares which are allotted, issued or transferred to it or any Connected Person pursuant to the exercise of any share option, any capital reorganisation (including, for the avoidance of doubt, by way of capitalisation of profits, share premium account or any capital or reserve account of the Company or by way of any consolidation or sub-division of share capital) or by way of rights or otherwise after the Restricted Period and before the end of the Semi-Restricted Period in respect of any Shares beneficially owned, held or controlled by it or any Connected Person;

and unless such Disposal is made through Westhouse (or the broker for the time being of the Company) or unless Westhouse (or such other broker as there may be for the time being of the Company) notifies Diverso in writing that such Disposal is approved through another broker. Westhouse acknowledges that its fees and commissions for brokering a Disposal under this clause 2.1.2 shall be reasonably competitive in the circumstances and it will use its reasonable endeavours to obtain a competitive sale price in respect of any such Disposal. If Diverso wishes to effect any such Disposal then, in the case of a sale or transfer of Shares, Diverso shall instruct Westhouse to arrange for the sale or transfer of such Shares (the **"Locked-In Shares"**) at not less than the minimum price which it requests for the Locked-In Shares (the **"Specified Price"**). If Westhouse fails to arrange for the sale or transfer of the Locked-In Shares at a price not less than the Specified Price within five Dealing Days of being instructed to do so and otherwise in accordance with usual market procedures and terms of sale (including commission) then Diverso shall be entitled to sell all or any of the Locked-In Shares otherwise than through Westhouse within a further five Dealing Days thereafter provided that the Locked-In Shares are not sold at a price less than the Specified Price.

- 2.2 The parties agree that the restrictions contained in clause 2.1.1 shall not apply to any of the following:
- 2.2.1 any Disposal pursuant to a court order made by a court of competent jurisdiction;
  - 2.2.3 an acceptance of a general offer for the ordinary share capital of the Company or the provision of an irrevocable undertaking to accept such an offer.

2.3 Any Disposal permitted pursuant to the provisions of clause 2.2 shall be subject to the following provisions:

- 2.3.1 any Disposal shall be notified in advance to the Company and Westhouse in writing at least five Business Days prior to the entry into of any agreement or undertaking relating to the same; and
- 2.3.2 if Diverso wishes or is required to make a Disposal pursuant to clause 2.2 it shall (i) notify the Company and Westhouse in advance (in accordance with clause 2.3.1) of its intention to effect such a Disposal and (ii) in the case of a sale or transfer of Shares, instruct Westhouse to arrange for the sale or transfer of such Shares (the "**Locked-In Shares**") at not less than the minimum price which it requests for the Locked-In Shares (the "**Specified Price**") and if Westhouse fails to arrange for the sale or transfer of the Locked-In Shares at a price not less than the Specified Price within five Dealing Days of being instructed to do so and otherwise in accordance with usual market procedures and terms of sale (including commission) then Diverso shall be entitled to sell all or any of the Locked-In Shares otherwise than through Westhouse within a further five Dealing Days thereafter provided that the Locked-In Shares are not sold at a price less than the Specified Price;

subject always to the Company and Westhouse having the right, at their reasonable discretion, to waive the notice period under clause 2.3.1.

### 3. **CONFIDENTIALITY**

Each party undertakes to each other party that it will not at any time hereafter use, divulge or communicate to any person, except to its professional representatives or advisers or as may be required by law or any legal or regulatory authority, any confidential information concerning the business or affairs of each other party or of any member of the group of companies to which the other party belongs which may have or may in future come to its knowledge and each of the parties shall use its reasonable endeavours to prevent the publication or disclosure of any confidential information concerning such matters.

**4. WAIVER AND REMEDIES**

The failure to exercise or delay in exercising a right or remedy provided by this Deed or by law does not constitute a waiver of the right or remedy or a waiver of other rights or remedies. A waiver of a breach of any of the terms of this Deed or of a default under this Deed does not constitute a waiver of any other breach or default and shall not affect the other terms of this Deed. A waiver of a breach of any of the terms of this Deed or of a default under this Deed will not prevent a party from subsequently requiring compliance with the waived obligation. The rights and remedies provided by this Deed are cumulative and (subject as otherwise provided in this Deed) are not exclusive of any rights or remedies provided by law.

**5. LANGUAGE**

This Deed is drawn up in the English language. If this Deed is translated into another language, the English language text shall in any event prevail.

**6. TIME OF THE ESSENCE**

Any time, date or period mentioned in this Deed may be extended by mutual agreement between the parties hereto but as regards any time, date or period originally fixed or any time, date or period so extended time shall be of the essence.

**7. ASSIGNMENT**

The benefit of this Deed may not be assigned by any party without the prior written consent of each of the other parties (provided that Westhouse may assign its rights under this Deed to a subsidiary or parent company of Westhouse or to any other entity, whether new or existing, carrying on all or substantially all of the business of Westhouse following the reorganisation or transfer of the business and assets of Westhouse, without such consent), but subject thereto this Deed shall be binding upon and ensure for the benefit of the respective executors, administrators, heirs, successors and assignees of the parties

**8. COSTS AND EXPENSES**

Save as provided in the Placing Agreement, each party shall pay its own costs relating to the negotiation, preparation, execution and implementation by it of this Deed and of each document referred to in it.

**9. VARIATION**

No variation of this Deed shall be valid unless it is in writing and signed by or on behalf of each of the parties.

**10. SEVERANCE**

10.1 If any provision of this Deed shall be found by any court or administrative body of competent jurisdiction to be invalid or unenforceable, such invalidity or unenforceability shall not affect the other provisions of this Deed which shall remain in full force and effect.

10.2 If any provision of this Deed is so found to be invalid or unenforceable but would be valid or enforceable if some part of the provision were deleted, the provision in question shall apply with such modification(s) as may be necessary to make it valid and enforceable.

**11. NOTICES**

11.1 Any notices or other communication requiring to be given or served under or in connection with this Deed shall be in writing and shall be sufficiently given or served if delivered:

*in the case of the Company to:*

Address: No. 8 Baoqun Road, YaoZhuang, Jiashan, Zhejiang 314117, PRC

Fax: 0086-573-4773063

Attention: Li Xian Shou

*with a copy to:*

Address: Pinsent Masons, Dashwood House, 69 Old Broad Street, London EC2M 1NR

Fax: +44(0) 20 7418 7050

Attention: Jon Harris or Sean Page

*if to Westhouse:*

Address: 12<sup>th</sup> Floor, 1 Angel Court, London EC2R 7HJ

Fax: +44(0) 20 7796 4875

Attention: Tim Feather

*if to Diverso:*

Address: Garden Entrance, Lane 930, No. 7, Chang le Road, Shanghai, China

Fax: 0086-216-2484627

Attention: Jonathan Glen or Stephen Edkins

or to the parties' respective registered offices (if different) or as otherwise notified by them from time to time (in accordance with the provisions of this clause 11).

- 11.2 Any such notice shall be delivered by hand or sent by fax transmission or pre-paid first class post and, in the absence of evidence of earlier receipt, if delivered by fax shall conclusively be deemed to have been given or served at the time of printout of a transmission report showing that the correct number of pages has been sent without error and if sent by post shall conclusively be deemed to have been received 48 hours after the time of posting if posted in the United Kingdom to a United Kingdom address or, if posted in the United Kingdom to a non United Kingdom address (or outside the United Kingdom to a United Kingdom address), it shall conclusively be deemed to have been received 7 days after the date of posting.

**12. COUNTERPARTS**

This Deed may be executed in any number of counterparts and by different parties on separate counterparts, each of which when so executed and delivered shall be an original, but all of the counterparts shall together constitute one and the same instrument.

**13. RIGHTS OF THIRD PARTIES (EXCLUSION)**

No term of this Deed shall be enforceable under the Contracts (Rights of Third Parties) Act 1999 by a third party, but this does not affect any right or remedy of a third party which exists or is available apart from under that Act.

**14. GOVERNING LAW AND JURISDICTION**

- 14.1 The construction, validity and performance of this Deed shall be governed by English Law and the parties irrevocably submit to the non-exclusive jurisdiction of the Courts of England.

- 14.2 Each of Diverso and the Company hereby agrees that process by which any proceedings are commenced in England and Wales may be served on them by being delivered to the Company's Solicitors and each of Diverso and the Company hereby appoints the Company's Solicitors as its agent for this purpose.

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14.3 Nothing in this clause 14 affects the right of Westhouse to serve process in any other manner permitted by law.

This document has been executed as a deed on the date stated at the beginning of it.

EXECUTED as a DEED by )  
RENESOLA LIMITED )  
acting by one of its directors )

Director: /s/ Xianshou Li \_\_\_\_\_

EXECUTED as a DEED by )  
HANSON WESTHOUSE LLP )  
acting by \_\_\_\_\_, a member and )  
/s/ \_\_\_\_\_, a member )

/s/ \_\_\_\_\_  
Member

/s/ \_\_\_\_\_  
Member

EXECUTED as a DEED by )  
DIVERSO MANAGEMENT LIMITED )  
acting by two directors )

Director: /s/ \_\_\_\_\_

Director: /s/ \_\_\_\_\_



## RENESOLA LIMITED

## Restricted Share Subscription Agreement

This RESTRICTED SHARE SUBSCRIPTION AGREEMENT (this "Agreement") is made as of this \_\_\_ day of April, 2006 by and between Renesola Limited, a British Virgin Island corporation (the "Company"), and Xiaoshu Bai, a Canadian national whose passport number is BC158462 and correspondence address is Apart 502, Block C, Dan Gui Yuan, Jing Guang Xin Cheng, 9 Xin Xi Wang Lu, Chengdu, Sichuan, China 610041 (the "Subscriber").

WHEREAS, the Company desires to issue certain number of shares of its common stock to the Subscriber in connection with the services which shall be provided hereafter by the Subscriber pursuant to certain employment agreement.

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants hereinafter set forth, the parties hereto do hereby agree as follows:

## I. ISSUANCE AND SUBSCRIPTION OF THE SHARES

Subject to the terms and conditions hereinafter set forth, the Company shall issue to the Subscriber and the Subscriber hereby subscribes for the number of shares of its ordinary shares equal to 0.5% of the total shares, issued prior to the initial public offering of shares of the Company on the London AIM stock exchange or any other stock exchange (the "IPO") or, if there is a sub-division, consolidation, re-classification, re-construction or other adjustment of the share capital of the Company thereafter, shares forming part of the ordinary equity share capital of the Company of such other nominal amount as shall result from any such sub-division, consolidation, re-classification, re-construction or other adjustment (the "Shares"). The consideration for the Shares is the services he provides as Chief Financial Officer which shall be provided hereafter by the Subscriber pursuant to the Employment Agreement signed between the Company's subsidiary in China (Zhejiang Yuhui Solar Energy Company Limited) and the Subscriber, which is attached hereto as an exhibit. The Subscriber is not required to pay additional consideration for the subscription for the Shares.

## II. RESTRICTIONS AND CONDITIONS ON THE SHARES

The Shares shall be subject to the following restrictions and conditions:

- a. The Shares shall be registered in the name of the Subscriber and shall be released to the Subscriber at the following schedule: one-third of the Shares shall be released to the Subscriber the earlier of 1) prior to the IPO and 2) three (3) months after the start of the Subscriber's employment with the Company; one-third of the Shares shall be released to the Subscriber on the first anniversary of the start of the Subscriber's employment with the Company, and one-third of the Shares shall be released on the second anniversary of the start of the Subscriber's employment with the Company. The Subscriber acknowledges that prior to the respective

anniversary of the date hereof, the respective Shares may not be sold, assigned, exchanged, transferred, pledged, hypothecated or otherwise disposed of by the Subscriber.

- b. In the event that the Subscriber's employment at the Company is terminated by the Company for causes stipulated in Clause 9 of the Employment Agreement or applicable laws or in the event that the Subscriber leaves the Company's employment without the Company's prior written consent prior to the expiry of the Employment Agreement, the Company shall forfeit the corresponding number of Shares equivalent to the number of months of employment services remaining to be performed by the Subscriber during the three (3) years covered by the initial Employment Agreement. Such forfeited Shares shall be deemed unearned by the Subscriber and shall be cancelled by the Company. The Subscriber shall cooperate by returning the relevant Share Certificate to the Company for cancellation.
- c. The disposal of the Shares shall be subject to the applicable lock-up covenants, the applicable Securities Laws as well as all the provisions of the Memorandum and Articles of Association of the Company.
- d. The Subscriber's dividend rights and voting rights to the Shares prior to the listing of the Company on the London AIM stock exchange or any other stock exchange as the case may be, are subject to the Directors of the Company or a duly authorized committee thereof (the "Directors").

III. REPRESENTATIONS BY AND COVENANTS OF SUBSCRIBER

- a. The Subscriber acknowledges and hereby represents that during the course of this transaction it has been furnished by the Company with information regarding the Company which it requested or desired to know; that documents which could be reasonably provided have been made available for its inspection and review; and that it has been afforded the opportunity to ask questions of and receive answers from duly authorized officers or other representatives of the Company concerning the terms and conditions of this offering.
- b. The Subscriber acknowledges that the Company has not provided any tax advice or information. The Subscriber acknowledges that it must retain its own professional advisors to evaluate the tax, and other consequences.
- c. The Subscriber understands and consents to the placement of a legend on any certificate or other document evidencing the Shares setting forth or referring to the restrictions on transferability and sale thereof. Each certificate evidencing the Shares shall bear the legends set forth below, or legends substantially equivalent thereto, together with any other legends that may be required by the applicable securities laws at the time of the issuance of the Shares:

THE SHARES REPRESENTED HEREBY MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL REGISTERED UNDER THE APPLICABLE SECURITIES LAW OR THE ISSUER OF THE SHARES (THE "ISSUER") HAS RECEIVED AN OPINION OF COUNSEL IN FORM AND SUBSTANCE SATISFACTORY TO THE ISSUER THAT SUCH OFFER, SALE OR TRANSFER, PLEDGE OR HYPOTHECATION IS IN COMPLIANCE WITH THE APPLICABLE SECURITIES LAW; and

THE SHARES REPRESENTED HEREBY ARE SUBJECT TO RESTRICTIONS ON TRANSFER PURSUANT TO THAT CERTAIN SUBSCRIPTION AGREEMENT BY AND BETWEEN RENESOLA LIMITED, A BVI CORPORATION, AND XIAOSHU BAI, A CANADIAN CITIZEN.

- d. The Subscriber acknowledges that it understands that the Company will need to raise capital in the near term through public offering in order to develop its business as proposed, which may include the sale of equity securities. The issuance of these equity securities could result in dilution to the Subscriber.
- e. This Agreement has been duly executed and delivered by the Subscriber and constitutes the legal, valid and binding obligation of the Subscriber, enforceable in accordance with its terms.
- f. The Subscriber acknowledges that if the holders in the aggregate of more than 50% of the outstanding shares of common stock of the Company, as one class ("Selling Stockholders"), propose to sell, assign, mortgage, transfer, pledge, hypothecate or otherwise dispose of all, but not less than all, of their respective shares to a third party in one or a series of related transactions which is approved by a majority of the Company's Board of Directors, then the Selling Stockholders may, at their option, require Subscriber (the "Holder") to sell all of such Holder's Shares in such transfer to the bona fide third party rather than an affiliate or affiliates of the controlling shareholder(s) of the Company on the same terms and conditions, and for the same consideration, as the Selling Stockholders. In no event shall such consideration shall be lower than the then fair market value of the Company. The Holder shall take such necessary or desirable actions in connection with the consummation of such transaction as reasonably requested by the Company or the Selling Stockholders;

- g. Subject to Clause II (c) of this Agreement, the Subscriber agrees that in connection with an underwritten public offering of common stock of the Company, upon the request of the Company or the principal underwriter managing such public offering, the Shares (and any shares of common stock of the Company received directly or indirectly with respect thereto) may not be sold, offered for sale or similar financial effect or otherwise disposed of without the prior written consent of the Company or such underwriter, as the case may be, for a period not exceeding twelve months after the effectiveness of the registration statement filed in connection with such offering, but only to the extent that the Company's directors, executive officers and/or their immediate family are similarly bound.
- h. The Subscriber is legally available to begin employment by May 20<sup>th</sup> 2006.

IV. REPRESENTATIONS BY THE COMPANY

The Company represents and warrants to the Subscriber that as of the date of this Agreement:

- a. The Company is a corporation duly incorporated, validly existing and in good standing under the laws of the British Virgin Island and other jurisdictions the Company or its subsidiaries are duly licensed or qualified to transact business as a foreign corporation.
- b. The execution and delivery by the Company of this Agreement, the performance by the Company of its obligations hereunder, and the issuance and delivery of the Shares has been duly authorized, by all, requisite corporate action, including all necessary Board of Director and stockholder approvals.
- c. The Employment Agreement between the Company's subsidiary and the Subscriber, when executed and delivered in accordance with this Agreement and/or the terms thereof, will constitute the legal, valid and binding obligations of the Company's subsidiary and the Subscriber, enforceable in accordance with their respective terms.
- d. The Company shall be the listing vehicle for the purpose referred in Clause I of this Agreement; In the event a different corporate vehicle is being used as the listing vehicle, such alternative listing vehicle shall replace the Company hereunder and shall be similarly bound by the terms and obligations hereunder as if such alternative listing which is a contacting party to this Agreement as from the beginning.

V. MISCELLANEOUS

- a. All notices required or desired to be transmitted hereunder shall be in writing and shall be transmitted by registered or certified mail (postage prepaid and return receipt requested), courier, messenger, or facsimile to the following addresses:

For Company: \_\_\_\_\_

For Subscriber: \_\_\_\_\_

- b. This Agreement shall not be changed, modified or amended except by a writing signed by the parties.
- c. This Agreement shall be binding upon and inure to the benefit of the parties hereto and to their respective heirs, legal representatives, successors and assigns. This Subscription Agreement sets forth the entire agreement and understanding between the parties as to the subject matter thereof and merges and supersedes all prior discussions, agreements and understandings of any and every nature among them.
- d. Notwithstanding the place where this Agreement may be executed by any of the parties hereto, the parties expressly agree that all the terms and provisions hereof shall be construed in accordance with and governed by the laws of Hong Kong Special Administrative Region.
- e. If any dispute arising from or in relation to this Agreement, both parties may resolve such dispute first through amicable discussion. If no agreement is reached by the amicable negotiation between the parties, then any party may submit the dispute for arbitration. The arbitration shall be carried out in Hong Kong in accordance with the arbitration rules of the Hong Kong International Arbitration Centre ("HKIAC") in effect on the date of arbitration. The arbitration award or decision shall be final and binding upon both Parties and shall be enforceable according to its terms and conditions.
- f. This Agreement may be executed in counterparts. Upon the execution and delivery of this Agreement by the Subscriber, this Agreement shall become a binding obligation of the Subscriber with respect to the subscription of Shares as herein provided.
- g. The holding of any provision of this Agreement to be invalid or unenforceable shall not affect any other provision of this Agreement, which shall remain in full force and effect.
- h. It is agreed that a waiver by either party of a breach of any provision of this Agreement shall not operate, or be construed, as a waiver of any subsequent breach by that same party.
- i. The Subscriber shall pay all tax and discharge all other liabilities to which he may become subject as a result of his participation in this Agreement or the disposal of the Shares.

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j. The parties agree to execute and deliver all such further documents, agreements and instruments and take such other and further action as may be necessary or appropriate to carry out the purposes and intent of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Subscription Agreement as of the day and year first written above.

Xiaoshu Bai

By: /s/ Xiaoshu Bai

Name: Xiaoshu Bai

Its: \_\_\_\_\_

Number of Shares Being Subscribed: \_\_\_\_\_

Subscription Accepted:

Renesola Limited

By: /s/ Xianshou Li  
Chairman of the Board

Harney Westwood & Riegels LLP  
3rd Floor, 7 Ludgate Broadway  
London EC4V 6DX  
Tel: +44 (0) 20 7332 5620  
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www.harneys.com

9 January 2008

Your Ref

Our Ref 010562.0012-SDD

Doc ID 18308\_\_7

**BY EMAIL AND POST**

ReneSola Ltd  
Craigmuir Chambers  
P.O. Box 71  
Road Town  
Tortola  
British Virgin Islands

Dear Sirs

**ReneSola Ltd – Company Number 1016246 (the “Company”)**

1. We have acted as British Virgin Islands legal counsel to the Company in connection with the public offering and listing on the New York Stock Exchange of American Depositary Shares representing shares issued by the Company (the “**Shares**”) and the offer and sale of such number of shares of the Company (the “**Issued Shares**”) by certain selling shareholder(s) of the Company as described in the prospectus contained in the Company’s registration statement on Form F-1 (the “**Registration Statement**”) filed by the Company under the United States Securities Act of 1933 (the “**Securities Act**”) with the United States Securities and Exchange Commission (the “**Commission**”).
2. For the purpose of this opinion, we have examined the following documents and records which represent all of the documents, facts and records that we require in order to provide the opinions set out in paragraph 4 of this opinion:
  - (a) the Registration Statement;
  - (b) a draft of the prospectus (the “**Prospectus**”) contained in the Registration Statement;
  - (c) a copy of the Memorandum and Articles of Association and Certificate of Incorporation of the Company obtained from the British Virgin Islands Registry of Corporate Affairs on 13 November 2007;
  - (d) a written resolution of the directors of the Company dated 27 November 2007 approving, inter alia, the Company’s listing of the American Depositary Shares on the new York Stock Exchange, and authorising the execution and delivery by the Company of the documents relating thereto (the “**Board Resolutions**”);
  - (e) a director’s certificate signed by Xianshou Li, a director of the Company and dated 7 November 2007 and a director’s certificate signed by Xianshou Li and dated 12 December 2007 (the “**Director’s Certificates**”); and

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Reg. No. OC302285 VAT No. 795563084  
British Virgin Islands Anguilla London Hong Kong



- (f) information revealed by our searches of:
  - (i) the records and information certified by Harneys Corporate Services Limited, the registered agent of the Company, on 8 November 2007 of the statutory documents and records maintained by the Company at its registered office;
  - (ii) the public records of the Company on file and available for inspection at the Registry of Corporate Affairs, Road Town, Tortola, British Virgin Islands on 31 December 2007; and
  - (iii) the records of proceedings on file with, and available for inspection on 31 December 2007 at the High Court of Justice, British Virgin Islands, (the "**Searches**").

3. For the purposes of this opinion we have assumed without further enquiry:

- (a) the authenticity of all documents submitted to us as originals, the conformity with the originals of all documents submitted to us as copies and the authenticity of such originals;
- (b) the genuineness of all signatures and seals;
- (c) the accuracy and completeness of all corporate minutes, resolutions, certificates and records which we have seen;
- (d) that the information indicated by the Searches is and remains true and correct;
- (e) the accuracy of any and all representations of fact expressed in or implied by the documents we have examined; and
- (f) that the Board Resolutions and Director's Certificates remain in full force and effect.

4. Based on the foregoing, and subject to the qualifications expressed below, our opinion is as follows:

- (a) **Existence and Good Standing.** The Company is a company duly incorporated with limited liability for an unlimited duration under the BVI Business Companies Act (No 16 of 2004), and is validly existing and in good standing under the laws of the British Virgin Islands. It is a separate legal entity and is subject to suit in its own name.

- (b) **Shares.** The issue of the Shares has been duly authorised, and when the Shares have been issued, delivered and paid for in the manner described in and pursuant to the terms of the Prospectus and Registration Statement will be validly issued, fully paid and non-assessable (meaning that no further sums are or will be required to be paid by the holders thereof in connection with the issue or holding of such shares to the Company or any third party).
- (c) **Issued Shares.** The Issued Shares are validly issued, fully paid and non-assessable.
5. This opinion is confined to the matters expressly opined on herein and given on the basis of the laws of the British Virgin Islands as they are in force and applied by the British Virgin Islands courts at the date of this opinion. We have made no investigation of, and express no opinion on, the laws of any other jurisdiction. We express no opinion with respect to the commercial terms of the transactions the subject of this opinion. We express no opinion in relation to foreign statutes and the application thereof.
6. We hereby consent to the filing of this opinion with the Commission as an exhibit to the Registration Statement and to the references to us under the headings “**Taxation**”, “**Enforceability of Civil Liabilities**” and “**Legal Matters**” in the Prospectus contained in the Registration Statement. In giving such consent, we do not thereby admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act, or the Rules and Regulations of the Commission thereunder.
7. This opinion is rendered for the benefit of the Company, their legal counsel (in that capacity only), the Commission and any investors in the Company in connection with the Registration Statement and the Prospectus only. It may be disclosed to, but not relied on by, any other party, save for the Commission, or for any other purpose.

Yours faithfully  
HARNEY WESTWOOD & RIEGELS LLP  
/s/ HARNEY WESTWOOD & RIEGELS LLP

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9 January 2008

Your Ref

Our Ref 010562.0012-SDD

Doc ID 18309\_\_5

**BY EMAIL AND POST**

ReneSola Ltd  
 Craigmuir Chambers  
 P.O. Box 71  
 Road Town  
 Tortola  
 British Virgin Islands

Dear Sirs

**ReneSola Ltd – Company Number 1016246 (the “Company”)**

1. We have acted as British Virgin Islands legal counsel to the Company in connection with the public offering and listing on the New York Stock Exchange of American Depositary Shares representing shares issued by the Company (the “**Shares**”) and the offer and sale of such number of shares of the Company (the “**Issued Shares**”) by certain selling shareholder(s) of the Company as described in the prospectus contained in the Company’s registration statement on Form F-1 (the “**Registration Statement**”) filed by the Company under the United States Securities Act of 1933 (the “**Securities Act**”) with the United States Securities and Exchange Commission (the “**Commission**”).
2. For the purpose of this opinion, we have examined the following documents and records which represent all of the documents, facts and records that we require in order to provide the opinions set out in paragraph 4 of this opinion:
  - (a) the Registration Statement;
  - (b) a draft of the prospectus (the “**Prospectus**”) contained in the Registration Statement;
  - (c) a copy of the Memorandum and Articles of Association and Certificate of Incorporation of the Company obtained from the British Virgin Islands Registry of Corporate Affairs on 13 November 2007;
  - (d) information revealed by our searches of:
    - (i) the records and information certified by Harneys Corporate Services Limited, the registered agent of the Company, on 8 November 2007 of the statutory documents and records maintained by the Company at its registered office;

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**British Virgin Islands Anguilla London Hong Kong**

- (ii) the public records of the Company on file and available for inspection at the Registry of Corporate Affairs, Road Town, Tortola, British Virgin Islands on 31 December 2007; and
- (iii) the records of proceedings on file with, and available for inspection on 31 December 2007 at the High Court of Justice, British Virgin Islands, (the “**Searches**”).

3. For the purposes of this opinion we have assumed without further enquiry:

- (a) the authenticity of all documents submitted to us as originals, the conformity with the originals of all documents submitted to us as copies and the authenticity of such originals;
- (b) the genuineness of all signatures and seals;
- (c) the accuracy and completeness of all corporate minutes, resolutions, certificates and records which we have seen;
- (d) that the information indicated by the Searches is and remains true and correct;
- (e) the accuracy of any and all representations of fact expressed in or implied by the documents we have examined; and
- (f) that no matters arising under any foreign law will affect the views expressed in this opinion.

4. Based on the foregoing, and subject to the qualifications expressed below, our opinion is as follows:

- (a) On the basis of and subject to the foregoing, we are of the opinion that the statements relating to certain British Virgin Islands tax matters set forth under the caption “**Taxation – British Virgin Islands Taxation**” in the Prospectus forming part of the Registration Statement, to the extent that they constitute statements of British Virgin Islands law, are accurate in all material respects and that such statements constitute our opinion.
- (b) We hereby consent to the filing with the Securities and Exchange Commission (the “**SEC**”) of this letter as an exhibit to the Registration Statement of which the Prospectus is a part, and the reference to us under the captions “**Taxation**”, “**Legal Matters**” and “**Enforceability of Civil Liabilities**” in the Prospectus contained in the Registration Statement. In giving the foregoing consent, we do not admit that we are experts within the meaning of Section 11 of the Securities Act or that we are within the category of persons whose consent is required under section 7 of the Securities Act or the Rules and Regulations of the Commission promulgated thereunder.

5. This opinion is confined to the matters expressly opined on herein and given on the basis of the laws of the British Virgin Islands as they are in force and applied by the British Virgin Islands courts at the date of this opinion. We have made no investigation of, and express no opinion on, the laws of any other jurisdiction. We express no opinion in relation to foreign statutes and the application thereof.
6. This opinion is rendered for the benefit of the Company, their legal counsel (in that capacity only) the Commission and any investors in the Company in connection with the Registration Statement and the Prospectus only. It may not be disclosed to or relied on by any other party or for any other purpose.

Yours faithfully  
HARNEY WESTWOOD & RIEGELS LLP  
/s/ HARNEY WESTWOOD & RIEGELS LLP

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LATHAM & WATKINS LLP

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Milan	Singapore
Moscow	Tokyo
Munich	Washington, D.C.

January 9, 2008

ReneSola Ltd  
 No. 8 Baoqun Road, YaoZhuang  
 Jiashan, Zhejiang 314117  
 People's Republic of China

Re: American Depositary Shares of ReneSola Ltd (the "Company")

Ladies and Gentlemen:

In connection with the public offering on the date hereof of American Depositary Shares ("ADSs"), which represent shares of no par value (the "Shares"), of the Company pursuant to the registration statement on Form F-1 under the Securities Act of 1933, as amended (the "Act"), filed by the Company with the Securities and Exchange Commission (the "Commission") on January 8, 2008 (the "Registration Statement"), you have requested our opinion concerning the statements in the Registration Statement under the caption "Taxation—United States Federal Income Taxation."

The facts, as we understand them, and upon which with your permission we rely in rendering the opinion herein, are set forth in the Registration Statement and the Company's responses to our examinations and inquiries.

In our capacity as counsel to the Company, we have made such legal and factual examinations and inquiries, including an examination of originals or copies certified or otherwise identified to our satisfaction of such documents, corporate records and other instruments as we have deemed necessary or appropriate for purposes of this opinion. In our examination, we have assumed the authenticity of all documents submitted to us as originals, the genuineness of all signatures thereon, the legal capacity of natural persons executing such documents and the conformity to authentic original documents of all documents submitted to us as copies. For the purpose of our opinion, we have not made an independent investigation, or audit of the facts set forth in the above-referenced documents.

We are opining herein as to the effect on the subject transaction only of the federal income tax laws of the United States and we express no opinion with respect to the applicability thereto, or the effect thereon, of other federal laws, the laws of any state or any other jurisdiction or as to any matters of municipal law or the laws of any other local agencies within any state.

LATHAM•WATKINS<sup>LLP</sup>

Based on such facts and subject to the limitations set forth in the Registration Statement, the statements of law or legal conclusions in the Registration Statement under the caption "Taxation—United States Federal Income Taxation" constitute the opinion of Latham & Watkins LLP as to the material tax consequences of an investment in the ADSs or Shares.

No opinion is expressed as to any matter not discussed herein.

This opinion is rendered to you as of the date of this letter, and we undertake no obligation to update this opinion subsequent to the date hereof. This opinion is based on various statutory provisions, regulations promulgated thereunder and interpretations thereof by the Internal Revenue Service and the courts having jurisdiction over such matters, all of which are subject to change either prospectively or retroactively. Also, any variation or difference in the facts from those set forth in the Registration Statement or any other documents we reviewed in connection with the offering of the ADSs, may affect the conclusions stated herein.

This opinion is furnished to you, and is for your use in connection with the transactions set forth in the Registration Statement. This opinion may not be relied upon by you for any other purpose. However, this opinion may be relied upon by persons entitled to rely on it pursuant to applicable provisions of federal securities law.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the use of our name under the captions "Legal Matters" and "Taxation—United States Federal Income Taxation" in the prospectus included in the Registration Statement. In giving such consent, we do not thereby admit that we are within the category of persons whose consent is required under Section 7 of the Act or the rules or regulations of the Commission promulgated thereunder.

Very truly yours,

/s/ Latham & Watkins LLP

## RENESOLA LTD

## 2007 SHARE INCENTIVE PLAN

## ARTICLE 1

## PURPOSE

The purpose of this 2007 Share Incentive Plan (the "Plan") is to promote the success and enhance the value of ReneSola Ltd, a company incorporated under the laws of the British Virgin Islands (the "Company") by linking the personal interests of the members of the Board, Employees, and Consultants to those of the Company's shareholders and by providing such individuals with an incentive for outstanding performance to generate superior returns to Company shareholders. The Plan is further intended to provide flexibility to the Company in its ability to motivate, attract, and retain the services of members of the Board, Employees, and Consultants upon whose judgment, interest, and special effort the successful conduct of the Company's operation is largely dependent.

## ARTICLE 2

## DEFINITIONS AND CONSTRUCTION

Wherever the following terms are used in the Plan, they shall have the meanings specified below, unless the context clearly indicates otherwise. The singular pronoun shall include the plural where the context so indicates.

2.1 "Applicable Laws" means (i) the laws of the British Virgin Islands as they relate to the Company and its Shares; (ii) the legal requirements relating to the Plan and the Awards under applicable provisions of the corporate, securities, tax and other laws, rules, regulations and government orders; and (iii) the rules of any applicable stock exchange or national market system, of any jurisdiction applicable to Awards granted to residents therein.

2.2 "Article" means an article of this Plan.

2.3 "Award" means an Option, Restricted Share or Restricted Share Units award granted to a Participant pursuant to the Plan.

2.4 "Award Agreement" means any written agreement, contract, or other instrument or document evidencing an Award, including through electronic medium.



2.5 "Board" means the Board of Directors of the Company from time to time.

2.6 "Change in Control" means a change in ownership or control of the Company after the date of the effectiveness of the Company's first registration statement on the form F-1 filed with the U.S. Securities and Exchange Commission, effected through either of the following transactions:

(a) the direct or indirect acquisition by any person or related group of persons (other than an acquisition from or by the Company or by a Company-sponsored employee benefit plan or by a person that directly or indirectly controls, is controlled by, or is under common control with, the Company) of beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities pursuant to a tender or exchange offer made directly to the Company's shareholders which a majority of the Incumbent Board (as defined below) who are not affiliates or associates of the offeror under Rule 12b-2 promulgated under the Exchange Act do not recommend such shareholders accept, or

(b) the individuals who, as of the Effective Date, are members of the Board (the "Incumbent Board"), cease for any reason to constitute at least fifty percent (50%) of the Board; provided that if the election, or nomination for election by the Company's shareholders, of any new member of the Board is approved by a vote of at least fifty percent (50%) of the Incumbent Board, such new member of the Board shall be considered as a member of the Incumbent Board.

2.7 "Code" means the Internal Revenue Code of 1986 of the United States, as amended.

2.8 "Committee" means the committee of the Board described in Article 9.

2.9 "Consultant" means any consultant or adviser if: (a) the consultant or adviser renders bona fide services to a Service Recipient; (b) the services rendered by the consultant or adviser are not in connection with the offer or sale of securities in a capital-raising transaction and do not directly or indirectly promote or maintain a market for the Company's securities; and (c) the consultant or adviser is a natural person who has contracted directly with the Service Recipient to render such services.

2.10 "Corporate Transaction" means any of the following transactions, provided, however, that the Committee shall determine under (d) and (e) whether multiple transactions are related, and its determination shall be final, binding and conclusive:

(a) an amalgamation, arrangement or consolidation or scheme of arrangement in which the Company is not the surviving entity, except for a transaction the principal purpose of which is to change the jurisdiction in which the Company is incorporated;

(b) the sale, transfer or other disposition of all or substantially all of the assets of the Company;

(c) the completion of a voluntary or insolvent liquidation or dissolution of the Company;

(d) any reverse takeover or series of related transactions culminating in a reverse takeover (including, but not limited to, a tender offer followed by a reverse takeover) in which the Company is the surviving entity but (A) the Shares of the Company outstanding immediately prior to such takeover are converted or exchanged by virtue of the takeover into other property, whether in the form of securities, cash or otherwise, or (B) in which securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities are transferred to a person or persons different from those who held such securities immediately prior to such takeover or the initial transaction culminating in such takeover, but excluding any such transaction or series of related transactions that the Committee determines shall not be a Corporate Transaction; or

(e) acquisition in a single or series of related transactions by any person or related group of persons (other than the Company or by a Company-sponsored employee benefit plan) of beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities but excluding any such transaction or series of related transactions that the Committee determines shall not be a Corporate Transaction.

2.11 "Disability" means that the Participant qualifies to receive long-term disability payments under the Service Recipient's long-term disability insurance program, as it may be amended from time to time, to which the Participant provides services regardless of whether the Participant is covered by such policy. If the Service Recipient to which the Participant provides service does not have a long-term disability plan in place, "Disability" means that a Participant is unable to carry out the responsibilities and functions of the position held by the Participant by reason of any medically determinable physical or mental impairment for a period of not less than ninety (90) consecutive days. A Participant will not be considered to have incurred a Disability unless he or she furnishes proof of such impairment sufficient to satisfy the Committee in its discretion.

2.12 "Effective Date" shall have the meaning set forth in Section 10.1.

2.13 "Employee" means any person, including an officer or member of the Board of the Company, any Parent or Subsidiary of the Company, who is in the employ of a Service Recipient, subject to the control and direction of the Service Recipient as to both the work to be performed and the manner and method of performance. The payment of a director's fee by a Service Recipient shall not be sufficient to constitute "employment" by the Service Recipient.

2.14 "Exchange Act" means the Securities Exchange Act of 1934 of the United States, as amended.

2.15 "Fair Market Value" means, as of any date, the value of Shares determined as follows:

(a) If the Shares are listed on one or more established stock exchanges or national market systems, including without limitation, The New York Stock Exchange and The

Nasdaq Global Market, its Fair Market Value shall be the closing sales price for such shares (or the closing bid, if no sales were reported) as quoted on the principal exchange or system on which the Shares are listed (as determined by the Committee) on the date of determination (or, if no closing sales price or closing bid was reported on that date, as applicable, on the last trading date such closing sales price or closing bid was reported), as reported in The Wall Street Journal or such other source as the Committee deems reliable;

(b) If the Shares are regularly quoted on an automated quotation system (including the OTC Bulletin Board) or by a recognized securities dealer, its Fair Market Value shall be the closing sales price for such shares as quoted on such system or by such securities dealer on the date of determination, but if selling prices are not reported, the Fair Market Value of a Share shall be the mean between the high bid and low asked prices for the Shares on the date of determination (or, if no such prices were reported on that date, on the last date such prices were reported), as reported in The Wall Street Journal or such other source as the Committee deems reliable; or

(c) In the absence of an established market for the Shares of the type described in (a) and (b), above, the Fair Market Value thereof shall be determined by the Committee in good faith and in its discretion by reference to (i) the placing price of the latest private placement of the Shares and the development of the Company's business operations and the general economic and market conditions since such latest private placement, (ii) other third party transactions involving the Shares and the development of the Company's business operation and the general economic and market conditions since such sale, (iii) an independent valuation of the Shares, or (iv) such other methodologies or information as the Committee determines to be indicative of Fair Market Value, relevant.

2.16 "Incentive Share Option" means an Option that is intended to meet the requirements of Section 422 of the Code or any successor provision thereto.

2.17 "Independent Director" means a member of the Board who is not an Employee of the Company.

2.18 "Non-Employee Director" means a member of the Board who qualifies as a "Non-Employee Director" as defined in Rule 16b-3(b)(3) under the Exchange Act, or any successor definition adopted by the Board.

2.19 "Non-Qualified Share Option" means an Option that is not intended to be an Incentive Share Option.

2.20 "Option" means a right granted to a Participant pursuant to Article 5 of the Plan to purchase a specified number of Shares at a specified price during specified time periods. An Option may be either an Incentive Share Option or a Non-Qualified Share Option.

2.21 "Participant" means a person who, as a member of the Board, Consultant or Employee, has been granted an Award pursuant to the Plan.

2.22 "Parent" means a parent corporation under Section 424(e) of the Code.

2.23 "Plan" means this 2007 Share Incentive Award Plan, as it may be amended from time to time.

2.24 "Related Entity" means any business, corporation, partnership, limited liability company or other entity in which the Company, a Parent or Subsidiary of the Company holds a substantial ownership interest, directly or indirectly but which is not a Subsidiary and which the Board designates as a Related Entity for purposes of the Plan.

2.25 "Restricted Share" means a Share awarded to a Participant pursuant to Article 6 that is subject to certain restrictions and may be subject to risk of forfeiture.

2.26 "Restricted Share Unit" means the right granted to a Participant pursuant to Article 6 to receive a Share at a future date.

2.27 "Securities Act" means the Securities Act of 1933 of the United States, as amended.

2.28 "Service Recipient" means the Company, any Parent or Subsidiary of the Company and any Related Entity to which a Participant provides services as an Employee, Consultant or as a Director.

2.29 "Share" means a share of the Company, and such other securities of the Company that may be substituted for Shares pursuant to Article 8.

2.30 "Subsidiary" means any corporation or other entity of which a majority of the outstanding voting shares or voting power is beneficially owned directly or indirectly by the Company.

2.31 "Trading Date" means the closing of the first sale to the general public of the Shares pursuant to an effective registration statement under Applicable Law, which results in the Shares being publicly traded on one or more established stock exchanges or national market systems.

### ARTICLE 3

#### SHARES SUBJECT TO THE PLAN

##### 3.1 Number of Shares.

(a) Subject to the provisions of Article 8 and Section 3.1(b), the maximum aggregate number of Shares which may be issued pursuant to all Awards (including Incentive Share Options) is [\_\_\_\_\_] % of the Shares outstanding as of the Effective Date.

(b) To the extent that an Award terminates, expires, or lapses for any reason, any Shares subject to the Award shall again be available for the grant of an Award pursuant to the Plan. To the extent permitted by Applicable Laws, Shares issued in assumption of, or in substitution for, any outstanding awards of any entity acquired in any form or combination by the Company or any Parent or Subsidiary of the Company shall not be counted against Shares

available for grant pursuant to the Plan. Shares delivered by the Participant or withheld by the Company upon the exercise of any Award under the Plan, in payment of the exercise price thereof or tax withholding thereon, may again be optioned, granted or awarded hereunder, subject to the limitations of Section 3.1(a). If any Restricted Shares are forfeited by the Participant or repurchased by the Company, such Shares may again be optioned, granted or awarded hereunder, subject to the limitations of Section 3.1(a). Notwithstanding the provisions of this Section 3.1(b), no Shares may again be optioned, granted or awarded if such action would cause an Incentive Share Option to fail to qualify as an incentive share option under Section 422 of the Code.

3.2 **Shares Distributed.** Any Shares issued pursuant to an Award may consist, in whole or in part, of authorized and unissued Shares, treasury Shares (subject to Applicable Laws) or Shares purchased on the open market. Additionally, in the discretion of the Committee, American Depository Shares in an amount equal to the number of Shares which otherwise would be distributed pursuant to an Award may be distributed in lieu of Shares in settlement of any Award. If the number of Shares represented by an American Depository Share is other than on a one-to-one basis, the limitations of Section 3.1 shall be adjusted to reflect the distribution of American Depository Shares in lieu of Shares.

#### ARTICLE 4

##### ELIGIBILITY AND PARTICIPATION

4.1 **Eligibility.** Persons eligible to participate in this Plan include Employees, Consultants, and all members of the Board, as determined by the Committee.

4.2 **Participation.** Subject to the provisions of the Plan, the Committee may, from time to time, select from among all eligible individuals, those to whom Awards shall be granted and shall determine the nature and amount of each Award. No individual shall have any right to be granted an Award pursuant to this Plan.

4.3 **Jurisdictions.** In order to assure the viability of Awards granted to Participants employed in various jurisdictions, the Committee may provide for such special terms as it may consider necessary or appropriate to accommodate differences in local law, tax policy, or custom applicable in the jurisdiction in which the Participant resides or is employed. Moreover, the Committee may approve such supplements to, or amendments, restatements, or alternative versions of, the Plan as it may consider necessary or appropriate for such purposes without thereby affecting the terms of the Plan as in effect for any other purpose; *provided, however*, that no such supplements, amendments, restatements, or alternative versions shall increase the share limitations contained in Section 3.1 of the Plan. Notwithstanding the foregoing, the Committee may not take any actions hereunder, and no Awards shall be granted, that would violate any Applicable Laws.

#### ARTICLE 5

##### OPTIONS

5.1 **General.** The Committee is authorized to grant Options to Participants on the following terms and conditions:

(a) **Exercise Price.** The exercise price per Share subject to an Option shall be determined by the Committee and set forth in the Award Agreement which may be a fixed or variable price related to the Fair Market Value of the Shares; *provided, however*, that no Option may be granted to an individual subject to taxation in the United States at less than the Fair Market Value on the date of grant.

(b) Time and Conditions of Exercise. The Committee shall determine the time or times at which an Option may be exercised in whole or in part, including exercise prior to vesting; *provided* that the term of any Option granted under the Plan shall not exceed ten years, except as provided in Section 11.1. The Committee shall also determine any conditions, if any, that must be satisfied before all or part of an Option may be exercised.

(c) Payment. The Committee shall determine the methods by which the exercise price of an Option may be paid, the form of payment, including, without limitation (i) cash or check denominated in U.S. Dollars, (ii) to the extent permissible under the Applicable Laws, cash or check in Chinese Renminbi, (iii) cash or check denominated in any other local currency as approved by the Committee, (iv) Shares held for such period of time as may be required by the Committee in order to avoid adverse financial accounting consequences and having a Fair Market Value on the date of delivery equal to the aggregate exercise price of the Option or exercised portion thereof, (v) after the Trading Date the delivery of a notice that the Participant has placed a market sell order with a broker with respect to Shares then issuable upon exercise of the Option, and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Company in satisfaction of the Option exercise price; *provided* that payment of such proceeds is then made to the Company upon settlement of such sale, (vi) other property acceptable to the Committee with a Fair Market Value equal to the exercise price, or (vii) any combination of the foregoing. Notwithstanding any other provision of the Plan to the contrary, no Participant who is a member of the Board or an "executive officer" of the Company within the meaning of Section 13(k) of the Exchange Act shall be permitted to pay the exercise price of an Option in any method which would violate Section 13(k) of the Exchange Act.

(d) Evidence of Grant. All Options shall be evidenced by an Award Agreement between the Company and the Participant. The Award Agreement shall include such additional provisions as may be specified by the Committee.

5.2 Incentive Share Options. Incentive Share Options may be granted to Employees of the Company, a Parent or Subsidiary of the Company. Incentive Share Options may not be granted to Employees of a Related Entity or to Independent Directors or Consultants. The terms of any Incentive Share Options granted pursuant to the Plan, in addition to the requirements of Section 5.1, must comply with the following additional provisions of this Section 5.2:

(a) Expiration of Option. An Incentive Share Option may not be exercised to any extent by anyone after the first to occur of the following events:

(i) Ten years from the date it is granted, unless an earlier time is set in the Award Agreement;

(ii) Three months after the Participant's termination of employment as an Employee (save in the case of termination on account of Disability or death); and

(iii) One year after the date of the Participant's termination of employment or service on account of Disability or death. Upon the Participant's Disability or death, any Incentive Share Options exercisable at the Participant's Disability or death may be exercised by the Participant's legal representative or representatives, by the person or persons entitled to do so pursuant to the Participant's last will and testament, or, if the Participant fails to make testamentary disposition of such Incentive Share Option or dies intestate, by the person or persons entitled to receive the Incentive Share Option pursuant to the applicable laws of descent and distribution.

(b) Individual Dollar Limitation. The aggregate Fair Market Value (determined as of the time the Option is granted) of all Shares with respect to which Incentive Share Options are first exercisable by a Participant in any calendar year may not exceed U.S.\$100,000 or such other limitation as imposed by Section 422(d) of the Code, or any successor provision. To the extent that Incentive Share Options are first exercisable by a Participant in excess of such limitation, the excess shall be considered Non-Qualified Share Options.

(c) Ten Percent Owners. An Incentive Share Option shall be granted to any individual who, at the date of grant, owns Shares possessing more than ten percent of the total combined voting power of all classes of shares of the Company only if such Option is granted at a price that is not less than 110% of Fair Market Value on the date of grant and the Option is exercisable for no more than five years from the date of grant.

(d) Transfer Restriction. The Participant shall give the Company prompt notice of any disposition of Shares acquired by exercise of an Incentive Share Option within (i) two years from the date of grant of such Incentive Share Option or (ii) one year after the transfer of such Shares to the Participant.

(e) Expiration of Incentive Share Options. No Award of an Incentive Share Option may be made pursuant to this Plan after the tenth anniversary of the Effective Date.

(f) Right to Exercise. During a Participant's lifetime, an Incentive Share Option may be exercised only by the Participant.

## ARTICLE 6

### RESTRICTED SHARES AND RESTRICTED SHARE UNITS

6.1 Grant of Restricted Shares. The Committee is authorized to make Awards of Restricted Shares and/or Restricted Share Units to any Participant selected by the Committee in such amounts and subject to such terms and conditions as determined by the Committee. All Awards of Restricted Shares shall be evidenced by an Award Agreement.

6.2 Issuance and Restrictions. Restricted Shares shall be subject to such restrictions on transferability and other restrictions as the Committee may impose (including, without limitation, limitations on the right to vote Restricted Shares or the right to receive dividends on the Restricted Share). These restrictions may lapse separately or in combination at such times, pursuant to such circumstances, in such installments, or otherwise, as the Committee determines at the time of the grant of the Award or thereafter.

6.3 Forfeiture/Repurchase. Except as otherwise determined by the Committee at the time of the grant of the Award or thereafter, upon termination of employment or service during the applicable restriction period, Restricted Shares that are at that time subject to restrictions shall be forfeited or repurchased in accordance with the Award Agreement; *provided, however*, that the Committee may (a) provide in any Restricted Share Award Agreement that restrictions or forfeiture and repurchase conditions relating to Restricted Shares will be waived in whole or in part in the event of terminations resulting from specified causes, and (b) in other cases waive in whole or in part restrictions or forfeiture and repurchase conditions relating to Restricted Shares.

6.4 Certificates for Restricted Shares. Restricted Shares granted pursuant to the Plan may be evidenced in such manner as the Committee shall determine. If certificates representing Restricted Shares are registered in the name of the Participant, certificates must bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Shares, and the Company may, at its discretion, retain physical possession of the certificate until such time as all applicable restrictions lapse.

6.5 Restricted Share Units. At the time of grant, the Committee shall specify the date or dates on which the Restricted Share Units shall become fully vested and nonforfeitable, and may specify such conditions to vesting as it deems appropriate. At the time of grant, the Committee shall specify the maturity date applicable to each grant of Restricted Share Units which shall be no earlier than the vesting date or dates of the Award and may be determined at the election of the grantee. On the maturity date, the Company shall, subject to Sections 7.4 and 7.5, transfer to the Participant one unrestricted, fully transferable Share for each Restricted Share Unit scheduled to be paid out on such date and not previously forfeited.

## ARTICLE 7

### PROVISIONS APPLICABLE TO AWARDS

7.1 Award Agreement. Awards under the Plan shall be evidenced by Award Agreements that set forth the terms, conditions and limitations for each Award which may include the term of an Award, the provisions applicable in the event the Participant's employment or service terminates, and the Company's authority to unilaterally or bilaterally amend, modify, suspend, cancel or rescind an Award.

7.2 Limits on Transfer. No right or interest of a Participant in any Award may be pledged, encumbered, or hypothecated to or in favor of any party other than the Company or a Subsidiary, or shall be subject to any lien, obligation, or liability of such Participant to any other party other than the Company or a Subsidiary. Except as otherwise provided by the Committee,



no Award shall be assigned, transferred, or otherwise disposed of by a Participant other than by will or the laws of descent and distribution. The Committee by express provision in the Award or an amendment thereto may permit an Award (other than an Incentive Share Option) to be transferred to, exercised by and paid to certain persons or entities related to the Participant, including but not limited to members of the Participant's family, charitable institutions, or trusts or other entities whose beneficiaries or beneficial owners are members of the Participant's family and/or charitable institutions, or to such other persons or entities as may be expressly approved by the Committee, pursuant to such conditions and procedures as the Committee may establish. Any permitted transfer shall be subject to the condition that the Committee receive evidence satisfactory to it that the transfer is being made for estate and/or tax planning purposes (or to a "blind trust" in connection with the Participant's termination of employment or service with the Company or a Subsidiary to assume a position with a governmental, charitable, educational or similar non-profit institution) and on a basis consistent with the Company's lawful issue of securities.

7.3 **Beneficiaries.** Notwithstanding Section 7.2, a Participant may, in the manner determined by the Committee, designate a beneficiary to exercise the rights of the Participant and to receive any distribution with respect to any Award upon the Participant's death. A beneficiary, legal guardian, legal representative, or other person claiming any rights pursuant to the Plan is subject to all terms and conditions of the Plan and any Award Agreement applicable to the Participant, except to the extent the Plan and Award Agreement otherwise provide, and to any additional restrictions deemed necessary or appropriate by the Committee. If the Participant is married and resides in a community property state, a designation of a person other than the Participant's spouse as his or her beneficiary with respect to more than 50% of the Participant's interest in the Award shall not be effective without the prior written consent of the Participant's spouse. If no beneficiary has been designated or survives the Participant, payment shall be made to the person entitled thereto pursuant to the Participant's will or the laws of descent and distribution. Subject to the foregoing, a beneficiary designation may be changed or revoked by a Participant at any time provided the change or revocation is filed with the Committee.

7.4 **Share Certificates.** Notwithstanding anything herein to the contrary, the Company shall not be required to issue or deliver any certificates evidencing Shares pursuant to the exercise of any Award, unless and until the Board has determined, with advice of counsel, that the issuance and delivery of such certificates is in compliance with all Applicable Laws, regulations of governmental authorities and, if applicable, the requirements of any exchange on which the Shares are listed or traded. All Share certificates delivered pursuant to the Plan are subject to any stop-transfer orders and other restrictions as the Committee deems necessary or advisable to comply with all Applicable Laws, and the rules of any national securities exchange or automated quotation system on which the Shares are listed, quoted, or traded. The Committee may place legends on any Share certificate to reference restrictions applicable to the Share. In addition to the terms and conditions provided herein, the Board may require that a Participant make such reasonable covenants, agreements, and representations as the Board, in its discretion, deems advisable in order to comply with any such laws, regulations, or requirements. The Committee shall have the right to require any Participant to comply with any timing or other restrictions with respect to the settlement or exercise of any Award, including a window-period limitation, as may be imposed in the discretion of the Committee.

7.5 Paperless Administration. Subject to Applicable Laws, the Committee may make Awards, provide applicable disclosure and procedures for exercise of Awards by an internet website or interactive voice response system for the paperless administration of Awards.

7.6 Foreign Currency. A Participant may be required to provide evidence that any currency used to pay the exercise price of any Award were acquired and taken out of the jurisdiction in which the Participant resides in accordance with Applicable Laws, including foreign exchange control laws and regulations. In the event the exercise price for an Award is paid in Chinese Renminbi or other foreign currency, as permitted by the Committee, the amount payable will be determined by conversion from U.S. dollars at the official rate promulgated by the People's Bank of China for Chinese Renminbi, or for jurisdictions other than the People's Republic of China, the exchange rate as selected by the Committee on the date of exercise.

## ARTICLE 8

### CHANGES IN CAPITAL STRUCTURE

8.1 Adjustments. In the event of any distribution, share split, combination or exchange of Shares, amalgamation, arrangement or consolidation, reorganization of the Company, including the Company becoming a subsidiary in a transaction not involving a Corporate Transaction, spin-off, recapitalization or other distribution (other than normal cash dividends) of Company assets to its shareholders, or any other change affecting the Shares or the share price of a Share, the Committee shall make such proportionate and equitable adjustments, if any, to reflect such change with respect to (a) the aggregate number and type of shares that may be issued under the Plan (including, but not limited to, adjustments of the limitations in Section 3.1 and substitutions of shares in a parent or surviving company); (b) the terms and conditions of any outstanding Awards (including, without limitation, any applicable performance targets or criteria with respect thereto); and (c) the grant or exercise price per share for any outstanding Awards under the Plan. The form and manner of any such adjustments shall be determined by the Committee in its sole discretion.

8.2 Acceleration upon a Change of Control. Except as may otherwise be provided in any Award Agreement or any other written agreement entered into by and between the Company and a Participant, if a Change of Control occurs and a Participant's Awards are not converted, assumed, or replaced by a successor, such Awards shall become fully exercisable and all forfeiture restrictions on such Awards shall lapse. Upon, or in anticipation of, a Change of Control, the Committee may in its sole discretion provide for (i) any and all Awards outstanding hereunder to terminate at a specific time in the future and shall give each Participant the right to exercise such Awards during a period of time as the Committee shall determine, (ii) either the purchase of any Award for an amount of cash equal to the amount that could have been attained upon the exercise of such Award or realization of the Participant's rights had such Award been currently exercisable or payable or fully vested (and, for the avoidance of doubt, if as of such date the Committee determines in good faith that no amount would have been attained upon the exercise of such Award or realization of the Participant's rights, then such Award may be terminated by the Company without payment), (iii) the replacement of such Award with other rights or property selected by the Committee in its sole discretion or the assumption of or substitution of such Award by the successor or surviving corporation, or a parent or subsidiary

thereof, with appropriate adjustments as to the number and kind of Shares and prices, or (iv) provide for payment of Awards in cash based on the value of Shares on the date of the Change of Control plus reasonable interest on the Award through the date such Award would otherwise be vested or have been paid in accordance with its original terms, if necessary to comply with Section 409A of the Code.

8.3 Outstanding Awards – Corporate Transactions. In the event of a Corporate Transaction, each Award will terminate upon the consummation of the Corporate Transaction, unless the Award is assumed by the successor entity or Parent thereof in connection with the Corporate Transaction. Except as provided otherwise in an individual Award Agreement, in the event of a Corporate Transaction and:

(a) the Award either is (x) assumed by the successor entity or Parent thereof or replaced with a comparable Award (as determined by the Committee) with respect to shares of the capital stock (or equivalent) of the successor entity or Parent thereof or (y) replaced with a cash incentive program of the successor entity which preserves the compensation element of such Award existing at the time of the Corporate Transaction and provides for subsequent payout in accordance with the same vesting schedule applicable to such Award, then such Award (if assumed), the replacement Award (if replaced), or the cash incentive program automatically shall become fully vested, exercisable and payable and be released from any restrictions on transfer (other than transfer restrictions applicable to Options) and repurchase or forfeiture rights, immediately upon termination of the Participant's employment or service with all Service Recipient within twelve (12) months of the Corporate Transaction without cause; and

(b) For each Award that is neither assumed nor replaced, such portion of the Award shall automatically become fully vested and exercisable and be released from any repurchase or forfeiture rights (other than repurchase rights exercisable at Fair Market Value) for all of the Shares at the time represented by such portion of the Award, immediately prior to the specified effective date of such Corporate Transaction, provided that the Participant remains an Employee, Consultant or Director on the effective date of the Corporate Transaction.

8.4 Outstanding Awards – Other Changes. In the event of any other change in the capitalization of the Company or corporate change other than those specifically referred to in this Article 8, the Committee may, in its absolute discretion, make such adjustments in the number and class of shares subject to Awards outstanding on the date on which such change occurs and in the per share grant or exercise price of each Award as the Committee may consider appropriate to prevent dilution or enlargement of rights.

8.5 No Other Rights. Except as expressly provided in the Plan, no Participant shall have any rights by reason of any subdivision or consolidation of shares of any class, the payment of any dividend, any increase or decrease in the number of shares of any class or any dissolution, liquidation, merger, or consolidation of the Company or any other corporation. Except as expressly provided in the Plan or pursuant to action of the Committee under the Plan, no issuance by the Company of shares of any class, or securities convertible into shares of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number of shares subject to an Award or the grant or exercise price of any Award.

ARTICLE 9

ADMINISTRATION

9.1 Committee. The Plan shall be administered by the Compensation Committee of the Board; *provided, however* that the Compensation Committee may delegate to a committee of one or more members of the Board the authority to grant or amend Awards to Participants other than Independent Directors and executive officers of the Company. The Committee shall consist of at least two individuals, each of whom qualifies as a Non-Employee Director. Reference to the Committee shall refer to the Board if the Compensation Committee has not been established or ceases to exist and the Board does not appoint a successor Committee. Notwithstanding the foregoing, the full Board, acting by majority of its members in office shall conduct the general administration of the Plan if required by Applicable Law, and with respect to Awards granted to Independent Directors and for purposes of such Awards the term "Committee" as used in the Plan shall be deemed to refer to the Board.

9.2 Action by the Committee. A majority of the Committee shall constitute a quorum. The acts of a majority of the members present at any meeting at which a quorum is present, and acts approved in writing by a majority of the Committee in lieu of a meeting, shall be deemed the acts of the Committee. Each member of the Committee is entitled to, in good faith, rely or act upon any report or other information furnished to that member by any officer or other employee of the Company or any Subsidiary, the Company's independent certified public accountants, or any executive compensation consultant or other professional retained by the Company to assist in the administration of the Plan.

9.3 Authority of Committee. Subject to any specific designation in the Plan, the Committee has the exclusive power, authority and discretion to:

- (a) Designate Participants to receive Awards;
- (b) Determine the type or types of Awards to be granted to each Participant;
- (c) Determine the number of Awards to be granted and the number of Shares to which an Award will relate;

(d) Determine the terms and conditions of any Award granted pursuant to the Plan, including, but not limited to, the exercise price, grant price, or purchase price, any restrictions or limitations on the Award, any schedule for lapse of forfeiture restrictions or restrictions on the exercisability of an Award, and accelerations or waivers thereof, any provisions related to non-competition and recapture of gain on an Award, based in each case on such considerations as the Committee in its sole discretion determines;

(e) Determine whether, to what extent, and pursuant to what circumstances an Award may be settled in, or the exercise price of an Award may be paid in, cash, Shares, other Awards, or other property, or an Award may be canceled, forfeited, or surrendered;

- (f) Prescribe the form of each Award Agreement, which need not be identical for each Participant;

- (g) Decide all other matters that must be determined in connection with an Award;
- (h) Establish, adopt, or revise any rules and regulations as it may deem necessary or advisable to administer the Plan;
- (i) Interpret the terms of, and any matter arising pursuant to, the Plan or any Award Agreement; and
- (j) Make all other decisions and determinations that may be required pursuant to the Plan or as the Committee deems necessary or advisable to administer the Plan.

9.4 **Decisions Binding.** The Committee's interpretation of the Plan, any Awards granted pursuant to the Plan, any Award Agreement and all decisions and determinations by the Committee with respect to the Plan are final, binding, and conclusive on all parties.

#### ARTICLE 10

##### EFFECTIVE AND EXPIRATION DATE

10.1 **Effective Date.** The Plan is effective as of the date the Plan is approved by the Company's Board (the "**Effective Date**").

10.2 **Expiration Date.** The Plan will expire on, and no Award may be granted pursuant to the Plan after, the tenth anniversary of the Effective Date. Any Awards that are outstanding on the tenth anniversary of the Effective Date shall remain in force according to the terms of the Plan and the applicable Award Agreement.

#### ARTICLE 11

##### AMENDMENT, MODIFICATION, AND TERMINATION

11.1 **Amendment, Modification, And Termination.** With the approval of the Board, at any time and from time to time, the Committee may terminate, amend or modify the Plan; *provided, however*, that (a) to the extent necessary and desirable to comply with Applicable Laws, or stock exchange rules, the Company shall obtain shareholder approval of any Plan amendment in such a manner and to such a degree as required, and (b) shareholder approval is required for any amendment to the Plan that (i) increases the number of Shares available under the Plan (other than any adjustment as provided by Article 8), (ii) permits the Committee to extend the term of the Plan or the exercise period for an Option beyond ten years from the date of grant, or (iii) results in a material increase in benefits or a change in eligibility requirements.

11.2 **Awards Previously Granted.** Except with respect to amendments made pursuant to Section 11.1, no termination, amendment, or modification of the Plan shall adversely affect in any material way any Award previously granted pursuant to the Plan without the prior written consent of the Participant.

ARTICLE 12

GENERAL PROVISIONS

12.1 No Rights to Awards. No Participant, employee, or other person shall have any claim to be granted any Award pursuant to the Plan, and neither the Company nor the Committee is obligated to treat Participants, employees, and other persons uniformly.

12.2 No Shareholders Rights. No Award gives the Participant any of the rights of a Shareholder of the Company unless and until Shares are in fact issued to such person in connection with such Award.

12.3 Taxes. No Shares shall be delivered under the Plan to any Participant until such Participant has made arrangements acceptable to the Committee for the satisfaction of any income and employment tax withholding obligations under Applicable Laws. The Company or any Subsidiary shall have the authority and the right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy all applicable taxes (including the Participant's payroll tax obligations) required or permitted by law to be withheld with respect to any taxable event concerning a Participant arising as a result of this Plan. The Committee may in its discretion and in satisfaction of the foregoing requirement allow a Participant to elect to have the Company withhold Shares otherwise issuable under an Award (or allow the return of Shares) having a Fair Market Value equal to the sums required to be withheld. Notwithstanding any other provision of the Plan, the number of Shares which may be withheld with respect to the issuance, vesting, exercise or payment of any Award (or which may be repurchased from the Participant of such Award after such Shares were acquired by the Participant from the Company) in order to satisfy the Participant's federal, state, local and foreign income and payroll tax liabilities with respect to the issuance, vesting, exercise or payment of the Award shall, unless specifically approved by the Committee, be limited to the number of Shares which have a Fair Market Value on the date of withholding or repurchase equal to the aggregate amount of such liabilities based on the minimum statutory withholding rates for federal, state, local and foreign income tax and payroll tax purposes that are applicable to such supplemental taxable income.

12.4 No Right to Employment or Services. Nothing in the Plan or any Award Agreement shall interfere with or limit in any way the right of the Service Recipient to terminate any Participant's employment or services at any time, nor confer upon any Participant any right to continue in the employ or service of any Service Recipient.

12.5 Unfunded Status of Awards. The Plan is intended to be an "unfunded" plan for incentive compensation. With respect to any payments not yet made to a Participant pursuant to an Award, nothing contained in the Plan or any Award Agreement shall give the Participant any rights that are greater than those of a general creditor of the Company or any Subsidiary.

12.6 Indemnification. To the extent allowable pursuant to applicable law, each member of the Committee or of the Board shall be indemnified and held harmless by the Company from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by such member in connection with or resulting from any claim, action, suit, or

proceeding to which he or she may be a party or in which he or she may be involved by reason of any action or failure to act pursuant to the Plan and against and from any and all amounts paid by him or her in satisfaction of judgment in such action, suit, or proceeding against him or her; *provided* he or she gives the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled pursuant to the Company's Memorandum of Association and Articles of Association, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

12.7 Relationship to other Benefits. No payment pursuant to the Plan shall be taken into account in determining any benefits pursuant to any pension, retirement, savings, profit sharing, group insurance, welfare or other benefit plan of the Company or any Subsidiary except to the extent otherwise expressly provided in writing in such other plan or an agreement thereunder.

12.8 Expenses. The expenses of administering the Plan shall be borne by the Company and its Subsidiaries.

12.9 Titles and Headings. The titles and headings of the Sections in the Plan are for convenience of reference only and, in the event of any conflict, the text of the Plan, rather than such titles or headings, shall control.

12.10 Fractional Shares. No fractional Share shall be issued and the Committee shall determine, in its discretion, whether cash shall be given in lieu of fractional shares or whether such fractional shares shall be eliminated by rounding up or down as appropriate.

12.11 Government and Other Regulations. The obligation of the Company to make payment of awards in Shares or otherwise shall be subject to all Applicable Laws and to such approvals by government agencies as may be required. The Company shall be under no obligation to register any of the Shares paid pursuant to the Plan under the Securities Act or any other similar law in any applicable jurisdiction. If the Shares paid pursuant to the Plan may in certain circumstances be exempt from registration pursuant to the Securities Act or other Applicable Laws, the Company may restrict the transfer of such Shares in such manner as it deems advisable to ensure the availability of any such exemption.

12.12 Governing Law. The Plan and all Award Agreements shall be construed in accordance with and governed by the laws of the British Virgin Islands.

12.13 Section 409A. To the extent that the Committee determines that any Award granted under the Plan is or may become subject to Section 409A of the Code, the Award Agreement evidencing such Award shall incorporate the terms and conditions required by Section 409A of the Code. To the extent applicable, the Plan and the Award Agreements shall be interpreted in accordance with Section 409A of the Code and the U.S. Department of Treasury regulations and other interpretative guidance issued thereunder, including without limitation any such regulation or other guidance that may be issued after the Effective Date. Notwithstanding any provision of the Plan to the contrary, in the event that following the

Effective Date the Committee determines that any Award may be subject to Section 409A of the Code and related U.S. Department of Treasury guidance (including such U.S. Department of Treasury guidance as may be issued after the Effective Date), the Committee may adopt such amendments to the Plan and the applicable Award agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Committee determines is necessary or appropriate to (a) exempt the Award from Section 409A of the Code and /or preserve the intended tax treatment of the benefits provided with respect to the Award, or (b) comply with the requirements of Section 409A of the Code and related U.S. Department of Treasury guidance.

12.14 Appendices. The Committee may approve such supplements, amendments or appendices to the Plan as it may consider necessary or appropriate for purposes of compliance with applicable laws or otherwise and such supplements, amendments or appendices shall be considered a part of the Plan; *provided, however*, that no such supplements shall increase the share limitations contained in Section 3.1 of the Plan.

\* \* \* \* \*

I hereby certify that the foregoing Plan was duly adopted by the Board of Directors of ReneSola Ltd on \_\_\_\_\_, 2007.

\* \* \* \* \*

I hereby certify that the foregoing Plan was approved by the shareholders of ReneSola Ltd on \_\_\_\_\_, 2007.

Executed on this \_\_\_\_\_ day of \_\_\_\_\_, 2007.

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Corporate Secretary



## INDEMNIFICATION AGREEMENT

This Indemnification Agreement (the "Agreement") is entered into as of \_\_\_\_\_, 2007 by and between ReneSola Ltd, a British Virgin Islands company (the "Company"), and the undersigned, a director and/or officer of the Company (the "Indemnitee").

## RECITALS

1. The Company recognizes that highly competent persons are becoming more reluctant to serve corporations as directors or in other capacities unless they are provided with adequate protection through insurance or adequate indemnification against risks of claims and actions against them arising out of their services to the corporation.
2. The Board of Directors of the Company (the "Board") has determined that the inability to attract and retain highly competent persons to serve the Company is detrimental to the best interests of the Company and its shareholders and that it is reasonable and necessary for the Company to provide adequate protection to such persons against risks of claims and actions against them arising out of their services to the corporation.
3. The Company is willing to indemnify the Indemnitee to the fullest extent permitted by applicable law, and the Indemnitee is willing to serve and continue to serve the Company on the condition that he/she be so indemnified.

## AGREEMENT

In consideration of the premises and the covenants contained herein, the Company and the Indemnitee do hereby covenant and agree as follows:

## A. DEFINITIONS

The following terms shall have the meanings defined below:

*Expenses* shall include damages, judgments, fines, penalties, settlements and costs, attorneys' fees and disbursements and costs of attachment or similar bond, investigations, and any expenses paid or incurred in connection with investigating, defending, being a witness in, participating in (including on appeal), or preparing for any of the foregoing in, any Proceeding.

*Indemnifiable Event* means any event or occurrence that takes place either before or after the execution of this Agreement, related to the fact that the Indemnitee is or was a director or an officer of the Company, or is or was serving at the request of the Company as a director or an officer of another corporation, partnership, joint venture or other entity or was a director or officer of an entity that was a predecessor of the Company or another entity at the request of such predecessor entity, or related to anything done or not done by the Indemnitee in any such capacity.

*Participant* means a person who is a party to, or witness or participant (including on appeal) in, a Proceeding.

*Proceeding* means any threatened, pending, or completed action, suit or proceeding, or any inquiry, hearing or investigation, whether civil, criminal, administrative, investigative or other, in which the Indemnitee may be or may have been involved as a party or otherwise by reason of an Indemnifiable Event, including, without limitation, any threatened, pending, or completed action, suit or proceeding by or in the right of the Company.

B. AGREEMENT TO INDEMNIFY

1. General Agreement. In the event the Indemnitee was, is, or becomes a Participant in, or is threatened to be made a Participant in, a Proceeding, the Company shall indemnify the Indemnitee from and against any and all Expenses which the Indemnitee incurs or becomes obligated to incur in connection with such Proceeding, to the fullest extent permitted by applicable law.

2. Indemnification of Expenses of Successful Party. Notwithstanding any other provision of this Agreement, to the extent that the Indemnitee has been successful on the merits in defense of any Proceeding or in defense of any claim, issue or matter in such Proceeding, the Indemnitee shall be indemnified against all Expenses incurred in connection with such Proceeding or such claim, issue or matter, as the case may be, offset by the amount of cash, if any, received by the Indemnitee resulting from his/her success therein.

3. Partial Indemnification. If the Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for a portion of Expenses, but not for the total amount of Expenses, the Company shall indemnify the Indemnitee for the portion of such Expenses to which the Indemnitee is entitled.

4. Exclusions. Notwithstanding anything in this Agreement to the contrary, the Indemnitee shall not be entitled to indemnification under this Agreement:

(a) to the extent that payment is actually made to the Indemnitee under a valid, enforceable and collectible insurance policy;

(b) to the extent that Indemnitee is indemnified and actually paid other than pursuant to this Agreement;

(c) in connection with a judicial action by or in the right of the Company, in respect of any claim, issue or matter as to which the Indemnitee shall have been adjudicated by final judgment in a court of law to be liable for gross negligence or willful misconduct in the performance of his/her duty to the Company unless and only to the extent that any court in which such action was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, the Indemnitee is fairly and reasonably entitled to indemnity for such Expenses as such court shall deem proper;

(d) in connection with any Proceeding initiated by the Indemnitee against the Company, any director or officer of the Company, and not by way of defense, unless (i) the Company has joined in or the Board has consented to the initiation of such Proceeding; or (ii) the Proceeding is one to enforce indemnification rights under this Agreement or any applicable law;

(e) for a disgorgement of profits made from the purchase and sale by the Indemnitee of securities pursuant to Section 16(b) of the Exchange Act or similar provisions of any applicable U.S. state statutory law or common law;

(f) brought about by the dishonesty or fraud of the Indemnitee seeking payment hereunder; provided, however, that the Indemnitee shall be protected under this Agreement as to any claims upon which suit may be brought against him by reason of any alleged dishonesty on his/her part, unless a judgment or other final adjudication thereof adverse to the Indemnitee establishes that he/she committed (i) acts of active and deliberate dishonesty, (ii) with actual dishonest purpose and intent, and (iii) which acts were material to the cause of action so adjudicated;

(g) for any judgment, fine or penalty which the Company is prohibited by applicable law from paying as indemnity; or

(h) arising out of the Indemnitee's breach of an employment agreement with the Company (if any) or any other agreement with the Company or any of its subsidiaries.

5. No Employment Rights. Nothing in this Agreement is intended to create in the Indemnitee any right to continued employment with the Company.

6. Contribution. If the indemnification provided in this Agreement is unavailable and may not be paid to the Indemnitee for any reason other than those set forth in Section 4, then the Company shall contribute to the amount of Expenses paid in settlement actually and reasonably incurred and paid or payable by the Indemnitee in such proportion as is appropriate to reflect (i) the relative benefits received by the Company on the one hand and by the Indemnitee on the other hand from the transaction from which such Proceeding arose, and (ii) the relative fault of the Company on the one hand and of the Indemnitee on the other hand in connection with the events which resulted in such Expenses, as well as any other relevant equitable considerations. The relative fault of the Company on the one hand and of the Indemnitee on the other hand shall be determined by reference to, among other things, the parties' relative intent, knowledge, access to information and opportunity to correct or prevent the circumstances resulting in such Expenses, judgments, fines or settlement amounts. The Company agrees that it would not be just and equitable if contribution pursuant to this Section 6 were determined by pro rata allocation or any other method of allocation which does not take account of the foregoing equitable considerations.

#### C. INDEMNIFICATION PROCESS

1. Notice and Cooperation By the Indemnitee. The Indemnitee shall, as a condition precedent to his/her right to be indemnified under this Agreement, give the Company notice in writing as soon as practicable of any claim made against the Indemnitee for which indemnification will or could be sought under this Agreement, provided that the delay of the Indemnitee to give notice hereunder shall not prejudice any of the Indemnitee's rights hereunder, unless such delay results in the Company's forfeiture of substantive rights or defenses. Notice to the Company shall be given in accordance with Section F.7 below. Notice to the Company shall be given in accordance with Section F.7 below. In addition, the Indemnitee shall give the Company such information and cooperation as the Company may reasonably request.

2. Indemnification Payment.

(a) Advancement of Expenses. The Indemnitee may submit a written request with reasonable specificity to the Company requesting that the Company advance to the Indemnitee all Expenses that may be reasonably incurred by the Indemnitee in connection with a Proceeding as such Expenses are incurred. The Company shall, within ten (10) business days of receiving such a written request by the Indemnitee, advance all requested Expenses to the Indemnitee. Any excess of the advanced Expenses over the actual Expenses will be returned to the Company.

(b) Reimbursement of Expenses. To the extent the Indemnitee has not requested any advanced payment of Expenses from the Company, the Indemnitee shall be entitled to receive reimbursement for the Expenses incurred in connection with a Proceeding from the Company as soon as practicable after the Indemnitee makes a written request to the Company for reimbursement.

(c) Determination by the Reviewing Party. Notwithstanding anything foregoing to the contrary, in the event the Reviewing Party (as hereinafter defined) informs the Company that the Indemnitee is not entitled to indemnification in connection with a Proceeding under this Agreement or applicable law, the Company shall be entitled to be reimbursed by the Indemnitee for all the Expenses previously advanced or otherwise paid to the Indemnitee in connection with such Proceeding; provided, however, that the Indemnitee may bring a suit to enforce his/her indemnification right in accordance with Section C.3 below.

3. Suit to Enforce Rights. Regardless of any action by the Reviewing Party, if the Indemnitee has not received full indemnification within 30 days after making a written demand in accordance with Section C.2 above, the Indemnitee shall have the right to enforce its indemnification rights under this Agreement by commencing litigation in any court of competent jurisdiction seeking a determination by the court or challenging any determination by the Reviewing Party or any breach in any aspect of this Agreement. Any determination by the Reviewing Party not challenged by the Indemnitee and any judgment entered by the court shall be binding on the Company and the Indemnitee.

4. Assumption of Defense. In the event the Company is obligated under this Agreement to advance or bear any Expenses for any Proceeding against the Indemnitee, the Company shall be entitled to assume the defense of such Proceeding, with counsel approved by the Indemnitee, upon delivery to the Indemnitee of written notice of its election to do so. After delivery of such notice, approval of such counsel by the Indemnitee and the retention of such counsel by the Company, the Company will not be liable to the Indemnitee under this Agreement for any fees of counsel subsequently incurred by the Indemnitee with respect to the same Proceeding, unless (i) the employment of counsel by the Indemnitee has been previously authorized by the Company, (ii) the Indemnitee shall have reasonably concluded, based on written advice of counsel, that there may be a conflict of interest of such counsel retained by the Company between the Company and the Indemnitee in the conduct of any such defense, or (iii) the Company ceases or terminates the employment of such counsel with respect to the defense of such Proceeding, in any of which events the fees and expenses of the Indemnitee's counsel shall be at the expense of the Company. At all times, the Indemnitee shall have the right to employ counsel in any Proceeding at the Indemnitee's expense.

5. Defense to Indemnification, Burden of Proof and Presumptions. It shall be a defense to any action brought by the Indemnitee against the Company to enforce this Agreement that it is not permissible under this Agreement or applicable law for the Company to indemnify the Indemnitee for the amount claimed. In connection with any such action or any determination by the Reviewing Party or otherwise as to whether the Indemnitee is entitled to be indemnified under this Agreement, the burden of proving such a defense or determination shall be on the Company. Neither the failure of the Reviewing Party or the Company to have made a determination prior to the commencement of such action by the Indemnitee that indemnification is proper under the circumstances because the Indemnitee has met the standard of conduct set forth in applicable law, nor an actual determination by the Reviewing Party or the Company that the Indemnitee had not met such applicable standard of conduct shall be a defense to the action or create a presumption that the Indemnitee has not met the applicable standard of conduct.

6. No Settlement Without Consent. The Company shall not settle any Proceeding in any manner that would impose any damage, loss, penalty or limitation on the Indemnitee without the Indemnitee's prior written consent. Neither the Company nor the Indemnitee shall unreasonably withhold its consent to any proposed settlement, provided that the Indemnitee may withhold his consent if any proposed settlement imposes any damage, loss, penalty or limitation on the Indemnitee.

7. Company Participation. The Company shall not be liable to indemnify the Indemnitee under this Agreement with regard to any judicial action if the Company was not given a reasonable and timely opportunity, at its expense, to participate in the defense of such action, unless such lack of opportunity does not result in the Company's forfeiture of substantive rights or defenses.

8. Reviewing Party.

(a) For purposes of this Agreement, the Reviewing Party (the "Reviewing Party") with respect to each indemnification request of the Indemnitee shall be (A) the Board by a majority vote of a quorum consisting of Disinterested Directors (as hereinafter defined), or (B) if a quorum of the Board consisting of Disinterested Directors is not obtainable or, even if obtainable, said Disinterested Directors so direct, the Independent Counsel in a written opinion to the Board, a copy of which shall be delivered to the Indemnitee; and, if it is determined that the Indemnitee is entitled to indemnification, payment to the Indemnitee shall be made within ten (10) days after such determination. The Indemnitee shall cooperate with the person, persons or entity making such determination with respect to the Indemnitee's entitlement to indemnification, including providing to such person, persons or entity upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to the Indemnitee and reasonably necessary to such determination. Any Independent Counsel or member of the Board shall act reasonably and in good faith in making a determination under this Agreement of the Indemnitee's entitlement to indemnification. Any reasonable costs or expenses (including reasonable attorneys' fees and disbursements) incurred by the Indemnitee in so cooperating with the person, persons or entity making such determination shall be borne by the Company (irrespective of the determination as to the Indemnitee's entitlement to indemnification) and the Company hereby indemnifies and agrees to hold the Indemnitee harmless therefrom. "Disinterested Director" means a director of the Company who is not and was not a party to the Proceeding in respect of which indemnification is sought by the Indemnitee.

(b) If the determination of entitlement to indemnification is to be made by the Independent Counsel, the Independent Counsel shall be selected as provided in this Section 8(b). The Independent Counsel shall be selected by the Indemnitee (unless the Indemnitee shall request that such selection be made by the Board, in which event the Board by a majority vote of Disinterested Directors shall select), and the Indemnitee shall give written notice to the Company advising it of the identity of the Independent Counsel so selected. In either event, the Indemnitee or the Company, as the case may be, may, within ten (10) days after such written notice of selection shall have been given, deliver to the Company or to the Indemnitee, as the case may be, a written objection to such selection; *provided, however*, that such objection may be asserted only on the ground that the Independent Counsel so selected does not meet the requirements of "Independent Counsel" as defined in Section 8(d) of this Agreement, and the objection shall set forth with particularity the factual basis of such assertion. Absent a proper and timely objection, the person so selected shall act as Independent Counsel. If a written objection is made and substantiated, the Independent Counsel selected may not serve as Independent Counsel unless and until such objection is withdrawn or a court has determined that such objection is without merit. If the determination of entitlement to indemnification is to be made by the Independent Counsel, but within 20 days after submission by the Indemnitee of a written request for indemnification, no Independent Counsel shall have been selected and not objected to, either the Company or the Indemnitee may petition the a court of competent jurisdiction for resolution of any objection which shall have been made by the Company or the Indemnitee to the other's selection of the Independent Counsel and/or for the appointment as the Independent Counsel of a person selected by the court or by such other person as the court shall designate, and the person with respect to whom all objections are so resolved or the person so appointed shall act as the Independent Counsel. The Company shall pay any and all reasonable fees and expenses of the Independent Counsel incurred by such Independent Counsel in connection with acting under this Agreement, and the Company shall pay all reasonable fees and expenses incident to the procedures of this Section 8(b), regardless of the manner in which such Independent Counsel was selected or appointed.

(c) In making a determination with respect to entitlement to indemnification hereunder, the Reviewing Party shall presume that the Indemnitee is entitled to indemnification under this Agreement if the Indemnitee has submitted a request for indemnification in accordance with this Agreement, and the Company shall have the burden of proof to overcome that presumption in connection with the making by any person, persons or entity of any determination contrary to that presumption. The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement (with or without court approval), conviction, or upon a plea of *nolo contendere* or its equivalent, shall not (except as otherwise expressly provided in this Agreement) of itself adversely affect the right of the Indemnitee to indemnification or create a presumption that the Indemnitee did not act in good faith and in a manner which he/she reasonably believed to be in or not opposed to the best interests of the Company or, with respect to any criminal Proceeding, that the Indemnitee had reasonable cause to believe that his/her conduct was unlawful. For purposes of any determination of good faith, the Indemnitee shall be deemed to have acted in good faith if the Indemnitee's action is based on the records or books of account of the Company and any other corporation, partnership, joint venture or other entity of which the Indemnitee is or was serving at the written request of the Company as a director, officer, employee, agent

or fiduciary, including financial statements, or on information supplied to the Indemnitee by the officers and directors of the Company or such other corporation, partnership, joint venture or other entity in the course of their duties, or on the advice of legal counsel for the Company or such other corporation, partnership, joint venture or other entity or on information or records given or reports made to the Company or such other corporation, partnership, joint venture or other entity by an independent certified public accountant or by an appraiser or other expert selected with reasonable care by the Company or such other corporation, partnership, joint venture or other entity. In addition, the knowledge and/or actions, or failure to act, of any director, officer, agent or employee of the Company or such other corporation, partnership, joint venture or other entity shall not be imputed to the Indemnitee for purposes of determining the right to indemnification under this Agreement. The provisions of this Section 8(c) shall not be deemed to be exclusive or to limit in any way the other circumstances in which the Indemnitee may be deemed to have met the applicable standard of conduct set forth in this Agreement.

(d) "Independent Counsel" means a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither presently is, nor in the past five (5) years has been, retained to represent (i) the Company or the Indemnitee in any matter material to either such party (other than with respect to matters concerning the Indemnitee under this Agreement, or of other indemnitees under similar indemnification agreements), or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or the Indemnitee in an action to determine the Indemnitee's rights under this Agreement. The Company agrees to pay the reasonable fees of the Independent Counsel referred to above.

#### D. DIRECTOR AND OFFICER LIABILITY INSURANCE

1. Good Faith Determination. The Company shall from time to time make the good faith determination whether or not it is practicable for the Company to obtain and maintain a policy or policies of insurance with reputable insurance companies providing the officers and directors of the Company with coverage for losses incurred in connection with their services to the Company or to ensure the Company's performance of its indemnification obligations under this Agreement.

2. Coverage of the Indemnitee. To the extent the Company maintains an insurance policy or policies providing directors' and officers' liability insurance, the Indemnitee shall be covered by such policy or policies, in accordance with its or their terms, to the maximum extent of the coverage available for any of the Company's directors or officers.

3. No Obligation. Notwithstanding the foregoing, the Company shall have no obligation to obtain or maintain any director and officer insurance policy if the Company determines in good faith that such insurance is not reasonably available in the case that (i) premium costs for such insurance are disproportionate to the amount of coverage provided, (ii) the coverage provided by such insurance is limited by exclusions so as to provide an insufficient benefit, or (iii) Indmnitee is covered by similar insurance maintained by a parent or subsidiary of the Company.

E. NON-EXCLUSIVITY; FEDERAL PREEMPTION; TERM

1. Non-Exclusivity. The indemnification provided by this Agreement shall not be deemed exclusive of any rights to which the Indemnitee may be entitled under the Company's current memorandum and articles of association, applicable law or any written agreement between the Indemnitee and the Company (including its subsidiaries and affiliates). The indemnification provided under this Agreement shall continue to be available to the Indemnitee for any action taken or not taken while serving in an indemnified capacity even though he/she may have ceased to serve in any such capacity at the time of any Proceeding.

2. Federal Preemption. Notwithstanding the foregoing, both the Company and the Indemnitee acknowledge that in certain instances, U.S. federal law or public policy may override applicable law and prohibit the Company from indemnifying its directors and officers under this Agreement or otherwise. Such instances include, but are not limited to, the U.S. Securities and Exchange Commission's prohibition on indemnification for liabilities arising under certain U.S. federal securities laws. The Indemnitee understands and acknowledges that the Company has undertaken or may be required in the future to undertake with the SEC to submit the question of indemnification to a court in certain circumstances for a determination of the Company's right under public policy to indemnify the Indemnitee.

3. Duration of Agreement. All agreements and obligations of the Company contained herein shall continue during the period the Indemnitee is a director and/or officer of the Company (or is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise) and shall continue thereafter so long as the Indemnitee shall be subject to any Proceeding by reason of his/her former or current capacity at the Company or any other enterprise at the Company's request, whether or not he/she is acting or serving in any such capacity at the time any expense is incurred for which indemnification can be provided under this Agreement. This Agreement shall continue in effect regardless of whether the Indemnitee continues to serve as an officer and/or a director of the Company or any other enterprise at the Company's request.

F. MISCELLANEOUS

1. Amendment of this Agreement. No supplement, modification, or amendment of this Agreement shall be binding unless executed in writing by the parties hereto. No waiver of any of the provisions of this Agreement shall operate as a waiver of any other provisions (whether or not similar), nor shall such waiver constitute a continuing waiver. Except as specifically provided in this Agreement, no failure to exercise or any delay in exercising any right or remedy shall constitute a waiver.

2. Subrogation. In the event of payment to the Indemnitee by the Company under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of the Indemnitee, who shall execute all papers required and shall do everything that may be necessary to secure such rights, including the execution of such documents necessary to enable the Company to bring suit to enforce such rights.

3. Assignment; Binding Effect. Neither this Agreement nor any of the rights or obligations hereunder may be assigned by either party hereto without the prior written



consent of the other party; except that the Company may, without such consent, assign all such rights and obligations to a successor in interest to the Company which assumes all obligations of the Company under this Agreement. Notwithstanding the foregoing, this Agreement shall be binding upon and inure to the benefit of and be enforceable by and against the parties hereto and the Company's successors (including any direct or indirect successor by purchase, merger, consolidation, or otherwise to all or substantially all of the business and/or assets of the Company) and assigns, as well as the Indemnitee's spouses, heirs, and personal and legal representatives. As a condition to any purchase, merger, consolidation or other business combination transaction involving the Company, the Company's successor shall expressly assume the obligations under this Agreement.

4. Severability and Construction. Nothing in this Agreement is intended to require or shall be construed as requiring the Company to do or fail to do any act in violation of applicable law. The Company's inability, pursuant to a court order, to perform its obligations under this Agreement shall not constitute a breach of this Agreement. In addition, if any portion of this Agreement shall be held by a court of competent jurisdiction to be invalid, void, or otherwise unenforceable, the remaining provisions shall remain enforceable to the fullest extent permitted by applicable law. The parties hereto acknowledge that they each have opportunities to have their respective counsels review this Agreement. Accordingly, this Agreement shall be deemed to be the product of both of the parties hereto, and no ambiguity shall be construed in favor of or against either of the parties hereto.

5. Counterparts. This Agreement may be executed in two counterparts, both of which taken together shall constitute one instrument.

6. Governing Law. This agreement and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of the State of New York, U.S.A., without giving effect to conflicts of law provisions thereof.

7. Notices. All notices, demands, and other communications required or permitted under this Agreement shall be made in writing and shall be deemed to have been duly given if delivered by hand, against receipt, or mailed, postage prepaid, certified or registered mail, return receipt requested, and addressed to the Company at:

ReneSola Ltd  
No. 8 Baoqun Road, YaoZhuang  
Jiashan, Zhejiang 314117  
People's Republic of China  
Attention: Mr. Xianshou Li, Chief Executive Officer

and to the Indemnitee at its last address notified to the Company.

8. Entire Agreement. Except as set forth in Section E.1 above, this Agreement constitutes the entire agreement and supersedes all prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof.

(Signature page follows)

IN WITNESS WHEREOF, the parties hereto execute this Agreement as of the date first written above.

COMPANY

ReneSola Ltd

\_\_\_\_\_

Name:

Title:

INDEMNITEE

\_\_\_\_\_

Name:

DATED 22 MAY 2006

(1) ZHEJIANG YUHUI SOLAR ENERGY SOURCE CO., LTD.

(2) RENESOLA LTD

(3) LI XIAN SHOU

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SERVICE AGREEMENT

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Pinsent Masons

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**BETWEEN:**

- (1) **ZHEJIANG YUHUI SOLAR ENERGY SOURCE CO., LTD.**, a company incorporated in the People's Republic of China with the registered number 1016246 and having its registered address at Industry Zone, YaoZhuang, Jiashan County, Zhejiang Province, PRC (the "**Company**");
- (2) **RENESOLA LTD.**, a company incorporated in The British Virgin Islands with the registered number 1016246 and having its registered office at Craigmuir Chambers, Road Town, Tortola, British Virgin islands ("**Renisola**"); and
- (3) **LI XIAN SHOU** (PRC Identity No. 330106196808010015), of ChengZhong Road, ZhuGang Town, YuHuan County, Zhejiang Province, PRC (the "**Executive**").

**IT IS AGREED** as follows:

**1. INTERPRETATION**

1.1 In this Agreement:

"Board"	means the Board of Directors of the Company from time to time
"Effective Date"	means the date of admission of Renesola's shares to the Alternative Investment Market of the London Stock Exchange plc
"Employment"	means the employment established by this Agreement
"Group"	means the Company and its subsidiaries
"Group Company"	means any of (i) the Company, (ii) the holding company for the time being of the Company and (iii) any subsidiary for the time being of the Company or any such holding company; and " <b>holding company</b> " and " <b>subsidiary</b> " shall be construed in accordance with section 736 of the Companies Act 1985 (as amended) of the United Kingdom
"PRC" or "China"	means the People's Republic of China
"RMB" or "Renminbi"	means the lawful currency of the PRC
"USD"	means the lawful currency of the United States of America

1.2 Any reference in this Agreement to an Act of Parliament shall be deemed to include any statutory modification of re-enactment thereof whenever made.

1.3 The headings shall be disregarded in construing this Agreement.

2.

**EMPLOYMENT**

The Company shall employ and continue to employ the Executive and the Executive shall serve and continue to serve the Company as Chief Executive Officer of the Company and its group of companies in such capacity as the Board may request in consultation with him. The Employment shall be subject to the terms contained in this Agreement. The Employment shall, subject to Clause 9, be for an initial period of three (3) years from the Effective Date. Thereafter, the Employment shall automatically continue from year to year unless terminated in accordance with Clause 9. Notwithstanding the foregoing, the Employment shall terminate upon the conclusion of the annual general meeting of the Company after which the Executive has attained the age of seventy (70) years, or such later expiry date as the Company may by resolution have appointed him as a director.

3.

**DUTIES**

3.1

The Executive shall be the Chief Executive Officer of the Company. His duties shall include (but not be in any way restricted to):

- 3.1.1 using his best endeavours to promote the interests and reputation of the Group giving at all times the full benefit of his knowledge, expertise and skill;
- 3.1.2 faithfully and diligently and to the best of his ability exercise such powers and perform such duties in relation to the Group's business as the Board may from time to time require;
- 3.1.3 refraining from making any false or misleading statements about the Group;
- 3.1.4 implementing policies laid down by the Board and translating them into operational plans and day-to-day directives;
- 3.1.5 keeping the operations of the Company under constant review and presenting to the Board periodic statements, accounts, reports and statistics showing the progress and performance of the Company and the other Group Companies;
- 3.1.6 making plans for the future development and growth of the Company in developed and developing markets for the Company's services;
- 3.1.7 considering and implementing changes in the Group's organisational structure and in the allocation of the responsibilities that may be required to provide for growth and changes on activities, the business environment and personnel;
- 3.1.8 representing the Company in relevant associations, trade and commercial organisations, trade delegations, charities and public organisations which will enhance the prestige and recognition of the Company; and
- 3.1.9 maintaining and developing good relations with the governmental agencies and public figures of any country which the Company has or will have operations therein.

3.2 The Executive shall work such hours as are necessary for the proper performance of his duties under this Agreement at such times as the Executive shall reasonably determine bearing in mind his fiduciary duties as a director of the Company.

3.3 During the Employment, the Executive shall well and faithfully serve the Company and use his utmost endeavours to promote its interests, but so far as is reasonably possible, not in any way which may conflict with the interests of any other Group Company, which interests the Executive shall use his utmost endeavours to promote.

**4. PLACE OF WORK**

4.1 Your normal place of work will be at the place of the Company's registered address although you may be required to work from any of the Company's premises on a temporary basis should the need arise. You may also be required to travel to clients' sites and premises in the course of your duties and on occasion to attend training sessions and meetings elsewhere as the Company may determine.

4.2 During the course of your employment you may be required to change your normal place of work to any premises maintained by the Company from time to time. You will be given as much notice as possible of any such change.

**5. SALARY**

5.1 The Executive's salary shall be at the monthly rate of USD15,000 (or at such other rate as may from time to time be agreed in writing between the Company and Executive) and shall be inclusive of any director's fees payable pursuant to the Company's articles of association or otherwise. The Executive's salary shall be payable on the first day of each month and shall be deemed to accrue from day to day.

5.2 The rate of the Executive's salary specified in this Clause 5 shall be reviewed annually and by the remuneration committee. The Company is under no obligation to increase the Executive's salary following such a review.

5.3 There shall be deducted from the salary of the Executive all such sums which the Company is entitled and authorised under the laws of PRC to deduct, such as the employee's share of the Central Provident Fund contributions, as well as such other sums as may be agreed with him from time to time.

5.4 The Executive's salary shall include any compensation in relation to their confidentiality obligations pursuant to Clause 12 of this Agreement.

**6. EXPENSES**

6.1 The Company shall reimburse the Executive any travelling, hotel, entertainment and other out-of-pocket expenses reasonably incurred by him in the proper performance of his duties. Any credit card supplied to the Executive by the Company shall be used solely for expenses incurred by him in the course of the Employment and the Executive shall immediately return any such card to the Company whenever so required by the Board.

6.2 The payments provided for in Clause 6.1 are exclusive of any tax in the PRC, which, where applicable, shall be payable by the Company.

7. **EXECUTIVE BENEFIT SCHEME**

The Company shall, during the continuance of the Employment, provide the Executive with:

- 7.1 a car allowance of RMB120,000 per annum to be paid in cash; and
- 7.2 a housing allowance of RMB120,000 per annum to be paid in cash.

8. **HOLIDAYS AND SICKNESS**

8.1 The Executive shall be entitled in each calendar year to twenty-one (21) working days' holiday with full salary (in addition to statutory holidays) to be taken at such reasonable time or times as may be approved by the Board. The Executive may accumulate and carry forward up to twelve (12) working days' holiday to the following calendar year provided that all such holiday days shall be taken and cleared within the first six (6) months of such following calendar year. All holiday days not taken by such time shall be forfeited. The entitlement to holiday and, on termination of the Employment, holiday pay in lieu of holiday, shall accrue pro rata throughout each calendar year of the Employment.

8.2 If during the Employment the Executive is absent from work due to illness or injury she must notify the Company as soon as possible and, if practicable, on the first working day of incapacity. The Executive is entitled to the normal remuneration due to him under this Agreement during any period of absence (not exceeding one (1) year on any one occasion) from work due to sickness or injury.

8.3 If the Executive becomes unable to perform his duties properly by reason of illness or injury for a period or periods aggregating at least ninety (90) days in any period of 12 consecutive calendar months then the Company may terminate the Executive's employment by giving him not less than one (1) months' notice provided that the Company shall withdraw any such notice if during the currency of the notice the Executive returns to full time duties and provides a medical practitioner's certificate satisfactory to the Company to the effect that he has fully recovered his health and that no recurrence of his illness or injury can reasonably be anticipated.

9. **TERMINATION**

9.1 Except as otherwise provided in Clauses 2, 8.3 and 9.2, the Employment may be terminated by either party giving the other not less than six (6) months' notice in writing provided that the Company shall have the option to pay salary (pro-rated) in lieu of any required period of notice.

9.2 Notwithstanding the other provisions of this Agreement, the Company may terminate the Employment forthwith without prior notice (but without prejudice to the rights and remedies of the Company) for any breach of this Agreement in any of the following cases:

- 9.2.1 if the Executive fails or neglects efficiently and diligently to carry out his duties to the reasonable satisfaction of the Board;



- 9.2.2 if the Executive is guilty of dishonesty or serious or persistent misconduct, in all cases whether or not in connection with or referable to the Employment;
  - 9.2.3 if the Executive becomes bankrupt or has a receiving order made against him or makes any general composition with his creditors;
  - 9.2.4 if the Executive is convicted of any criminal offence which might reasonably be thought to adversely affect the performance of his duties;
  - 9.2.5 if the Executive does any act or thing which may bring serious discredit on the Company or any other Group Company;
  - 9.2.6 if the Executive neglects or refuses, without reasonable cause, to attend to the business of the Company or any other Group Company;
  - 9.2.7 if the Executive flagrantly or persistently fails to observe and perform any of the duties and responsibilities imposed by this Agreement or which are imposed by law;
  - 9.2.8 if the Executive becomes unsound of mind or suffers from a mental disorder; or
  - 9.2.9 if the Executive otherwise acts in breach of this Agreement so as materially to prejudice the business of the Company or any other Group Company.
- 9.3 The Executive shall not, at any time after termination of the Employment for whatever reason, represent himself as being in any way connected with the business of the Company.
- 9.4 Upon termination of the Employment for whatever reason the Executive shall forthwith deliver to the Company or its authorised representative such of the following as are in his possession or control:
- 9.4.1 all keys, security and computer passes, plans, statistics, documents, records, papers, magnetic disks, tapes or other software storage media including any copies thereof which belong to the Group or which relate to the business of the Group including all copies, records and memoranda (whether or not recorded in writing or on computer disk or tape) made by the Executive of any confidential information (as described in Clause 12.2);
  - 9.4.2 all credit cards and charge cards provided for the Executive's use by the Company; and
  - 9.4.3 all other property of the Group not previously referred to in this Clause.

**10. EXECUTIVE'S POSITION AS DIRECTOR**

The rights and duties of the Executive as a director of the Company and any Group Company shall be subject to the Articles of Association of the relevant company for the time being and shall be separate from and additional to his rights and duties pursuant to the Employment. His salary under this Agreement is inclusive of any remuneration to which the Executive may be entitled as a director of the Company or any other Group Company.

**11. NON-COMPETITION RESTRICTIONS**

- 11.1 Save as disclosed in the prospectus to be issued by Renesola for the purposes of its initial public offering, the Executive shall not, at any time during the period of the Employment and for a period of one (1) year after the termination of the Employment, do or permit any of the following without the prior written consent of the Board:
- 11.1.1 directly or indirectly carry on or be engaged or interested in any capacity in any other business, trade or occupation whatsoever, except, in a business, trade or occupation which does not compete with the business or businesses of the Company or any Group Company or except as disclosed or declared in writing to the Company or any Group Company prior to the date hereof;
  - 11.1.2 either solely or jointly with or on behalf of any person, firm or corporation directly or indirectly carry on or be engaged or interested in any business competing with the business or businesses of the Company or any Group Company;
  - 11.1.3 either solely or jointly with or on behalf of any person, firm or corporation solicit the custom of any person who is or has been at any time during the period of the Employment:
    - (a) a customer, agent or correspondent of the Group or in the habit of dealing with the Group;
    - (b) in commercial negotiations with the Company or any Group Company with a view to placing business with the Company or such Group Company; or
    - (c) visited by the Executive on behalf of the Company or any Group Company for the purpose of ascertaining the possibility of such person doing business with the Company or any Group Company, for the purpose of offering to such person goods or services similar to or competing with those of the business or businesses of the Company or Group Company;
  - 11.1.4 either on his own account or in conjunction with or on behalf of any other person, firm, or company solicit or entice away, or attempt to solicit or entice away, from the Group any person who was employed in an executive, technical or managerial capacity in the Group at the date of termination of his employment whether or not such person would commit a breach of his contract of employment by reason of leaving such employment;
  - 11.1.5 at any time hereafter in relation to any trade, business or company, use a name in such a way as to be capable of being or likely to be confused with the name of the Company and shall use all reasonable endeavour to procure that no such name shall be used by any person, firm or company with which she is connected; or

- 11.1.6 cause or permit any person or company directly or indirectly under his control or in which she has any beneficial interests to do any of the foregoing acts or things.
- 11.2 Each undertaking contained in Clause 11.1 shall be read and construed independently of the other covenants therein contained so that if one or more should be held to be invalid as an unreasonable restraint of trade or for any other reason whatsoever then the remaining covenants shall be valid to the extent that they are not held to be so invalid.
- 11.3 While the covenant in Clause 11.1 is considered by the Company and the Executive to be reasonable in all the circumstances, if one or more should be held invalid as an unreasonable restraint of trade or for any other reason whatsoever but would have been held valid if part of the wording thereof had been deleted or the period thereof reduced or the range of activities or area dealt with thereby reduced in scope, the said covenants shall apply with such modifications as may be necessary to make them valid and effective.

**12. CONFIDENTIALITY**

- 12.1 The Executive shall keep secret and shall not during the period of Employment or afterwards for whatever reason, use for his own or another's advantage, or reveal to any person, firm or company, any of the trade secrets, business methods or information which the Executive knows or ought reasonably to have known to be confidential concerning the business or affairs of the Group so far as they shall have come to his knowledge during the Employment. The restrictions contained in this Clause 12.1 shall not apply:
- 12.1.1 to any disclosure or use authorised by the Board or required by law; or
- 12.1.2 to any trade secrets, business methods or information which may lawfully have come into the public domain other than by a breach of this Agreement.
- 12.2 For the purpose of this Clause 12, confidential information includes but is not limited to any documentation or information marked as confidential and information received or developed by the Group which is not publicly available and relates to processes, equipment and techniques used by the Group in the course of the Group's business including but not limited to designs for product and manufacturing plant, technical data and marketing information such as customer lists, financial information and business plans.

**13. INTELLECTUAL PROPERTY**

- 13.1 Subject to Clause 13.3, all intellectual property rights throughout the world in the Information and the Inventions shall vest and be the absolute property of the Company. Upon the request of the Company, the Executive shall at the expense of the Company execute all documents and do all such acts and things required to vest or perfect the vesting of such intellectual property rights legally and exclusively in the Company or any nominee or assignee of the Company.
- 13.2 The nature of any Inventions made or discovered by the Executive which in any way relates or may be related to any product, process, or business of any company in the Group shall forthwith be notified by the Executive to the Company.

- 13.3 In cases in which the Invention belongs to the Executive, the Company shall be entitled to negotiate with the Executive with a view to acquiring all or any rights, title and benefit in the Invention. The Executive shall not, without the prior consent in writing of the Company, disclose the same to any third party except to a chartered patent agent for the purpose of seeking protection for the Invention nor use the same for his own personal benefit or otherwise until the Company has in writing declined to negotiate or acquire the Invention or upon the expiry of three (3) months from the date of disclosure to the Company whichever is the sooner, except that if negotiations are entered into, no disclosure of the Invention to any third party shall be made until the conclusion of such negotiations except to the extent that such disclosure is authorised in writing by the Company.
- 13.4 The copyright in any computer programs, drawings, diagrams or other works made or originated by the Executive at any time during the continuance of the Agreement (whether during normal working hours or not) relating to or capable of being used in the business of any company in the Group shall vest in the Company (whether or not the work was made by the direction of the Company or was intended to benefit the Company) and the Executive shall, if called upon so to do by the Company, at any time hereafter execute such documents and do all acts and things at the Company's costs as the Company may require to establish to confirm the ownership of such copyright in the Company.
- 13.5 For the purpose of this Clause 13, "**Inventions**" shall mean all patentable and non-patentable inventions, discoveries and improvements, processes and know-how, copyright works (including, without limitation, computer programs), new designs and the like discovered or created by the Executive in the course of the Employment or for the Group or discovered or created as a result (whether directly or indirectly) of anything done by him in pursuance of his duties hereunder and/or based (directly or indirectly) on any item of the Information or which in any way relates or may be related to any product, process or business of any company in the Group, and "**Information**" shall include all communications and information, whether written, visual or oral and all other material supplied to or obtained by the Executive in the course of the Employment and duties hereunder.

14. **MISCELLANEOUS**

- 14.1 For such time that Renesola remains the ultimate holding company of the Company, the parties to this Agreement hereby expressly agree and acknowledge that Renesola shall be entitled to enforce the provisions of this Agreement as against the Executive.
- 14.2 This Agreement shall from the Effective Date operate in substitution for any terms of service previously in force between the Company and the Executive, but without prejudice to the rights, liabilities and obligations (if any) of either party accrued prior to that date. For the avoidance of doubt, the years of service of the Executive with the Company will be treated as continuous as from the date of this first employment with the Group on the Effective Date and recognised for superannuation benefits (for example long service awards). This Agreement constitutes the entire agreement and understanding between the parties as to its subject matter and both parties acknowledge that neither of them has entered into this Agreement in reliance upon any representation, warranty or undertaking which is not set out in this Agreement or referred to in this Agreement as forming part of the contract of employment of the Executive.

- 14.3 The various provisions of this Agreement are severable and if any provision is held to be invalid or unenforceable by any court of competent jurisdiction then such invalidity or unenforceability shall not affect the remaining provisions of this Agreement.
- 14.4 The waiver by the Company of any breach of any term of this Agreement shall not prevent the subsequent enforcement of that term and shall not be deemed a waiver of any subsequent breach.
- 14.5 No variation or amendment of this Agreement or oral promise or commitment related to it shall be valid unless made in writing and signed by or on behalf of both parties.
- 14.6 Any notice to be given hereunder to the Executive may be served by being handed to him personally or by being sent by registered post to him at his address as set out at the beginning of this Agreement (or such other address as she may have notified the Company); and any notice to be given to the Company may be served by being left at or sent by registered post to the address as set out at the beginning of this Agreement (or such other address as the Company may have notified the Executive). Any notice served by hand shall be deemed to have been served on the date of service, and any notice served by post shall be deemed to have been served on the day (excluding Sundays and public holidays) next following the date of posting.
- 14.7 This Agreement shall be governed by and construed in accordance with the laws of the PRC.
- 14.8 Except as otherwise provided herein, a person who is not a party has no right to enforce or to enjoy the benefit of any term of this Agreement.

**IN WITNESS** whereof this Agreement has been entered into on the date stated at the beginning.

/s/ Xianshou Li

\_\_\_\_\_  
**SIGNED by LI XIAN SHOU**

for and on behalf of  
**ZHEJIANG YUHUI SOLAR ENERGY SOURCE CO., LTD.**

/s/ Xianshou Li

\_\_\_\_\_  
**SIGNED by LI XIAN SHOU**

for and on behalf of  
**RENESOLA LTD**

/s/ Xianshou Li

\_\_\_\_\_  
**SIGNED by LI XIAN SHOU**

May 20, 2006

ZHEJIANG YUHUI SOLAR ENERGY SOURCE CO., LTD.

- and -

XIAOSHU BAI

CHIEF FINANCE OFFICER SERVICE AGREEMENT

**CHIEF FINANCE OFFICER SERVICE AGREEMENT**

This Chief Finance Officer Service Agreement (the "Agreement") is made and entered into by the following parties on May 20, 2006.

- (1) **Zhejiang Yuhui Solar Energy Source Co., Ltd.**, whose correspondence address is No.8, Baoqun road, Yaozhuang Industry Zone, Jiashan County, Zhejiang Province and its legal representative is Mr. Li Xianshou (the "Company") (Facsimile No. 0573-4773063);
- and
- (2) **Xiaosu Bai**, whose passport number is BC158462 and correspondence address is Apart 502, Block C, Dan Gui Yuan, Jing Guang Xin Cheng, 9 Xin Xi Wang Lu, Chengdu, Sichuan, China 610041 (the "Employee") (Telephone No. 86-28-8524-8138).

(The Company and the Employee are collectively referred to as "parties", and individually as "party".)

**1. Appointment**

- 1.1 The Company shall engage the Employee and the Employee shall serve the Company as the Chief Finance Officer (or such other title as the Company deem appropriate) during the term of this Agreement.
- 1.2 This Employee's service shall commence on April 30, 2006 (or such later date as agreed between the Company and the Employee) ("**Commencement Date**"). This Agreement shall continue until 30/4/2008 or early terminated pursuant to Clause 9 ("**Termination Date**"). Prior to any Termination Date, if any party herein intends to extend the term of this Agreement, such party shall give written notice to the other party thirty days prior to the Termination Date.
- 1.3 The Company shall make its best efforts to assist the Employee to obtain work permit in China as required by his job.

**2. Duties**

- 2.1 Subject to Clause 2.2, the Employee shall be responsible for:-
- 2.1.1 directing and supervising the financial and accounting matters of the Company;
- 2.1.2 making finance strategies and decisions for the Company, including organizing the initial public offering or secondary public offering or a trade sale or other form of fund raising of the Company or its affiliates as the case may be (the "**IPO**") preparation work;
- 2.1.3 organizing and managing the financial department of the Company;



- 2.1.4 preparing and providing the financial reports and advising the management of the Company and its board of directors;
- 2.1.5 other responsibilities as reasonably requested by the Company and its board of directors.
- 2.2 The Employee shall:-
- 2.2.1 during working hours, devote the whole of his time and attention to the duties of his office;
- 2.2.2 comply with the provisions in this Agreement and other internal regulations and rules of the Company;
- 2.2.3 perform his duties with all good faith and diligence; and
- 2.2.4 exercise such powers and bear such responsibilities as may from time to time be assigned to or vested in him by the board of directors.
- 2.3 The Company's normal office hours will be Monday to Friday each week. Considering the position, the working hours of the Employee shall be flexible. The Company may arrange the Employee to or the Employee may by his own professional judgement work overtime either on weekdays or weekends due to business needs. The Employee is not entitled to any overtime pay.
- 2.4 The working place of the Employee will be Jiashan. The Employee may be required to travel to such places whether in or outside China for such periods, by such means and on such occasions as the Company may from time to time require for the purposes of the Company's business.
- 3. Remuneration and Employee Expenses**
- 3.1 On signing this Agreement, the Employee will be entitled to:-
- 3.1.1 As remuneration for his services. The Employee shall be entitled to a monthly salary of RMB12,000.00, including all taxes, social insurances and charges which the Employee is required by applicable laws and regulations to pay, commencing on the Commencement Date. Such salary shall be payable monthly and in arrears on or around the 30<sup>th</sup> of each month (the "Salary Date").
- 3.1.2 Living expense subsidy payment commencing on the Commencement Date. Such subsidy payment shall be made by the Company monthly upon the submission of valid receipts by the Employee on the Salary Date.
- 3.1.3 The Company shall deposit the amounts stated in Clauses 3.1.1 and 3.1.2 after necessary deduction into a bank account designated by the Employee.

- 3.1.4 The reimbursement under Clauses 3.1.2 shall not be more than RMB556,000 per year.
- 3.1.5 The Employee shall be solely responsible for any tax, social insurance and charge liability arising from the employment under this Agreement. The Company, at its discretion, is entitled to deduct all such taxes, social insurances and charges from his monthly salary, expense subsidy or other remuneration of the Employee as required by relevant laws and regulations, and pay such amounts to the competent authorities on behalf of the Employee according to the statutory provisions of Chinese laws and regulations.
- 3.1.6 Share subscription pursuant to a separate share subscription agreement between the Employee and Company (or its affiliates).
- 3.2 The Employee shall be reimbursed all travelling expenses and all other outgoings reasonably incurred in the execution of and in relation to his duties for business purposes subject to the submission of proper receipts/vouchers.
- 4. Annual Leave**
- 4.1 The Employee shall be entitled to 15-day annual leave (in addition to public holidays in China) in each financial year at full salary. The Employee shall take annual leave of at least three (3) days every time with a three-day prior notice to the Company. In case that the Employee takes a leave for over five (5) consecutive days, the Employee shall submit to the Company a written application one (1) week in advance.
- 4.2 In the event that the Employee does not complete a full year of service with the Company in any financial year for any reason, the Employee shall only be entitled to enjoy the annual leave pro rata according to the actual service period. If the Employee enjoys exceeding annual leave, he shall make full compensation to the Company according to his full daily salary and exceeding days.
- 4.3 The annual leave which is not taken in any financial year can only be carried over to the first six (6) months of the subsequent financial year. The Company has no liability to compensate the Employee for any untaken annual leave.
- 5. Other Benefits**
- On signing this Agreement, the Employee may be entitled to the following additional benefits provided by and at the discretion of the Company:-
- 5.1 Reimbursement of the reasonable education cost of the Employee's children against valid receipts/vouchers;
- 5.2 Reasonable medical insurance satisfactory to the Employee for himself, his spouse and his children in accordance with the scheme paid and maintained by the Company in China from time to time. Such insurance scheme shall cover overseas business travels; and

- 5.3 Reimbursement of the business cell phone fee against valid receipts/vouchers.
- 5.4 Transport from the Employee's residence to the office location or vice versa. Whenever the company itself does not provide transport, the Company shall reimburse such transportation expenses of the Employee against proper receipts/vouchers.
- 5.5 Provide suitable accommodation when required at the site or close to site of Zhejiang Yuhui Solar Energy Source Co. Ltd.
- 6. Assignment of Inventions**
- 6.1 The Employee acknowledges that all intellectual property rights (including copyright, trade or service marks (registered and unregistered), patent right and any other similar rights or corresponding application rights) ("**Intellectual Property Rights**") to any works, inventions, discoveries and design improvements ("**Inventions**") created, developed or discovered by the Employee during his employment under this Agreement belongs solely to the Company.
- 6.2 The Employee hereby undertakes to execute such documents as may be required by the Company to confirm the Company's ownership of the Inventions and the underlying Intellectual Property Rights and to enable the Company (or to the Company's nominated persons) to obtain the full benefit of such Inventions and Intellectual Property Rights without any payments to the Employee.
- 7. Confidentiality**
- 7.1 The Employee shall not make use of, divulge or communicate to any person (save in the proper performance of his duties under this Agreement) any of the trade secrets or other confidential information of or relating to the Company which he may have received or obtained while in the service of the Company. This restriction shall cease to apply to information ordered to be disclosed by a Court of competent jurisdiction or to information which has become part of the public domain through no action on the part of the Employee.
- 7.2 The obligations of the Employee under this Clause 7 shall be in addition to and not in substitution of any implied obligations imposed upon him by law in relation to the non-disclosure of information.
- 7.3 For the purposes of Clause 7.1, confidential information shall, without limitation, include:-
- 7.3.1 the confidential information of material business decisions, business strategy, business target, business planning or operation policy;
- 7.3.2 any information of clients, cooperators or other related persons or entities of the Company which is negotiated or being carried out, including without limitation, the list, liaison and business information of such clients, cooperators or related persons or entities;

- 7.3.3 any undisclosed financing information including budget report, financing report, statistics report, price and expense, service provider information;
- 7.3.4 any commercial information including internal contract, agreement, letter of intents, memorandum, feasibility report;
- 7.3.5 any meeting record, internal rule and regulation, operation process;
- 7.3.6 any employment information including personnel file, remuneration information;
- 7.3.7 any confidential information which the Employee shall bear the non-disclosure obligation for a third party in accordance with the legal or contractual requirements; or,
- 7.3.8 any other information which the Company determines at its reasonable discretion to be confidential and which has been communicated to the Employee.

**8. Non-competition**

- 8.1 The Employee is prohibited during his employment by the Company, either directly or indirectly, by himself or through his family member, whether as principal or otherwise, canvass or solicit business, taking part in or helping, by means of participation, assistance, rendering service or labor, cooperation, provision of convenience, provision of information, etc., any activities of any person or entities which may fall within the business scope of the Company, or any other activities which may lead to direct market competition with the Company.
- 8.2 The Employee shall not, during his employment by the Company, directly or indirectly, induce or seek to induce any employee of the Company to leave that company's employment, whether or not this would be a breach of contract on the part of such employee.
- 8.3 The Employee accepts that the Company may hold the Employee to the prohibition in Clause 8.1 and 8.2 for a period of one (1) year after the termination of the employment.
- 8.4 Should the Employee breach his non-competition obligations during or after the term of employment, the Employee shall be liable for all damages caused to the Company.
- 8.5 Each of the restrictions contained in this Clause 8 is considered reasonable by the Company and the Employee and is intended to be separate and severable. In the event that any of these restrictions shall be held void, but would be valid if part of the wording thereof were deleted or amended, such restriction shall apply with such deletion or amendment as may be necessary to make it valid and effective.

**9. Termination and Sickness**

- 9.1 With effect from the Commencement Date, if the Employee intends to early terminate this Agreement, he shall notify the Company in written one (1) months in advance. The

Company shall be entitled to early terminate this Agreement according to the applicable laws and regulations. The Employee is entitled to the amounts stated in Clauses 3.1.1 and 3.1.4 after necessary deductions during this (1) month.

9.2 The Company shall be entitled at its absolute discretion to pay salary in lieu of any notice under this Agreement, or of any unexpired period of notice in case the Employee serves the notice.

9.3 Notwithstanding other provisions herein, this Agreement shall also be subject to termination by the Company by summary notice in writing if the Employee:-

9.3.1 shall have committed either repeated or continued any material breach of his obligations (after warning in writing within 1 month from the initial warning if such breach is not cured by the Employee) hereunder; or

9.3.2 shall have so conducted himself in a morally offensive way which brings the Company into disrepute as defined in attachment; or

9.3.3 shall have been convicted of any criminal act; or

9.3.4 commits any material breach of the Company's operating procedures (as laid down by the Company and communicated to the Employee from time to time) (after warning in writing within 1 month from the initial warning if such breach is not cured by the Employee); or

9.3.5 becomes subject to any investigation for misconduct, fraud or any gross offence involving an element of dishonesty by any regulatory body or authority.

In any case, the Company shall, when exercising its right of termination under this Clause, inform the Employee of its grounds for doing so.

9.4 If the Employee, during the term of this Agreement, is incapacitated by ill-health or accident from performing his duties hereunder (and he shall, if required, produce to the Company evidence of such incapacity), the Company may treat him according to the applicable laws and regulation, including terminating this Agreement after the statutory medical-treatment period. For avoidance of doubt, the Employee's entitlement to the shares granted to him shall be subject to Restricted Share Subscription Agreement entered into between the Employee and the Company including its affiliates.

#### 10. Obligations on Termination

Upon the termination of this Agreement howsoever arising, the Employee shall, within one (1) month after the termination of this Agreement or the Company receives the Employee's early termination notice (the earlier shall prevail):-

10.1 deliver to the Company all property belonging to the Company including without limitation all documents, other records and any electronic equipment supplied by the Company (whether on paper, magnetic tape or in any other form and including (without

limitation) correspondence, lists of clients or customers, notes, memoranda, software, plans, drawings and other documents and records of whatsoever nature and all copies thereof) made or compiled or acquired by the Employee during his employment hereunder and concerning the business, finances or affairs of the Company or its clients or customers;

10.2 coordinate with the Company to assist the successor to take over the business, finances or affairs of the Company; and

10.3 forthwith resign from any office which he may hold in the Company and his membership of any organisation acquired or held by virtue of his employment with the Company, and should the Employee fail to do any of the above, he hereby irrevocably authorises any director of the Company, in his name and on his behalf, to execute any documents and to do any acts as necessary to give effect to this Clause.

After such one-month period, the Employee shall no longer perform his duties as the Chief Finance Officer, or act as the employee of the Company, or take advantage of such fact.

## 11. Dispute

11.1 This Agreement shall be governed by and construed in accordance with the laws of People's Republic of China ("PRC").

11.2 If any dispute arising from this Agreement or for the reason, both parties may resolve such dispute as follows:

11.2.1 Both parties may discuss the dispute amicably.

11.2.2 A party or both parties may submit the dispute to Shanghai Labor Dispute Arbitration Committee (including its branches) for arbitration in accordance with related laws and regulations.

11.2.3 If a party objects to the award of arbitration, it may bring a lawsuit before a competent court located in the jurisdictional area of the Company's business place during the period of fifteen (15) days after receiving such award of arbitration.

## 12. Miscellaneous

12.1 Any notice to be given under this Agreement shall be deemed to be duly served when delivery of it is recorded (in the case of recorded delivery post), or when delivered (in the case of personal delivery) or despatched (in the case of facsimile) to the relevant party's address of facsimile number appearing in this Agreement or to such other address or facsimile number as that party may hereafter specify to the notice-serving party by notice in writing.

12.2 This Agreement shall be written in both English and Chinese. Both versions shall have equal validity. However, if discrepancy occurs between the versions, the English version shall prevail.

- 12.3 This Agreement is made in duplicate, each of which shall be hold by the Company and the Employee and of the same validity after execution by both Parties.
- 12.4 No modification or amendment of this Agreement shall be effective or enforceable unless it is in writing and duly executed by both Parties.
- 12.5 The Employee hereby represents and warranties that, he/she may execute and perform this Agreement legally and the execution or performance of this Agreement does and will not result in any breach of any contract, agreement and any other rule or document of any company or other business entity by which the Employee is bound.
- 12.6 If any provision under this Agreement is in discrepancy with related laws, or regulation, the related laws and regulations shall prevail.
- 12.7 Any other matter not provided in this Agreement shall be dealt with according to related laws, regulations, decrees, any other additional contract agreed by both parties hereunder, and other internal rules determined or established by the Company from time to time, including without limitation, the employee handbook, management rules, etc.
- 12.8 The Employee is legally available to begin employment by May 20<sup>th</sup> , 2006.

[No text below]

[Signing Page]

IN WITNESS whereof this Agreement has been entered into the day and year first above written.

/s/ Xianshou Li

\_\_\_\_\_  
SIGNED by **Mr. Li Xianshou**  
for and on behalf of

**ZHEJIANG YUHUI SOLAR ENERGY SOURCE CO., LTD. (Company Seal)**

/s/ Xiaoshu Bai

\_\_\_\_\_  
SIGNED by **Mr. Xiaoshu Bai**



Attachment to Chief Finance Officer Service Agreement

List of Morally Offensive Actions

- Ø Gambling
- Ø Addiction to drugs
- Ø Driving while intoxicated
- Ø Being a subject of public scandal

DATED 29 OCTOBER 2007

(1) ZHEJIANG YUHUI SOLAR ENERGY SOURCE CO., LTD.

(2) RENESOLA LTD

(3) WU YUN CAI

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SERVICE AGREEMENT

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**BETWEEN:-**

- (1) **ZHEJIANG YUHUI SOLAR ENERGY SOURCE CO., LTD.**, a company incorporated in the People's Republic of China with the registered number 330400400003683 and having its registered address at Industry Zone, YaoZhuang, Jiashan County, Zhejiang Province, PRC (the "**Company**");
- (2) **RENESOLA LTD**, a company incorporated in The British Virgin Islands with the registered number 1016246 and having its registered office at Craigmuir Chambers, Road Town, Tortola, British Virgin Islands ("**Renesola**"); and
- (3) **WU YUN CAI** (PRC Identity No. 332627671104001), of Suite 201, No. 32 Xianqian Road, Cheng Guan Cheng District, Zhejiang Province, PRC (the "**Executive**").

**IT IS AGREED** as follows:-

1. **INTERPRETATION**

1.1 In this Agreement:-

"Board"	means the Board of Directors of the Company from time to time
"Effective Date"	means the date of admission of Renesola's shares to the Alternative Investment Market of the London Stock Exchange plc
"Employment"	means the employment established by this Agreement
"Group"	means the Company and its subsidiaries
"Group Company"	means any of (i) the Company, (ii) the holding company for the time being of the Company and (iii) any subsidiary for the time being of the Company or any such holding company; and " <b>holding company</b> " and " <b>subsidiary</b> " shall be construed in accordance with section 736 of the Companies Act 1985 (as amended) of the United Kingdom
"PRC" or "China"	means the People's Republic of China
"RMB" or "Renminbi"	means the lawful currency of the PRC
"USD"	means the lawful currency of the United States of America

1.2 Any reference in this Agreement to an Act of Parliament shall be deemed to include any statutory modification of re-enactment thereof whenever made.

1.3 The headings shall be disregarded in construing this Agreement.

2. **EMPLOYMENT**

The Company shall employ and continue to employ the Executive and the Executive shall serve and continue to serve the Company as Vice President of the Company and its group of companies in such capacity as the Board may request in consultation with him. The Employment shall be subject to the terms contained in this Agreement. The Employment shall, subject to Clause 9, be for an initial period of three (3) years from

the Effective Date. Thereafter, the Employment shall automatically continue from year to year unless terminated in accordance with Clause 9. Notwithstanding the foregoing, the Employment shall terminate upon the conclusion of the annual general meeting of the Company after which the Executive has attained the age of seventy (70) years, or such later expiry date as the Company may by resolution have appointed him as a director.

3. **DUTIES**

3.1 The Executive shall be the Vice President of the Company. His duties shall include (but not be in any way restricted to):-

- 3.1.1 using his best endeavours to promote the interests and reputation of the Group giving at all times the full benefit of his knowledge, expertise and skill;
- 3.1.2 faithfully and diligently and to the best of his ability exercise such powers and perform such duties in relation to the Group's business as the Board may from time to time require;
- 3.1.3 refraining from making any false or misleading statements about the Group;
- 3.1.4 implementing policies laid down by the Board and translating them into operational plans and day-to-day directives;
- 3.1.5 keeping the operations of the Company under constant review and presenting to the Board periodic statements, accounts, reports and statistics showing the progress and performance of the Company and the other Group Companies;
- 3.1.6 making plans for the future development and growth of the Company in developed and developing markets for the Company's services;
- 3.1.7 considering and implementing changes in the Group's organisational structure and in the allocation of the responsibilities that may be required to provide for growth and changes on activities, the business environment and personnel;
- 3.1.8 representing the Company in relevant associations, trade and commercial organisations, trade delegations, charities and public organisations which will enhance the prestige and recognition of the Company; and
- 3.1.9 maintaining and developing good relations with the governmental agencies and public figures of any country which the Company has or will have operations therein.

3.2 The Executive shall work such hours as are necessary for the proper performance of his duties under this Agreement at such times as the Executive shall reasonably determine bearing in mind his fiduciary duties as a director of the Company.

3.3 During the Employment, the Executive shall well and faithfully serve the Company and use his utmost endeavours to promote its interests, but so far as is reasonably possible, not in any way which may conflict with the interests of any other Group Company, which interests the Executive shall use his utmost endeavours to promote.

4. **PLACE OF WORK**

4.1 Your normal place of work will be at the place of the Company's registered address although you may be required to work from any of the Company's premises on a temporary basis should the need arise. You may also be required to travel to clients' sites and premises in the course of your duties and on occasion to attend training sessions and meetings elsewhere as the Company may determine.

- 4.2 During the course of your employment you may be required to change your normal place of work to any premises maintained by the Company from time to time. You will be given as much notice as possible of any such change.
5. **SALARY**
- 5.1 The Executive's salary shall be at the monthly rate of USD10,000 (or at such other rate as may from time to time be agreed in writing between the Company and Executive) and shall be inclusive of any director's fees payable pursuant to the Company's articles of association or otherwise. The Executive's salary shall be payable on the first day of each month and shall be deemed to accrue from day to day.
- 5.2 The rate of the Executive's salary specified in this Clause 5 shall be reviewed annually and by the remuneration committee. The Company is under no obligation to increase the Executive's salary following such a review.
- 5.3 There shall be deducted from the salary of the Executive all such sums which the Company is entitled and authorised under the laws of PRC to deduct, such as the employee's share of the Central Provident Fund contributions, as well as such other sums as may be agreed with him from time to time.
- 5.4 The Executive's salary shall include any compensation in relation to their confidentiality obligations pursuant to Clause 12 of this Agreement.
6. **EXPENSES**
- 6.1 The Company shall reimburse the Executive any travelling, hotel, entertainment and other out-of-pocket expenses reasonably incurred by him in the proper performance of his duties. Any credit card supplied to the Executive by the Company shall be used solely for expenses incurred by him in the course of the Employment and the Executive shall immediately return any such card to the Company whenever so required by the Board.
- 6.2 The payments provided for in Clause 6.1 are exclusive of any tax in the PRC, which, where applicable, shall be payable by the Company.
7. **EXECUTIVE BENEFIT SCHEME**
- The Company shall, during the continuance of the Employment, provide the Executive with:-
- 7.1 a car allowance of RMB60,000 per annum to be paid in cash; and
- 7.2 a housing allowance of RMB60,000 per annum to be paid in cash.
8. **HOLIDAYS AND SICKNESS**
- 8.1 The Executive shall be entitled in each calendar year to twenty-one (21) working days' holiday with full salary (in addition to statutory holidays) to be taken at such reasonable time or times as may be approved by the Board. The Executive may accumulate and carry forward up to twelve (12) working days' holiday to the following calendar year provided that all such holiday days shall be taken and cleared within the first six (6) months of such following calendar year. All holiday days not taken by such time shall be forfeited. The entitlement to holiday and, on termination of the Employment, holiday pay in lieu of holiday, shall accrue pro rata throughout each calendar year of the Employment.

- 8.2 If during the Employment the Executive is absent from work due to illness or injury she must notify the Company as soon as possible and, if practicable, on the first working day of incapacity. The Executive is entitled to the normal remuneration due to him under this Agreement during any period of absence (not exceeding one (1) year on any one occasion) from work due to sickness or injury.
- 8.3 If the Executive becomes unable to perform his duties properly by reason of illness or injury for a period or periods aggregating at least ninety (90) days in any period of 12 consecutive calendar months then the Company may terminate the Executive's employment by giving him not less than one (1) months' notice provided that the Company shall withdraw any such notice if during the currency of the notice the Executive returns to full time duties and provides a medical practitioner's certificate satisfactory to the Company to the effect that he has fully recovered his health and that no recurrence of his illness or injury can reasonably be anticipated.
9. **TERMINATION**
- 9.1 Except as otherwise provided in Clauses 2, 8.3 and 9.2, the Employment may be terminated by either party giving the other not less than six (6) months' notice in writing provided that the Company shall have the option to pay salary (pro-rated) in lieu of any required period of notice.
- 9.2 Notwithstanding the other provisions of this Agreement, the Company may terminate the Employment forthwith without prior notice (but without prejudice to the rights and remedies of the Company) for any breach of this Agreement in any of the following cases:-
- 9.2.1 if the Executive fails or neglects efficiently and diligently to carry out his duties to the reasonable satisfaction of the Board;
- 9.2.2 if the Executive is guilty of dishonesty or serious or persistent misconduct, in all cases whether or not in connection with or referable to the Employment;
- 9.2.3 if the Executive becomes bankrupt or has a receiving order made against him or makes any general composition with his creditors;
- 9.2.4 if the Executive is convicted of any criminal offence which might reasonably be thought to adversely affect the performance of his duties;
- 9.2.5 if the Executive does any act or thing which may bring serious discredit on the Company or any other Group Company;
- 9.2.6 if the Executive neglects or refuses, without reasonable cause, to attend to the business of the Company or any other Group Company;
- 9.2.7 if the Executive flagrantly or persistently fails to observe and perform any of the duties and responsibilities imposed by this Agreement or which are imposed by law;
- 9.2.8 if the Executive becomes unsound of mind or suffers from a mental disorder; or
- 9.2.9 if the Executive otherwise acts in breach of this Agreement so as materially to prejudice the business of the Company or any other Group Company.
- 9.3 The Executive shall not, at any time after termination of the Employment for whatever reason, represent himself as being in any way connected with the business of the Company.

- 9.4 Upon termination of the Employment for whatever reason the Executive shall forthwith deliver to the Company or its authorised representative such of the following as are in his possession or control:-
- 9.4.1 all keys, security and computer passes, plans, statistics, documents, records, papers, magnetic disks, tapes or other software storage media including any copies thereof which belong to the Group or which relate to the business of the Group including all copies, records and memoranda (whether or not recorded in writing or on computer disk or tape) made by the Executive of any confidential information (as described in Clause 12.2);
  - 9.4.2 all credit cards and charge cards provided for the Executive's use by the Company; and
  - 9.4.3 all other property of the Group not previously referred to in this Clause.

**10. EXECUTIVE'S POSITION AS DIRECTOR**

The rights and duties of the Executive as a director of the Company and any Group Company shall be subject to the Articles of Association of the relevant company for the time being and shall be separate from and additional to his rights and duties pursuant to the Employment. His salary under this Agreement is inclusive of any remuneration to which the Executive may be entitled as a director of the Company or any other Group Company.

**11. NON-COMPETITION RESTRICTIONS**

- 11.1 Save as disclosed in the prospectus to be issued by Renesola for the purposes of its initial public offering, the Executive shall not, at any time during the period of the Employment and for a period of one (1) year after the termination of the Employment, do or permit any of the following without the prior written consent of the Board:-
- 11.1.1 directly or indirectly carry on or be engaged or interested in any capacity in any other business, trade or occupation whatsoever, except, in a business, trade or occupation which does not compete with the business or businesses of the Company or any Group Company or except as disclosed or declared in writing to the Company or any Group Company prior to the date hereof;
  - 11.1.2 either solely or jointly with or on behalf of any person firm or corporation directly or indirectly carry on or be engaged or interested in any business competing with the business or businesses of the Company or any Group Company;
  - 11.1.3 either solely or jointly with or on behalf of any person, firm or corporation solicit the custom of any person who is or has been at any time during the period of the Employment:-
    - (a) a customer, agent or correspondent of the Group or in the habit of dealing with the Group;
    - (b) in commercial negotiations with the Company or any Group Company with a view to placing business with the Company or such Group Company; or
    - (c) visited by the Executive on behalf of the Company or any Group Company for the purpose of ascertaining the possibility of such person doing business with the Company or any Group Company.



for the purpose of offering to such person goods or services similar to or competing with those of the business or businesses of the Company or Group Company;

- 11.1.4 either on his own account or in conjunction with or on behalf of any other person, firm, or company solicit or entice away, or attempt to solicit or entice away, from the Group any person who was employed in an executive, technical or managerial capacity in the Group at the date of termination of his employment whether or not such person would commit a breach of his contract of employment by reason of leaving such employment;
  - 11.1.5 at any time hereafter in relation to any trade, business or company, use a name in such a way as to be capable of being or likely to be confused with the name of the Company and shall use all reasonable endeavour to procure that no such name shall be used by any person, firm or company with which she is connected; or
  - 11.1.6 cause or permit any person or company directly or indirectly under his control or in which she has any beneficial interests to do any of the foregoing acts or things.
- 11.2 Each undertaking contained in Clause 11.1 shall be read and construed independently of the other covenants therein contained so that if one or more should be held to be invalid as an unreasonable restraint of trade or for any other reason whatsoever then the remaining covenants shall be valid to the extent that they are not held to be so invalid.
- 11.3 While the covenant in Clause 11.1 is considered by the Company and the Executive to be reasonable in all the circumstances, if one or more should be held invalid as an unreasonable restraint of trade or for any other reason whatsoever but would have been held valid if part of the wording thereof had been deleted or the period thereof reduced or the range of activities or area dealt with thereby reduced in scope, the said covenants shall apply with such modifications as may be necessary to make them valid and effective.

## 12. CONFIDENTIALITY

- 12.1 The Executive shall keep secret and shall not during the period of Employment or afterwards for whatever reason, use for his own or another's advantage, or reveal to any person, firm or company, any of the trade secrets, business methods or information which the Executive knows or ought reasonably to have known to be confidential concerning the business or affairs of the Group so far as they shall have come to his knowledge during the Employment. The restrictions contained in this Clause 12.1 shall not apply:-
- 12.1.1 to any disclosure or use authorised by the Board or required by law; or
  - 12.1.2 to any trade secrets, business methods or information which may lawfully have come into the public domain other than by a breach of this Agreement.
- 12.2 For the purpose of this Clause 12, confidential information includes but is not limited to any documentation or information marked as confidential and information received or developed by the Group which is not publicly available and relates to processes, equipment and techniques used by the Group in the course of the Group's business including but not limited to designs for product and manufacturing plant, technical data and marketing information such as customer lists, financial information and business plans.

**13. INTELLECTUAL PROPERTY**

- 13.1 Subject to Clause 13.3, all intellectual property rights throughout the world in the Information and the Inventions shall vest and be the absolute property of the Company. Upon the request of the Company, the Executive shall at the expense of the Company execute all documents and do all such acts and things required to vest or perfect the vesting of such intellectual property rights legally and exclusively in the Company or any nominee or assignee of the Company.
- 13.2 The nature of any Inventions made or discovered by the Executive which in any way relates or may be related to any product, process, or business of any company in the Group shall forthwith be notified by the Executive to the Company.
- 13.3 In cases in which the Invention belongs to the Executive, the Company shall be entitled to negotiate with the Executive with a view to acquiring all or any rights, title and benefit in the Invention. The Executive shall not, without the prior consent in writing of the Company, disclose the same to any third party except to a chartered patent agent for the purpose of seeking protection for the Invention nor use the same for his own personal benefit or otherwise until the Company has in writing declined to negotiate or acquire the Invention or upon the expiry of three (3) months from the date of disclosure to the Company whichever is the sooner, except that if negotiations are entered into, no disclosure of the Invention to any third party shall be made until the conclusion of such negotiations except to the extent that such disclosure is authorised in writing by the Company.
- 13.4 The copyright in any computer programs, drawings, diagrams or other works made or originated by the Executive at any time during the continuance of the Agreement (whether during normal working hours or not) relating to or capable of being used in the business of any company in the Group shall vest in the Company (whether or not the work was made by the direction of the Company or was intended to benefit the Company) and the Executive shall, if called upon so to do by the Company, at any time hereafter execute such documents and do all acts and things at the Company's costs as the Company may require to establish to confirm the ownership of such copyright in the Company.
- 13.5 For the purpose of this Clause 13, "Inventions" shall mean all patentable and non-patentable inventions, discoveries and improvements, processes and know-how, copyright works (including, without limitation, computer programs), new designs and the like discovered or created by the Executive in the course of the Employment or for the Group or discovered or created as a result (whether directly or indirectly) of anything done by him in pursuance of his duties hereunder and/or based (directly or indirectly) on any item of the Information or which in any way relates or may be related to any product, process or business of any company in the Group, and "Information" shall include all communications and information, whether written, visual or oral and all other material supplied to or obtained by the Executive in the course of the Employment and duties hereunder.

**14. MISCELLANEOUS**

- 14.1 For such time that Renesola remains the ultimate holding company of the Company, the parties to this Agreement hereby expressly agree and acknowledge that Renesola shall be entitled to enforce the provisions of this Agreement as against the Executive.
- 14.2 This Agreement shall from the Effective Date operate in substitution for any terms of service previously in force between the Company and the Executive, but without prejudice to the rights, liabilities and obligations (if any) of either party accrued prior to that date. For the avoidance of doubt, the years of service of the Executive with the Company will be treated as continuous as from the date of this first employment with the Group on the Effective Date and recognised for superannuation benefits (for example long service awards). This Agreement constitutes the entire agreement and

understanding between the parties as to its subject matter and both parties acknowledge that neither of them has entered into this Agreement in reliance upon any representation, warranty or undertaking which is not set out in this Agreement or referred to in this Agreement as forming part of the contract of employment of the Executive.

- 14.3 The various provisions of this Agreement are severable and if any provision is held to be invalid or unenforceable by any court of competent jurisdiction then such invalidity or unenforceability shall not affect the remaining provisions of this Agreement.
- 14.4 The waiver by the Company of any breach of any term of this Agreement shall not prevent the subsequent enforcement of that term and shall not be deemed a waiver of any subsequent breach.
- 14.5 No variation or amendment of this Agreement or oral promise or commitment related to it shall be valid unless made in writing and signed by or on behalf of both parties.
- 14.6 Any notice to be given hereunder to the Executive may be served by being handed to him personally or by being sent by registered post to him at his address as set out at the beginning of this Agreement (or such other address as she may have notified the Company); and any notice to be given to the Company may be served by being left at or sent by registered post to the address as set out at the beginning of this Agreement (or such other address as the Company may have notified the Executive). Any notice served by hand shall be deemed to have been served on the date of service, and any notice served by post shall be deemed to have been served on the day (excluding Sundays and public holidays) next following the date of posting.
- 14.7 This Agreement shall be governed by and construed in accordance with the laws of the PRC.
- 14.8 Except as otherwise provided herein, a person who is not a party has no right to enforce or to enjoy the benefit of any term of this Agreement.

**IN WITNESS** whereof this Agreement has been entered into on the date stated at the beginning.

/S/ LI XIAN SHOU

\_\_\_\_\_  
**SIGNED by LI XIAN SHOU**

for and on behalf of

**ZHEJIANG YUHUI SOLAR ENERGY SOURCE CO., LTD.**

/S/ LI XIAN SHOU

\_\_\_\_\_  
**SIGNED by LI XIAN SHOU**

for and on behalf of

**RENESOLA LTD**

/S/ WU YUN CAI

\_\_\_\_\_  
**SIGNED by WU YUN CAI**

DATED 29 November 2006

RENESOLA LTD

and

HUANG BING HUA

CHIEF TECHNOLOGY OFFICER SERVICE AGREEMENT



**CHIEF TECHNOLOGY OFFICER SERVICE AGREEMENT**

**THIS AGREEMENT** is made on the 29<sup>th</sup> day of November 2006

BETWEEN:-

- (1) RENESOLA LTD, a company incorporated in The British Virgin Islands with the registered number 1016246 and having its register office at Craigmuir Chambers, Road Town, Tortola, British Virgin Islands ( the "Company"); and
- (2) HUANG BING HUA ( PRC Identity No. 330106194209160813), of Mo Gan Shan Road, West Lake District, Hangzhou City, Zhejiang Province, China ( the "Employee")

(The Company and the Employee are collectively referred to as "parties", and individually as "party".)

**1. EMPLOYMENT**

- 1.1 The Employee resigned as Non-executive Director of the Company on October 12, 2006 to become an Executive Director in order to be employed by the Company.
- 1.2 The Company shall engage and continue to employ the Employee and the Employee shall serve and continue to serve the Company as Chief Technology Officer of the Company subject to the terms contained in this Agreement
- 1.3 For the avoidance of doubt, the terms of this letter supersede and replace any existing terms and conditions pursuant to a letter or agreement in writing or in other forms of communication relating to his appointment with the Company which shall have no further force and effect.
- 1.4 The Employment shall, take effect on November 29, 2006, and subject to the provisions set out in Clause 10 below, the Employee intends to early terminate this Agreement, he shall notify the Company in written one (1) months in advance and the Company intends to early terminate this Agreement, the Company shall give the Employee not less than one (1) month' notice in writing. However, whilst no legally binding commitment is to be created as to his term of office, the employment would be for an initial term of three (3) years commencing on November 29, 2006.

**2. DUTIES**

- 2.1 The Chief Technology Officer of the Company, specific duties shall include (but not be in any way restricted to):
  - 2.1.1 Use his best endeavors to promote the interests and reputation of the Company giving at all times the full benefit of his knowledge, expertise and skill;

- 2.1.2 Identify and evaluate new technology developments and gauges applicability to business processes by providing the solution that satisfies business goals and objectives. Advise to the Board and the management committee on technology investments and initiatives;
  - 2.1.3 Assess new and emerging technologies to determine application;
  - 2.1.4 Advise the management committee on strategic technology research and development plan and lead the technology research and development (“R&D”) activities of the Company, including but not limited to planning the short and long-range technology strategies, formulation of execution strategy, decision of hiring competent R&D staff, provision of guidance to subordinates, supervise R&D laboratory activities and coordination with relevant departments of the Company in formulating and executing R&D strategies.
  - 2.1.5 Recommends, develops, integrates, administers, and evaluates policies, procedures, standards, equipment and plant design needed to provide flexible and cost-effective technologies;
  - 2.1.6 Develop technology standards and protocols inline with industry “best practice. Improve production efficiency at each stage of production cycle and supervise detailed execution of the plan;
  - 2.1.7 Direct and supervise the daily technology matters;
  - 2.1.8 Organize and manage technology department;
  - 2.1.9 Other responsibilities as reasonably requested by the Company and its board of directors;
- 2.2 The Employee shall devote the whole of his time and attention to the duties of his office, comply with the provisions in this Agreement and other internal regulations and rules of the Company, and exercise such powers and bear such responsibilities as may from time to time be assigned to or vested in him by the board of directors.

**3. REMUNERATION**

- 3.1 During the employment, the Employee will be paid the Chief Technology Officer’s salary of USD120,000 before applicable taxes per annum paid monthly at the end of each calendar month from January 2007 and shall be deemed to accrue from day to day.
- 3.2 The rate of the Chief Technology Officer’s salary specified in this Clause 3 shall be reviewed annually and by the remuneration committee. The Company is under no obligation to increase the Chief Technology Officer’s salary following such a review.
- 3.3 20,000 units of ReneSola Shares after the establishment of ReneSola Employee

Incentive Plan ("REIP") will be issued to the Employee by way of either options or restricted shares, subject to the terms and conditions to be set out in the REIP. Further awards of equity or share options will be at the discretion of ReneSola dependent on the performance of the Employee. The Shares shall be awarded to the Employee and shall be exercisable over 3 (three) year period at equal number of the Shares each year.

#### 4. EXPENSES

The Employee shall be reimbursed all expenses reasonably incurred in the execution of and in relation to his duties subject to the submission of proper receipts/vouchers. Such expenses may include reasonable hotel, travel and incidental expenses, including travel between his home and the Company's head office in Zhejiang. If the Employee uses a private motor vehicle for business purposes the Company will reimburse him at the mileage rate allowed by the Company from time to time.

#### 5. ASSIGNMENT OF INVENTIONS

5.1 As the Chief Technology Officer of the Company, the Employee shall acknowledge that all intellectual property rights (including copyright, trade or service marks (registered and unregistered), patent right and any other similar rights or corresponding application rights) ("Intellectual Property Rights") to any works, inventions, discoveries and design improvements ("Inventions") created, developed or discovered by the Chief Technology Officer during his employment belongs solely to the Company.

5.2 The Employee hereby undertakes to execute such documents as may be required by the Company to confirm the Company's ownership of the Inventions and the underlying Intellectual Property Rights and to enable the Company ( or to the Company's nominated persons) to obtain the full benefit of such Inventions and Intellectual Property Rights without any payments to him.

#### 6. CONFIDENTIALITY

6.1 As the Chief Technology Officer of the Company, the Employee will of course have access to and be entrusted with confidential information relating to the technology, business and financing and affairs of the Company and its subsidiary companies. "Confidential Information" for these purposes includes but is not limited to:-

6.1.1 The confidential information of great decision business strategy, business target, business planning or operation policy;

6.1.2 Any information of clients, co-operators or other related persons or entities of the Company which is negotiated or being carried out, including without limitation, the list, liaison and business information of such customers, co-operators or related persons or entities;

6.1.3 Any undisclosed financing information including budget report, financing report, statistics report, price and expense, service provider information;



- 6.1.4 Any commercial information including internal contract, agreement, letter of intents, memorandum, feasibility report;
  - 6.1.5 Any meeting record, internal rule and regulation, operation process;
  - 6.1.6 Any employment and appointment information including personnel file, remuneration information;
  - 6.1.7 Any confidential information which he shall bear the non-disclosure obligation for a third party in accordance with the legal or contractual requirements; and
  - 6.1.8 Any other information which the Company determines at its reasonable discretion to be confidential and which has been communicated to him.
- 6.2 The Employee shall not at any time (either during or after his employment):
- 6.2.1 Divulge any Confidential Information to any person, firm or company or use or exploit it in any way whatsoever (unless this is done for the benefit of the Company and its subsidiary companies); and
  - 6.2.2 Through any failure to exercise reasonable care and diligence, cause or permit any unauthorized use or disclosure of any Confidential Information.
- 6.3 The restrictions set out in this Clause 6 do not apply to:
- 6.3.1 Any disclosure made in pursuance of his duties as director or which is authorized by the Board;
  - 6.3.2 Any disclosure made in accordance with a legal obligation or required by the order of a court of competent jurisdiction or an appropriate regulatory authority; and
  - 6.3.3 Any information which becomes available to the public generally other than as a result of his actions or default.
- 6.4 Nothing in this Clause 6 is intended to prevent the Employee making a protected disclosure in accordance with the Public Interest Disclosure Act 1998.
- 6.5 It is agreed that the undertakings in this Paragraph 6 are given to the Company for itself and for the benefit of and as trustee for its subsidiary companies.
7. **NON-COMPETITION**
- 7.1 The Employee is prohibited during his employment by the Company and two years after the Employee ceases to be employed by the Company, either directly or indirectly, by himself or through his family member, whether as principal or otherwise, canvass or solicit business, taking part in or helping, by means of participation, assistance rendering service or labor, cooperation, provision of convenience, provision of information, etc., any activities of any person or entities which may fall within a scope of business identical to or similar with that of the Company, or any other activities which may eventually lead to market competition with the Company.
- 7.2 The Employee shall not, during his employment by the Company, directly or indirectly,

induce or seek to induce any employee of the Company to leave that company's employment, whether or not this would be a breach of contract on the part of such employee.

- 7.3 The restriction contained in this clause 8 is considered reasonable by the Company and the employee and is intended to be separate and severable. In the event that any of these restrictions shall be held void, but would be valid if part of the wording thereof were deleted or amended such restriction shall apply with such deletion or amendment as may be necessary to make it valid and effective.

**8. MONITORING OF COMMUNICATION**

During the employment, the Employee will have access to the Company's telecoms and computer system which provides for communication by various means including telephone, fax, e-mail, voicemail and video conferencing link and which also allows access to the internet and the Company's intranet. In accordance with Company policy the Company may monitor or record his use of this system at any time during his employment if it has a legitimate business reason for doing so and by signing this letter he consent to such monitoring or recording taking place.

**9. HOLIDAY AND SICKNESS**

- 9.1 The Employee shall be entitled in each calendar year to twenty-one (21) working day's holiday with full salary (in addition to statutory holidays). The Employee may accumulate and carry forward up to twelve (12) working days' holiday to the following calendar year provided that all such holiday days shall be taken and cleared within the first six(6) months of such following calendar year. All holiday days not taken by such time shall be forfeited. The entitlement to holiday and, on termination of the employment, holiday pay in lieu of holiday, shall accrue pro rata throughout each calendar year of the employment.
- 9.2 If during the employment the Employee is absent from work due to illness or injury he must notify the Company as soon as possible and, if practicable, on the first working day of incapacity. The Employee is entitled to the normal remuneration due to him under this Agreement during any period of absence (not exceeding one (1) year on any one occasion) from work due to sickness or injury.
- 9.3 If the Employee becomes unable to perform his duties properly by reason of illness or injury for a period or periods aggregating at least ninety(90) days in any period of 12 consecutive calendar months then the Company may terminate the Employee's employment by giving him not less than (1) months' notice provided that the Company shall withdraw any such notice if during the currency of the notice the Employee returns to full time duties and provides a medical practitioner's certificate satisfactory to the Company to the effect that he has fully recovered his health and that no recurrence of his illness or injury can reasonably be anticipated.

**10. TERMINATION**

- 10.1 On termination of the employment (however arising), the Employee intends to early

terminate this Agreement, he shall notify the Company in written one (1) months in advance and the Company intends to early terminate this Agreement, the Company shall give the Employee not less than one (1) month' notice in writing.

10.2 The termination of the employment (however arising) shall not affect any provisions of this agreement which are expressed to operate or have effect after such termination and such termination shall be without prejudice to the accrued rights and remedies of the parties.

10.3 The Employee shall have no right to compensation for the termination of his employment or the loss of any office and shall only be entitled to payment of such fees and expenses as have accrued at the date of termination.

**11. OBLIGATIONS ON TERMINATION**

Upon the termination of this Agreement howsoever arising, the Employee shall, within three (3) months after the termination of this Agreement or the Company receives the Employee's early termination notice (the earlier shall prevail):-

11.1 Deliver to the Company all property belonging to the Company including without limitation all documents, other records and any electronic equipment supplied by the Company (whether on paper, magnetic tape or in any other form and including (without limitation) correspondence, lists of clients or customers, notes, memoranda, software, plans, drawings and other documents and records of whatsoever nature and all copies thereof) made or compiled or acquired by the Employee during his employment hereunder and concerning the business, finances or affairs of the Company or its clients or customers;

11.2 Coordinate with the Company to assist the successor to take over the business, finances or affairs of the Company; and

11.3 Forthwith resign from any office which he may hold in the Company and his membership of any organization acquired or held by virtue of his employment with the Company, and should the Employee fails to do any of the above, he hereby irrevocably authorizes any director of the Company, in his name and on his behalf, to execute any documents and to do any acts as necessary to give effect to this Clause.

After such one-month period, the Employee shall no longer perform his duties as Chief Technology Officer, or act as the employee of the Company, or take advantage of such fact.

**12. MISCELLANEOUS**

12.1 Any notice to be given under this Agreement shall be deemed to be duly served when delivery of it is recorded (in the case of recorded delivery post), or when delivered (in the case of personal delivery) or despatched (in the case of facsimile) to the relevant party's address of facsimile number appearing in this Agreement or to such other address or facsimile number as that party may hereafter specify to the notice-serving party by notice in writing.

- 12.2 This Agreement is made in duplicate, each of which shall be hold by the Company and the Employee and of the same validity after execution by both parties.
- 12.3 No modification or amendment of this Agreement shall be effective or enforceable unless it is in writing and duly executed by both parties.
- 12.4 The Employee hereby represents and warranties that, he may execute and perform this Agreement legally and the execution or performance of this Agreement does and will not result in any breach of any contract, agreement and any other rule or document of any company or other business entity by which the Employee is bound.
- 12.5 If any provision under this Agreement is in discrepancy with related laws or regulation, the related laws and regulations shall prevail.
- 12.6 Any other matter not provided in this Agreement shall be dealt with according to related laws, regulations, decrees or any other additional contract agreed by both parties hereunder.

**IN WITNESS** whereof this Agreement has been entered into on the date stated at the beginning.

[EXECUTION PAGE BEGINS HERE]

/s/ Xianshou Li

SIGNED by LI XIAN SHOU  
for and on behalf of  
RENESOLA LTD

/s/ Binghua Huang

SIGNED by HUANG BING HUA

DATED 29 OCTOBER 2006

(1) RENESOLA AMERICA INC.

(2) RENESOLA LTD.

(3) PAN JIAN LI

EMPLOYMENT AGREEMENT



**BETWEEN:-**

- (1) **RENESOLA AMERICA INC.**, a company incorporated in the United States with the registered address at 1209 Orange Street, Wilmington, New Castle, Delaware 19801, United States of America (**the "Company"**);
- (2) **RENESOLA LTD**, a company incorporated in The British Virgin Islands with the registered number 1016246 and having its registered office at Craigmuir Chambers, Road Town, Tortola, British Virgin Islands (**"ReneSola"**); and
- (3) **LI PAN JIAN** (US Resident Card: A073517770), a resident of United States of America with residential address at 11108 Bitter Dell Court, Fort Wayne, IN 46814, United States of America (**the "Employee"**)

IT IS AGREED as follows:-

**1. EMPLOYMENT**

The Company shall employ and continue to employ the Employee and the Employee shall serve and continue to serve the Company as Chief Executive Officer of the Company and its group of companies in such capacity as ReneSola Ltd. may request in agreement with him. The Employment shall, subject to Clause 9, be for an initial period of five (5) years from the effective date. Thereafter, the Employment shall automatically continue unless terminated in accordance with Clause 10.

**2. DUTIES**

2.1 The Employee shall be the Chief Executive Officer of the Company. His duties shall include (but not be in any way restricted to):-

- 2.1.1 using his best endeavors to promote the interests and reputation of the Group giving at all times the full benefit of his knowledge expertise and skill;
- 2.1.2 faithfully and diligently and to the best of his ability exercise such powers and perform such duties in relation to the Group's business as the Board may from time to time require;
- 2.1.3 refraining from making any false or misleading statements about the Group;

- 2.1.4 implementing policies laid down by the Board and translating them into operational plans and day-to-day directives;
  - 2.1.5 keeping the operation of the Company under constant review and presenting to the Board periodic statements, accounts reports and statistics showing the progress and performance of the Company and the other Group Company;
  - 2.1.6 making plans for the future development and growth of the Company in developed and developing markets for the Company's services;
  - 2.1.7 considering and implementing changes in the Group's organizational structure and in the allocation of the responsibilities that may be required to provide for growth and changes on activities, the business environment and personnel;
  - 2.1.8 representing the Company in relevant associations, trade and commercial organizations, trade delegations, charities and public organizations which will enhance the prestige and recognition of the Company; and
  - 2.1.9 maintaining and developing good relations with governmental agencies and public of any country which the Company has or will have operations therein.
- 2.2 The Employee shall work such hours as are necessary for the proper performance of his duties under this Agreement at such times as the Employee shall reasonably determine bearing in mind his fiduciary duties as a director of the Company.
- 2.3 During the Employment, the Employee shall well and faithfully serve the Company and use his utmost endeavors to promote its interests, but so far as is reasonably possible, not in any way which may conflict with the interests of any other Group Company, which interests the Employee shall use his utmost endeavors to promote.

### **3. PLACE OF WORK**

- 3.1 The place of work will be at the Company's premises. The Employee may be required to travel to clients' sites and premises in the course of his duties.
- 3.2 During the course of the employment, the Employee may be required to change his place of work to premises maintained by the Company from time to time. The Employee will be given as much notice as possible of any such change.

### **4. REMUNERATION**

- 4.1 ReneSola Ltd. shall pay the base salary to the Employee at a yearly rate of US\$130,000. The



Employee shall be solely responsible for income tax liability arising from the employment under this Agreement. The federal, state and local income tax and Medicare cost shall be deducted from the salary of the Employee under the laws of relevant jurisdiction to deduct. Such salary shall be payable monthly and in arrears on or around the 25th of each month.

4.2 The Employee is entitled to annual cash bonus of approximately US\$30,000 paid by ReneSola Ltd. If his annual performance meets the expectation of the Board of Directors of ReneSola Ltd.

4.3 The Employee is entitled to annual performance review and salary increase according to his merits.

4.4 The Employee's salary shall include any compensation in relation to their confidentiality obligations pursuant to Clause 11 of this Agreement.

#### 5. EXPENSES

The Company shall reimburse the Employee any traveling, hotel entertainment and other out-of-pocket expenses reasonably incurred by him in the proper performance of his duties, subject to financial management procedures set up by the Company. Any credit card supplied to the Employee by the Company shall be used solely for expenses incurred by him in the course of the Employment and the Employee shall immediately return any such card to the Company whenever so required by the Board.

#### 6. EMPLOYEE BENEFIT SCHEME

The Company shall, during the continuance of the Employment, provide the Employee with benefits comparable with those provided by his previous employer including:

6.1 Life insurance with five times of annual base salary;

6.2 Business travel accident coverage and 24-hour accident coverage;

6.3 Disable insurances;

6.4 Medical and dental insurance for employee and his immediate family; and

6.5 401(k) retirement plan with dollar to dollar match up to 6% of annual base salary.

#### 7. SHARE SUBSCRIPTION

The Employee is entitled to free ReneSola stock shares of approximate 40,000 or its (before any split) each year in employment of ReneSola. These shares shall be granted in

January of the following year (The first grant shall be in January 2008). This is contingent upon the establishment of ReneSola Employee Incentive Plan ("REIP") and its structure. The Employee's entitlement to the Shares granted to him shall be subject to Share Subscription Agreement entered into between the Employee and ReneSola Ltd.

**8. HOLIDAYS AND SICKNESS**

- 8.1 The Employee shall be entitled in each calendar year to Twenty (20) working days' holiday with full salary (in addition to statutory holidays) to be taken at such reasonable time or times as may be approved by the Board. The Employee may accumulate and carry forward unused holidays to following calendar year provided that all such holiday days shall be taken and cleared within the first (6) months of such following calendar year. All holiday days not taken by such time shall be forfeited. The entitlement to holiday and, on termination of the Employment, holiday pay in lieu of holiday, shall accrue pro rata throughout each calendar year of the Employment.
- 8.2 If the Employee shall during the continuance of this Agreement be incapacitated by ill-health or accident from performing his duties hereunder (and he shall if required produce to the Company evidence of such incapacity) for a period or periods aggregating 90 days or more in any period of 12 months, the Company may by written notice to the Employee forthwith or as from a future date specified in the notice discontinue payment in whole or part of his remuneration under Clause 5 until such incapacity shall cease or (whether or not his remuneration shall have been discontinued as aforesaid) terminate this Agreement by giving the balance of notice which the Employee is entitled to receive under Clause 10 less the length of the period for which he has been incapacitated. Subject to the provisions of this Clause remuneration shall continue to be payable to the Employee under Clause 5 notwithstanding such incapacity. For avoidance of doubt, the Employee's entitlement to the Shares granted to him shall be subject to Share Subscription Agreement.

**9. TERMINATION**

- 9.1 Except as otherwise provided in Clauses 1 and 9.2, the Employment may be terminated by either party giving the other not less than one (1) month' notice in writing provided that the Company shall have the option to pay salary (pro-rated) in lieu of any required period of notice.

- 9.2 Notwithstanding the other provisions of this Agreement, the Company may terminate the Employment forthwith without prior notice (but without prejudice to the rights and remedies of the Company) for any breach of this Agreement in any of the following cases:-
- 9.2.1 if the Employee fails or neglects efficiently and diligently to carry out his duties to the reasonable satisfaction of the Board;
  - 9.2.2 if the Employee is guilty of dishonestly or serious or misconduct, in all cases whether or not in connection with or referable to the Employment;
  - 9.2.3 if the Employee becomes bankrupt or has a receiving order made against him or makes any general composition with his creditors;
  - 9.2.4 if the Employee is convicted of any criminal offence, which might reasonably be thought to adversely affect the performance of his duties;
  - 9.2.5 if the Employee does any act or thing which may bring serious discredit on the Company or any other Group Company;
  - 9.2.6 commits any serious breach of the Company's operating procedures (as laid down by the Company and communicated to the Employee from time to time) and have caused serious financial loss to the Company;
  - 9.2.7 if the Employee fails to observe and perform any of the duties and responsibilities imposed by this Agreement or which are imposed by law;
  - 9.2.8 if the Employee becomes unsound of mind or suffers from a mental disorder; or
  - 9.2.9 if the Employee otherwise acts in breach of this Agreement so as materially to prejudice the business of the Company or any other Group Company.
- 9.3 The Employee shall not, at any time after termination of the Employment for whatever reason, represent himself as being in any way connected with the business of the Company.
- 9.4 Upon termination of the Employment for whatever reason the Employee shall forthwith deliver to the Company or its authorized representative such of the following as are in his possession or control:-
- 9.4.1 all keys, security and computer passes, plans statistics, documents, records, papers, magnetic disks, tapes or other software storage media including all copies, records and memoranda (whether or not recorded in writing or on computer disk or tape) made by the Employee of any confidential information (as described in Clause 12.2)

- 9.4.2 all credit cards and charge cards provided for the Employee's use by the Company; and
- 9.4.3 all other property of the Group not previously referred to this Clause.

**10. NON-COMPETITION RESTRICTIONS**

- 10.1 The Employee shall not, at any time during the period of the Employment and for a period of two (2) years after the termination of the Employment, do or permit any of the following without the prior written consent of the Board of ReneSola Ltd.:-
- 10.1.1 directly or indirectly carry on or be engaged or interested in any capacity in any other business, trade or occupation whatsoever, except, in a business, trade or occupation which does not compete with the business or businesses of the Company or ReneSola Ltd. or except as disclosed or declared in writing to the Company or ReneSola Ltd. prior to the date hereof;
  - 10.1.2 either solely or jointly with or on behalf of any person, firm or corporation directly or indirectly carry on or be engaged or interested in any business competing with the business or businesses of the Company or ReneSola Ltd.;
  - 10.1.3 either solely or jointly with or on behalf of any person, firm or corporation solicit the custom of any person who is or has been at any time during the period of the Employment:-
    - (a) a customer, agent or correspondent of the Group or in the habit of dealing with the Group;
    - (b) in commercial negotiations with the Company or ReneSola Ltd with a view to placing business with the Company or ReneSola Ltd.; or
    - (c) visited by the Employee on behalf of the Company or ReneSola Ltd. for the purpose of ascertaining the possibility of such person doing business with the Company or ReneSola Ltd., for the purpose of offering to such person goods or services similar to or competing with those of the business or businesses of the Company or ReneSola Ltd.;
  - 10.1.4 either on his own account or in conjunction with or on behalf of any other person, firm, or company solicit or entice away, from the Group any person who was employed in an Employee, technical or managerial capacity in the Group at the date of termination of his employment whether or not such person would commit a breach of his contract of employment by reason of leaving such employment.

- 10.1.5 at any time hereafter in relation to any trade, business or company, use a name in such a way as to be capable of being or likely to be confused with the name of the Company and shall use all reasonable endeavor to procure that no such name shall be used by any person, firm or company with which he is connected; or
- 10.1.6 cause or permit any person or company directly or indirectly under his control or in which he has any beneficial interests to do the foregoing acts or things.
- 10.2 Each undertaking contained in Clause 10.1 shall be read and construed independently of the other covenants therein contained so that if one or more should be held to be invalid as an unreasonable restraint of trade or for any other reason whatsoever then the remaining covenants shall be valid to the extent that they are not held to be so invalid.
- 10.3 While the covenant in Clause 10.1 is considered by the Company and the Employee to be reasonable in all the circumstances, if one or more should be held invalid as an unreasonable restraint of trade or for an other reason whatsoever but would have been held valid if part of the wording thereof had been deleted or the period thereof reduced or the range of activities or area dealt with thereby reduced in scope, the said covenants shall apply with such modifications as may be necessary to make them valid and effective.
- 11. CONFIDENTIALITY**
- 11.1 The Employee shall keep secret and shall not during the period of Employment or afterwards for whatever reason, use for his own or another's advantage, or reveal to any person, firm or company, any of the trade secrets, business methods or information which the Employee knows or ought reasonably to have known to be confidential concerning the business or affairs of the Company and ReneSola Ltd so far as they shall have come to his knowledge during the Employment. The restrictions contained in this Clause 11.1 shall not apply:-
- 11.1.1 to any disclosure or use authorized by the Board or required by law; or
- 11.1.2 to any trade secrets, business methods or information which may lawfully have come into the public domain other than by a breach of this Agreement.
- 11.2 For the purpose of this Clause 11, confidential information includes but is not limited to any documentation or information marked as confidential and information received or

developed by the Company and ReneSola Ltd. which is not publicly available and relates to processes, equipment and techniques used by the Company's business including but not limited to designs for product and manufacturing plant, technical data and marketing information such as customer lists financial information and business plans.

**12 INTELLECTUAL PROPERTY**

- 12.1 All information relating to custom, clients, suppliers, investors, production process, market research, trade secret and other confidential and proprietary information, R&D results and Invention related to the business of the Company and ReneSola Ltd. shall vest and be the absolute property of the Company and ReneSola Ltd.
- 12.2 The nature of any Inventions made or discovered by the Employee which in any way relates or may be related to an product, process, or business of the Company and ReneSola Ltd. shall forthwith be notified by the Employee to the Company and ReneSola Ltd.
- 12.3 In case in which the Invention belongs to the Employee, the Company shall be entitled to negotiate with the Employee with a view to acquiring all or any rights title and benefit in the Invention. The Employee shall not, without the prior consent in writing of the Company, disclose the same to any third party except to a chartered patent agent for the purpose of seeking protection for the Invention nor use the same for his own personal benefit or otherwise until the Company has in writing declined to negotiate or acquire the Invention or upon the expiry of three (3) months from the date of disclosure to the Company whichever is the sooner, except that if negotiations are entered into, no disclosure of the Invention to any third party shall be made until the conclusion of such negotiations except to the extent that such disclosure is authorized in writing by the Company.
- 12.4 The copyright in any computer programs, drawings, diagrams or other works mad or originated by the Employee at any time during the continuance of the Agreement (whether during normal working hours or not) relating to or capable of being used in the business of the Company and ReneSola Ltd. shall vest in the Company (whether or not the work was made by the direction of the Company or was intended to benefit the Company) and the Employee shall, if called upon so to do by the

Company, and any time hereafter execute such documents and do all acts and things at the Company's costs as the Company may require to establish to confirm the ownership of such copyright in the Company.

- 12.5 For the purpose of this Clause 11, "Inventions" shall mean all patentable and non-patentable inventions, discoveries and improvements, processes and know-how, copyright works (including, without limitation, computer programs), new designs and the like discovered or created by the Employee in the course of the Employment or for the like discovered or created by the Employee in the course of the Employment or for the Company and ReneSola Ltd. or discovered or created as a result (whether directly or indirectly) of anything done by him in pursuance of his duties hereunder and/or based (directly or indirectly) on any item of the Information or which in any way relates or may be related to any product, process or business of the company and ReneSola Ltd., and "Information" shall include all communications and information, whether written, visual or oral and all other material supplied to or obtained by the Employee in the course of the Employment and duties hereunder.

**13. MISCELLANEOUS**

- 13.1 For such time that ReneSola Ltd. remains the ultimate holding company of the Company, the parties to this Agreement hereby expressly agree and acknowledge that this Agreement shall become effective only after approval from the board of ReneSola Ltd. is obtained and ReneSola Ltd. shall be entitled to enforce the provisions of this Agreement as against the Employee.
- 13.2 This Agreement shall from the effective date operate in substitution for any terms of service previously in force between the Company and the Employee but without prejudice to the rights, liabilities and obligations (if any) of either party accrued prior to that date. For the avoidance of doubt, the years of service of the Employee with the Company will be treated as continuous as from the date of this first employment with the Company on the effective date and recognized for employee benefit scheme. The understanding between the parties as to its subject matter and both parties acknowledge that neither of them has entered into this Agreement in reliance upon

an representation, warranty or undertaking which is not set out in this Agreement or referred to in this Agreement as forming part of the contract of employment of the Employee.

- 13.3 The various provisions of this Agreement are severable and if any provision is held to be invalid or unenforceable, by any court of competent jurisdiction then such invalidity or unenforceability shall not affect the remaining provisions of this Agreement.
- 13.4 The waiver by the Company of any breach of any terms of this Agreement shall not prevent the subsequent enforcement of that term and shall not be deemed a waiver of any subsequent breach.
- 13.5 No variation or amendment of this Agreement or oral promise or commitment related to it shall be valid unless made in writing and signed by or on behalf of both parties.
- 13.6 Any notice to be given hereunder to the Employee may be served by being handed to him personally or by being sent by registered post to him at his address as set out at the beginning of this Agreement (or such other address as she may have notified the Company); and any notice to be given to the Company may be served by being left at or sent by registered post to the address as set out at the beginning of this Agreement ( or such other address as the Company may have notified the Employee). Any notice served by hand shall be deemed to have been served on the date of service, and any notice served by post shall be deemed to have been served on the day ( excluding Sundays and public holidays) next following the date of posting.
- 13.7 This Agreement shall be governed by and construed in accordance with the laws of United States.
- 13.8 Except as otherwise provided herein, a person who is not a party has no right to enforce or to enjoy the benefit of any term of this Agreement.

**IN WITNESS** whereof this Agreement has been entered into on the date stated at the beginning.



/s/ Xianshou Li

\_\_\_\_\_  
**SIGNED** by  
for and on behalf of  
**RENESOLA AMERICA INC.**

/s/ Xianshou Li

\_\_\_\_\_  
**SIGNED** by **LI XIAN SHOU**  
for and on behalf of  
**RENESOLA LTD**

/s/ Panjian Li

\_\_\_\_\_  
**SIGNED** by **PAN JIAN LI**

November 30, 2006

**RENESOLA LTD**

- and -

**YING TAO**

**TECHNOLOGY CONSULTANT SERVICE AGREEMENT**

**TECHNOLOGY CONSULTANT SERVICE AGREEMENT**

This Technology Consultant Service Agreement (the "Agreement") is made and entered into by the following parties on November 1, 2006.

- (1) **ReneSola Ltd.**, a company incorporated in The British Virgin Islands with the registered number 1016246 and having its register office at Craigmuir Chambers, Road Town, Tortola, British Virgin Islands (the "**Company**");  
and
- (2) **Ying Tao**, whose ID card number is \_\_\_###-##-####\_ and correspondence address is \_\_193 Black Lantern Ct., St. Peters, MO, 63376, USA\_\_ (the "**Consultant**").
- (The Company and the Consultant are collectively referred to as "parties", and individually as "party".)

**1. Appointment**

- 1.1 The Company shall engage the Consultant and the Consultant shall serve the Company as Technology Consultant (or such other title as the Company deem appropriate) during the term of this Agreement.
- 1.2 The engagement of the Consultant to be Technology Consultant will take effect on December 1, 2006 and, subject to the provisions set out in Clause 7 below, will be terminable by him or Company giving the other at least two(2) months written notice. However, whilst no legally binding commitment is to be created as to your term of service, it would be both Parties' intention that the service of the Consultant shall be for an initial term of five years commencing on the execution date Of this Agreement.

**2. Service Scope and Obligations**

2.1 Subject to Clause 2.2, the Consultant shall be responsible for:-

- i. improving and stabilizing yield, modifying hot zone to boost seed lift and increasing throughput and reducing costs;
- ii. adding a capability to use granular poly or very fine chunk pieces and teaching how to use CVD granular poly which is Hydrogen rich and damages parts;
- iii. counselling for the technology matters of the Company;
- iv. preparing and providing technology report and advice to the management of the Company and its board of directors;
- v. other responsibilities as reasonably requested by the Company and its board of directors.

2.2 The Consultant shall:-

- i. devote as much as possible of his time and attention to provide the above-mentioned consultant service as requested by the Company;

- ii. comply with the provisions in this Agreement and other request and/or requirements of the Company;
  - iii. provide his services with all good faith and diligence; and
  - iv. exercise such powers and bear such responsibilities as may from time to time be assigned to or vested in him by the Company or its board of directors.
- 2.3 The Consultant shall provide his services through telecommunication means, including telephone, emails and/or at the plant site of the Company in Jiashan County, Zhejiang Province. The Consultant shall use his best effort to execute projects regarded by the Company to meet the deadline set out by the Company or to execute the projects in a timely manner. The Company may arrange the Consultant to or the Consultant shall by his own professional judgement work overtime either on weekdays or weekends due to business needs. The Consultant is not entitled to any additional pay for his overtime work.
- 3. Service Fees and Expenses**
- 3.1 The Company shall pay the remuneration to the Consultant on a monthly pre-taxed basis in an amount of RMB50,000 (the “**Service Fees**”).
- 3.2 The Service Fees shall be paid in arrears on or around the 20<sup>th</sup> of each month (the “**Payment Date**”). The Company shall deposit the amounts stated in Clause 3.2 after necessary deduction (including personal income tax, however, the Company has no obligation to pay, deduct or reserve any funds under the employment laws and regulations) into a bank account designated by the Consultant.
- 3.3 The Consultant shall assume all tax liabilities for his Service Fees by himself.
- 3.4 The Consultant shall be reimbursed all travelling expenses reasonably incurred in the execution of and in relation to his duties for business purposes under this Agreement subject to the submission of proper receipts/vouchers.
- 4. Assignment of Inventions**
- 4.1 The Consultant acknowledges that all intellectual property rights (including copyright, trade or service marks (registered and unregistered), patent right and any other similar rights or corresponding application rights) (“**Intellectual Property Rights**”) to any works, inventions, discoveries and design improvements (“**Inventions**”) created, developed or discovered by the Consultant during his provision of consulting services under this Agreement belongs solely to the Company.
- 4.2 The Consultant hereby undertakes to execute such documents as may be required by the Company to confirm the Company’s ownership of the Inventions and the underlying Intellectual Property Rights and to enable the Company (or to the Company’s nominated persons) to obtain the full benefit of such Inventions and Intellectual Property Rights without any payments to the Consultant.

**5. Confidentiality**

5.1 The Consultant shall not make use of, divulge or communicate to any person (save in the proper performance of his duties under this Agreement) any of the trade secrets or other confidential/undisclosed information of or relating to the Company which he may have received or obtained while in the service of the Company. This restriction shall cease to apply to information ordered to be disclosed by a Court of competent jurisdiction or to information which has become part of the public domain through no action on the part of the Consultant.

5.2 The obligations of the Consultant under this Clause 5 shall be in addition to and not in substitution of any implied obligations imposed upon him by law in relation to the non-disclosure of information.

5.3 For the purposes of Clause 5.1, confidential information shall, without limitation, include:-

- i. the confidential information of great decision, business strategy, business target, business planning or operation policy;
- ii. any information of clients, cooperators or other related persons or entities of the Company which is negotiated or being carried out, including without limitation, the list, liaison and business information of such clients, cooperators or related persons or entities;
- iii. any undisclosed financing information including budget report, financing report, statistics report, price and expense, service provider information;
- iv. any commercial information including internal contract, agreement, letter of intents, memorandum, feasibility report;
- v. any meeting record, internal rule and regulation, operation process;
- vi. any employment information including personnel file, remuneration information;
- vii. any confidential information which the Consultant shall bear the non-disclosure obligation for a third party in accordance with the legal or contractual requirements; or,
- viii. any other information which the Company determines or the Consultant shall determine at its/his reasonable discretion to be confidential.

**6. Non-competition**

6.1 The Consultant is prohibited during the term of this Agreement, either directly or indirectly, by himself or through his family member, whether as principal or otherwise, canvass or solicit business, taking part in or helping, by means of participation, assistance, rendering service or labor, cooperation, provision of convenience, provision of information, etc., any activities of any person or entities which may fall within a scope of business identical to or similar with that of the Company, or any other activities which may eventually lead to market competition with the Company.

6.2 The Consultant shall not, during the term of this Agreement, directly or

indirectly, induce or seek to induce any employee of the Company to leave that company's employment, whether or not this would be a breach of contract on the part of such employee.

6.3 The restrictions contained in this Clause 6 are considered reasonable by both Parties and is intended to be separate and severable. In the event that any of these restrictions shall be held void, but would be valid if part of the wording thereof were deleted or amended, such restriction shall apply with such deletion or amendment as may be necessary to make it valid and effective.

**7. Termination**

7.1 With effect from the Commencement Date, if the Consultant intends to early terminate this Agreement, he shall notify the Company in written two (2) months in advance. The Company shall be entitled to early terminate this Agreement by notifying the Consultant in written two (2) months in advance. The Consultant is entitled to the Service Fees stated in Clauses 3.1 after necessary deduction during such two (2) months.

7.2 The Company shall be entitled at its absolute discretion to pay two-month Service Fees in lieu of termination notice under this Agreement, or pay reasonable Service Fees in lieu of any unexpired period of notice in case the Consultant serves the notice.

7.3 Notwithstanding other provisions herein, this Agreement shall also be subject to termination by the Company immediately if the Consultant:-

- i. shall have committed any serious breach or (after warning in writing) either repeated or continued any material breach of his obligations hereunder; or
- ii. shall have so conducted himself in a way tending to bring himself or the Company into disrepute; or
- iii. shall have conducted any criminal act; or
- iv. commits any serious breach of the Company's requests or requirements, or cause the Company bear any material loss or damage (as laid down by the Company and communicated to the Consultant from time to time); or
- v. becomes subject to any investigation for misconduct, fraud or any offence involving an element of dishonesty by any regulatory body or authority.

In any such case, the Company shall, when exercising its right of termination under this Clause, inform the Consultant of its grounds for doing so.

7.4 If the Consultant, during the term of this Agreement, is incapacitated by ill-health or accident from performing his duties hereunder (and he shall, if required, produce to the Company evidence of such incapacity), the Company may terminate such Agreement immediately.

**8. Obligations on Termination**

Upon the termination of this Agreement howsoever arising, the Consultant shall, within one (1) month after the termination of this Agreement or the Company receives the Consultant's early termination notice (the earlier shall prevail):-

8.1 deliver to the Company all property belonging to the Company including without limitation all documents, other records and any electronic equipment supplied by the Company (whether on paper, magnetic tape or in any other form and including (without limitation) correspondence, lists of clients or customers, notes, memoranda, software, plans, drawings and other documents and records of whatsoever nature and all copies thereof) made or compiled or acquired by the Consultant during the provision of services hereunder and concerning the business, finances or affairs of the Company or its clients or customers;

8.2 coordinate with the Company to assist the successor to take over the relevant affairs of the Company; and

After such one-month period, the Consultant shall no longer perform his duties as Technology Consultant of the Company; or take advantage of such fact.

**9. Dispute**

9.1 This Agreement shall be governed by and construed in accordance with the laws of People's Republic of China ("PRC").

9.2 If any dispute arising from this Agreement or for the reason, both parties may resolve such dispute as follows:

i. Both parties may discuss the dispute amicably.

ii. A party or both parties may bring a lawsuit before a competent court located in the jurisdictional area of the Company's business place in accordance with related laws and regulations.

**10. Miscellaneous**

10.1 Any notice to be given under this Agreement shall be deemed to be duly served when delivery of it is recorded (in the case of recorded delivery post), or when delivered (in the case of personal delivery) or despatched (in the case of facsimile) to the relevant party's address of facsimile number appearing in this Agreement or to such other address or facsimile number as that party may hereafter specify to the notice-serving party by notice in writing.

10.2 This Agreement shall be written in English.

10.3 This Agreement is made in duplicate, each of which shall be hold by the Company and the Consultant and of the same validity after execution by both parties.

10.4 No modification or amendment of this Agreement shall be effective or enforceable unless it is in writing and duly executed by both parties.

10.5 The Consultant hereby represents and warranties that, he/she may execute and

perform this Agreement legally and the execution or performance of this Agreement does and will not result in any breach of any contract, agreement and any other rule or document of any company or other business entity by which the Consultant is bound.

10.6 Both Parties hereby acknowledge and agree that, this Agreement is only a consulting service agreement and shall not constitute any employment relationship between the Company and the Consultant. The Consultant is no the employee of the Company and the Company is also not the employer of the Consultant. This Agreement shall not subject to any Chinese labour laws of regulations.

10.7 If any provision under this Agreement is in discrepancy with related laws or regulation, the related laws and regulations shall prevail.

10.8 Any other matter not provided in this Agreement shall be dealt with according to related laws, regulations, decrees or any other additional contract agreed by both parties hereunder.

[No text below]



[Signing Page]

IN WITNESS whereof this Agreement has been entered into the day and year first above written.

/s/ Xianshou Li

\_\_\_\_\_  
SIGNED by **Mr. Li Xianshou**  
for and on behalf of

**RENESOLA LTD**

Ying Tao

\_\_\_\_\_  
SIGNED by **Mr. Ying Tao**

DATED 29th October 2007

RENESOLA LTD

and

YEH CHENG HSIEN

CHIEF OPERATING OFFICER SERVICE AGREEMENT



**CHIEF OPERATING OFFICER SERVICE AGREEMENT**

**THIS AGREEMENT** is made on the 29th day of October 2007

BETWEEN:-

- (1) RENESOLA LTD, a company incorporated in The British Virgin Islands with the registered number 1016246 and having its register office at Craigmuir Chambers, Road Town, Tortola, British Virgin Islands ("Company" or "Renesola"); and
- (2) YEH CHENG HSIEN (Passport No. 0239484203(B)), of No. 999 Gaojing Road, 8C, Qingpu District, Shanghai, China ("Employee")

(The Company or Renesola and the Employee are collectively referred to as "parties", and individually as "party".)

**1. EMPLOYMENT**

- 1.1 The Company shall employ and continue to employ the Employee and the Employee shall serve and continue to serve the Company as Chief Operating Officer of the Company subject to the terms contained in this Agreement.
- 1.2 For the avoidance of doubt, the terms of this letter supersede and replace any existing terms and conditions pursuant to a letter or agreement in writing or in other forms of communication relating to his appointment with the Company which shall have no further force and effect.
- 1.3 The employment shall take effect on October 29<sup>th</sup>, 2007 ("Commencement Date") and whilst no legally binding commitment is intended to be created as to the Employee's term of office, the parties hereby acknowledge and agree that it is intended that the employment is for an initial term of three (3) years commencing on the Commencement Date ("Initial Period") and, subject to the provisions set out in Clause 9 below, in the event that the Employee wishes to terminate this Agreement before the expiry of such Initial Period, he shall notify the Company in writing at least one (1) month prior to the date on which it is intended that the employment should cease and in the event that the Company wishes to terminate this Agreement before the expiry of the Initial Period, the Company shall give the Employee not less than one (1) month's notice in writing.

**2. DUTIES**

- 2.1 The Employee's specific duties shall include (but not be in any way restricted to):

- 2.1.1 Use his best endeavors to promote the interests and reputation of the Company giving at all times the full benefit of his knowledge, expertise and skill;
- 2.1.2 Faithfully and diligently and to the best of his ability exercise such powers and perform such duties in relation with the operations of the Company as the Board of Directors ("Board") or the Chief Executive Officer shall from time to time determine, and shall report directly to the Chief Executive Officer. The Chief Operating Officer shall, when requested, counsel with and advise the other officers of the Company and the Board and shall perform such other duties as may be agreed with the Chief Executive Officer or as the Board or the Chief Executive Officer may from time to time determine;
- 2.1.3 Refrain from making any false or misleading statements about the Company;
- 2.1.4 Implement policies laid down by the Board or the Chief Executive Officer and translate them into operational plans and day-to-day directives;
- 2.1.5 Keep the operations of the Company under constant review and present to the Board or the Chief Executive Officer periodic statements, accounts, reports and statistics showing the progress and performance of the Company and its subsidiary companies;
- 2.1.6 Make plans for the future development and growth of the Company in developed and developing markets for the Company's services;
- 2.1.7 Consider and implement changes in the Company's organizational structure and in the allocation of the responsibilities that may be required to provide for growth and changes on activities, the business environment and personnel;
- 2.1.8 Represent the Company in relevant associations, trade and commercial organizations, trade delegations, charities and public organizations which will enhance the prestige and recognition of the Company;
- 2.1.9 Maintain and develop good relations with the governmental agencies and public figures of any country which the Company has or will have operations therein;
- 2.1.10 Other responsibilities as reasonably requested by the Company and the Board; and statements set out in clause 2.12, 2.13.
- 2.1.11 In particular and notwithstanding the provisions of clause 2.2, in the event that the Executive holds shares in ReneSola, he will and will be obliged to comply with the Company's share dealing code and inform himself of the corporate governance guidelines followed by the Company in respect of his Shares in light of ReneSola being quoted on AIM.
- 2.12 Take responsibilities of managing and developing the section of production & technology, storage, CIM & production control, as well as the production equipment and consumptive material purchasing.

- 2.13 In charge of the whole wafer factory include mono casting factory 1 & 2 and multi casting factory.
- 2.14 Take in charge of HR, administration and QC sections as manage skill and expertise recognized by the Company;
- 2.2 The Employee shall devote the whole of his time and attention to the duties of his office, comply with the provisions in this Agreement and other internal regulations and rules of the Company, and exercise such powers and bear such responsibilities as may from time to time be assigned to or vested in him by the Board or the Chief Executive Officer.
- 3. REMUNERATION**
- 3.1 During the employment, the Employee's salary shall be at the annual rate of USD100,000 before applicable taxes (or at such other rate as may from time to time be agreed in writing between the Company and Employee) and be paid in accordance with clause 3.4.
- 3.2 The rate of the Employee's salary specified in this Clause 3 shall be reviewed annually and by the remuneration committee. The Company is under no obligation to increase the Employee's salary following such a review.
- 3.3 100,000 units in the ReneSola Executive Incentive Plan ("REIP") after the same has been established will be issued to the Executive yearly by way of either options over ReneSola shares or restricted shares for the Initial Period, subject to the terms and conditions to be set out in the REIP. Further awards of equity or share options will be at the discretion of the board of ReneSola dependent on the performance of the Executive. The exercise period for the options referred to above will, in common with the other material terms relating thereto, be set out in the scheme documentation in respect of the REIP, but it is expected that, as at the date of this Agreement.
- 3.4 The Employee's remuneration set out in clause 3.1 shall be paid as to USD 80,000 monthly at the end of each calendar month from [month] 2007, and shall be deemed to accrue from day to day. The remainder, being an amount equal to USD 20,000 shall be paid as a lump sum at the end of the calendar year on or around 31 December by way of a bonus.
- 3.5 For the avoidance of any doubt, the maximum remuneration of the Employee arising under this Agreement and the Zhejiang Agreement (as such term is defined in clause 9.4) shall be USD 100,000 and those share options set out in clause 3.3 above.
- 4. EXPENSES AND BENEFIT SCHEME**
- 4.1 The Employee shall be reimbursed any travelling, hotel, entertainment and other out-of-pocket expenses reasonably incurred by him in the proper performance of his duties.

4.2 The Employee shall be provided during the continuance of the Employment with a car and car allowance of RMB24,000 per annum to be paid monthly at the end of each calendar month from [month] 2007. The ownership of the car belongs to the Company.

5. **CONFIDENTIALITY**

5.1 As the Chief Operating Officer of the Company, the Employee will of course have access to and be entrusted with confidential information relating to the technology, business and financing and affairs of the Company and its subsidiary companies. "Confidential Information" for these purposes includes but is not limited to:-

- 5.1.1 The confidential information of great decision business strategy, business target, business planning or operation policy;
- 5.1.2 Any information of clients, co-operators or other related persons or entities of the Company which is negotiated or being carried out, including without limitation, the list, liaison and business information of such customers, co-operators or related persons or entities;
- 5.1.3 Any undisclosed financing information including budget report, financing report, statistics report, price and expense, service provider information;
- 5.1.4 Any commercial information including internal contract, agreement, letter of intents, memorandum, feasibility report;
- 5.1.5 Any meeting record, internal rule and regulation, operation process;
- 5.1.6 Any employment and appointment information including personnel file, remuneration information;
- 5.1.7 Any confidential information which he shall bear the non-disclosure obligation for a third party in accordance with the legal or contractual requirements; and
- 5.1.8 Any other information which the Company determines at its reasonable discretion to be confidential and which has been communicated to him.

5.2 The Employee shall not at any time (either during or after his employment):

- 5.2.1 Divulge any Confidential Information to any person, firm or company or use or exploit it in any way whatsoever (unless this is done for the benefit of the Company and its subsidiary companies); and
- 5.2.2 Through any failure to exercise reasonable care and diligence, cause or permit any unauthorized use or disclosure of any Confidential Information.

5.3 The restrictions set out in this Clause 5 do not apply to:

- 5.3.1 Any disclosure made in pursuance of his duties or which is authorized by the Board or the Chief Executive Officer;
- 5.3.2 Any disclosure made in accordance with a legal obligation or required by the order of a court of competent jurisdiction or an appropriate regulatory authority; and

5.3.3 Any information which becomes available to the public generally other than as a result of his actions or default.

5.4 Nothing in this Clause 6 is intended to prevent the Employee making a protected disclosure in accordance with the Public Interest Disclosure Act 1998.

5.5 It is agreed that the undertakings in this Paragraph 5 are given to the Company for itself and for the benefit of and as trustee for its subsidiary companies.

**6. NON-COMPETITION RESTRICTIONS**

6.1 The Employee is prohibited during his employment by the Company and two years after the Employee ceases to be employed by the Company, either directly or indirectly, by himself or through his family member, whether as principal or otherwise, canvass or solicit business, taking part in or helping, by means of participation, assistance rendering service or labor, cooperation, provision of convenience, provision of information, etc., any activities of any person or entities which may fall within a scope of business identical to or similar with that of the Company or any member of its group, or any other activities which may eventually lead to market competition with the Company.

6.2 The Employee shall not, during his employment by the Company, directly or indirectly, induce or seek to induce any other employee of the Company to leave that company's employment, whether or not this would be a breach of contract on the part of such employee.

6.3 The restrictions contained in this clause 6 are considered reasonable by the Company and the Employee and they are intended to be separate and severable. In the event that any of these restrictions shall be held void, but would be valid if part of the wording thereof were deleted or amended such restriction shall apply with such deletion or amendment as may be necessary to make it valid and effective.

**7. MONITORING OF COMMUNICATION**

During the employment, the Employee will have access to the Company's telecoms and computer system which provides for communication by various means including telephone, fax, e-mail, voicemail and video conferencing link and which also allows access to the internet and the Company's intranet. In accordance with Company policy the Company may monitor or record his use of this system at any time during his employment if it has a legitimate business reason for doing so and by signing this letter he consent to such monitoring or recording taking place.

**8. HOLIDAY AND SICKNESS**

8.1 The Employee shall be entitled in his first calendar year of service to ten (10) working days' holiday with full salary (in addition to statutory holidays). For each continuous year of service thereafter the Employee's entitlement of working days' holiday with full salary shall increase by three (3) days, subject to a maximum entitlement of twenty-one (21) working days' holiday with full salary per calendar year. The Employee may

accumulate and carry forward up to five (5) working days' holiday to the following calendar year provided that all such holiday days shall be taken and cleared within the first six(6) months of such following calendar year. All holiday days not taken by such time shall be forfeited. The entitlement to holiday and, on termination of the employment, holiday pay in lieu of holiday, shall accrue pro rata throughout each calendar year of the employment.

8.2 If during the employment the Employee is absent from work due to illness or injury he must notify the Company as soon as possible and, if practicable, on the first working day of incapacity. The Employee is entitled to the normal remuneration due to him under this Agreement during any period of absence (not exceeding one (1) year on any one occasion) from work due to sickness or injury.

8.3 If the Employee becomes unable to perform his duties properly by reason of illness or injury for a period or periods aggregating at least ninety (90) days in any period of twelve (12) consecutive calendar months then the Company may terminate the Employee's employment by giving him not less than one (1) months' notice provided that the Company shall withdraw any such notice if during the currency of the notice the Employee returns to full time duties and provides a medical practitioner's certificate satisfactory to the Company to the effect that he has fully recovered his health and that no recurrence of his illness or injury can reasonably be anticipated.

## 9. TERMINATION

9.1 In the event that the Employee wishes to terminate this Agreement before the expiry of the Initial Period, he shall notify the Company in writing at least one (1) month prior to the date on which it is intended that the employment should cease and in the event that the Company intends to terminate this Agreement before the expiry of the Initial Period, the Company shall give the Employee not less than one (1) month's notice in writing.

9.2 The termination of the employment (however arising) shall not affect any provisions of this Agreement which are expressed to operate or have effect after such termination and such termination shall be without prejudice to the accrued rights and remedies of the parties.

9.3 The Employee shall have no right to compensation for the termination of his employment or the loss of any office and shall only be entitled to payment of such fees and expenses as have accrued at the date of termination.

9.4 For the avoidance of any doubt, save with the express written consent of the Board, in the event that the Employee has notified Zhejiang Yuhui Solar Energy Source Co., Ltd that it intends to terminate his employment with Zhejiang Yuhui Solar Energy Source Co., Ltd pursuant to an agreement between Zhejiang Yuhui Solar Energy Source Co., Ltd, ReneSola and the Employee dated on or about the date of this Agreement ("Zhejiang Agreement") then the Employee shall be deemed to have automatically served a notice terminating this Agreement pursuant to clause 9.1 above with the effect that this Agreement and the Zhejiang Agreement shall each be terminated simultaneously.



**10. OBLIGATIONS ON TERMINATION**

Upon the termination of this Agreement howsoever arising, the Employee shall, within three (3) months after the termination of this Agreement or the Company receives the Employee's early termination notice (the earlier shall prevail):-

- 10.1 Deliver to the Company all property belonging to the Company including without limitation all documents, other records and any electronic equipment supplied by the Company (whether on paper, magnetic tape or in any other form and including (without limitation) correspondence, lists of clients or customers, notes, memoranda, software, plans, drawings and other documents and records of whatsoever nature and all copies thereof) made or compiled or acquired by the Employee during his employment hereunder and concerning the business, finances or affairs of the Company or its clients or customers;
- 10.2 Coordinate with the Company to assist the successor to take over the business, finances or affairs of the Company; and
- 10.3 Forthwith resign from any office which he may hold in the Company and his membership of any organization acquired or held by virtue of his employment with the Company, and should the Employee fails to do any of the above, he hereby irrevocably authorizes any director of the Company, in his name and on his behalf, to execute any documents and to do any acts as necessary to give effect to this Clause. After such one-month period, the Employee shall no longer perform his duties as Chief Operating Officer, or act as the employee of the Company, or take advantage of such fact.

**11. MISCELLANEOUS**

- 11.1 Any notice to be given under this Agreement shall be deemed to be duly served when delivery of it is recorded (in the case of recorded delivery post), or when delivered (in the case of personal delivery) or despatched (in the case of facsimile) to the relevant party's address of facsimile number appearing in this Agreement or to such other address or facsimile number as that party may hereafter specify to the notice-serving party by notice in writing.
- 11.2 This Agreement is made in duplicate, each of which shall be held by the Company and the Employee and each of which shall be of the same validity after execution by both parties.
- 11.3 No modification or amendment of this Agreement shall be effective or enforceable unless it is in writing and duly executed by both parties.
- 11.4 The Employee hereby represents and warrants that, he may execute and perform this Agreement legally and the execution or performance of this Agreement does and will not result in any breach of any contract, agreement and any other rule or document of any company or other business entity by which the Employee is bound.

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11.5 If any provision under this Agreement is in discrepancy with related laws or regulation, the related laws and regulations shall prevail.

11.6 Any other matter not provided in this Agreement shall be dealt with according to related laws, regulations, decrees or any other additional contract agreed by both parties hereunder.

**IN WITNESS** whereof this Agreement has been entered into on the date stated at the beginning.

[EXECUTION PAGE BEGINS HERE]

/s/ LI XIAN SHOU

SIGNED by LI XIAN SHOU

For and on behalf of

RENESOLA LTD

/s/ YEH CHENG HSIEN

SIGNED by YEH CHENG HSIEN

**Real Estate Transfer Agreement**

Party A (Transferer): Zhejiang Yuhuan Solar Energy Source Co., Ltd  
Party B (Transferee): Zhejiang Yuhui Solar Energy Source Co., Ltd

Pursuant to the laws of the People's Republic of China and through friendly negotiation, Party A and Party B has entered into this Contract as follows:

I. Party A has land in Yao Zhuang Town Industrial Park, Jiashan County; the Plot No. is 107-3-0-6 and the area for which the use right is granted is 18286.8m<sup>2</sup>. This plot has two buildings built on it; the real property certificate number is "SZ No. 00099789". Party A hereby is willing to transfer both the real property and the land to Party B at a total transfer price of RMB13,000,000.00 Yuan (in words: RMB thirteen million Yuan). The payment shall be made by bank transfer. Within one week after this Contract is signed, Party A shall pay RMB6,679,773.87 Yuan, which shall be offset by the RMB 1,300,000.00 Yuan borrowed by Party A from Party B and the rent (RMB5,379,773.87 Yuan) prepaid by Party B to Party A; the balance (RMB6,320,226.13 Yuan) will be paid in full within three months after this Contract is signed.

II. Party B has verified the above-mentioned real property and land and has examined the land use right certificate, the real property ownership certificate and relevant documents before agreeing to pay the above-mentioned transfer price; both parties, at their own free will, unanimously agree to enter this Contract.

III. Within thirty days after this Contract is signed by both parties, the relevant transfer formalities shall be completed at the land administration authorities and the real property administration authorities so as to obtain the State-owned Land Use Certificate and the Real Property Ownership Certificate.

IV. If the real property transferred by the Party A hereunder is pledged or if the mortgage formalities are unclear, Party A shall be exclusively liable and Party B will not bear any responsibilities or liabilities.

V. Party B shall bear all the rights and obligations as specified in the original State-owned Land Use Right Transfer Contract, and pay in time the land use fee to the land administration authorities.

VI. If Party B fails to deliver the real property after Party A has paid the real property transfer price, Party B shall refund the real property price and be responsible for compensating Party A for any and all losses.

VII. Any dispute arising from this Contract shall be settled through friendly negotiation between both parties. In case negotiation fails to solve the dispute, the dispute shall be submitted to the arbitration commission in Jiashan County or the People's Court of Jiashan County.

VIII. This Contract is signed by both parties on May 8<sup>th</sup> 2006 and takes effect on the same day. This Contract is made in quadruplicate, two copies for each of Party A and Party B. All of these four copies have the same legal force and effect.

Party A: Zhejiang Yuhuan Solar Energy Source Co., Ltd (Seal)

Party B: Zhejiang Yuhui Solar Energy Source Co., Ltd (Seal)

Legal Rep: /s/

Legal Rep: /s/

**Fund Entrusted Management Contract**

This Contract is executed on August 24<sup>th</sup> 2006 by and between the following parties:

Trustee: Zhejiang Yuhui Solar Energy Co., Ltd  
Address: Yaozhuang Town Industrial Park, Jiashan County

Trustor: Zhejiang Yuhuan Solar Energy Source Co., Ltd  
Address: No.88, Xingwen Road, Yaozhuang Town, Jiashan County

**WHEREAS**

1. The Trustor once held 75% of the equity interest of the Trustee and signed an agreement with Renesola Ltd in April 2006 to transfer all of the said 75% of the equity interest of the Trustee to Renesola Ltd at a total price of USD2,133,000;
2. On August 11<sup>th</sup> 2006, the Trustor received the transfer price USD2,133,000 paid by Renesola Ltd and the Trustor, as per relevant laws, converted the above-mentioned USD2,133,000 into RMB16,973,774.10 on August 17<sup>th</sup> 2006 on the basis of the exchange rate published by the People's Bank on the same day;
3. In order to support the continuous development of the Trustee and the prosperity of local economy, the Trustor decides to establish a fund with all of the above-mentioned money and hereby entrusts the Trustee to manage the said fund in accordance with the conditions as agreed herein;
4. The Trustee agrees to accept the entrustment and manage the said fund in accordance with the conditions as agreed herein,

THEREFORE, for management of the above-mentioned fund, the Trustor and the Trustee, on the basis of equality and free will and through full negotiation, enter into the following contract (hereinafter referred to as "this Contract").

**Article 1 Amount and use of entrusted fund**

- 1.1 The total amount of the entrusted fund is RMB16,973,774.10 Yuan;
- 1.2 This fund will only be used to reward the Trustee's employees, management team and technician (hereinafter referred to as "Employees") who have made contribution to the development of the Trustee;
- 1.3 During the duration of this fund, it can be used by the Trustee for business operations without interest, provided that the Trustee's use of this fund does not prevent the Trustee from materialize its award decisions already made.

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**Article 2 Award decisions**

2.1 The Trustee shall have the right to decide the list of employees to whom the awards will be granted, the means in which the awards will be granted and the amounts of awards, depending on the development of the Trustee, so as to retain and attract excellent managers and technicians, maintain the stable and continuous growth of the Trustee.

**Article 3 Period of entrusted management**

3.1 The period of entrusted management hereunder begins as of the date on which this Contract is signed by and affixed with the seals of both parties and ends when the Trustee awards all of this fund to employees as per the provisions herein or all of the assets procured with this fund for awarding employees are transferred to the employees receiving such awards.

**Article 4 Responsibilities and obligations of the Trustee**

4.1 During the period of entrusted management, the Trustee shall properly manage and use this fund, properly manage the assets procured with this fund and intended to be used as awards for employees, make award decisions in time according to the development needs of the Trustee, and use the entrusted fund to materialize in time the award decisions already made.

**Article 5 Representations and warranties**

5.1 It is hereby represented and warranted by both parties that:

5.1.1 Each party is a legal person, an independent entity duly established and existing, and can in its own name initiate any action, respond to action, and independently bear civil liabilities;

5.1.2 Each party owns the necessary power and authorization to execute this Contract and has obtained all the approvals, consent or recognition necessary for execution hereof;

5.1.4 Performance of the obligations specified herein will not violate any Chinese laws, regulations or any other contract to which it is a party or that is binding on it.

**Article 6 Expenses of entrusted management**

6.1 It is agreed by both parties that performance of this Contract shall not increase the tax responsibilities or expense burdens of any party hereto and that all of the taxes and expenses arising from cashing the award decisions made by the Trustee shall be paid from this fund, except the part to be borne by the employees receiving the awards.

**Article 7 Information disclosure and confidentiality**

7.1 Neither party shall in any way disclose to any third party unrelated to this entrusted management any information related to this entrusted management, unless requested by relevant laws and/or regulations to report to, submit files to and disclose necessary information to relevant governmental departments and administrative authorities.

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**Article 8 Liabilities for breach of contract**

8.1 After execution of this Contract, neither party shall unilaterally terminate the performance hereof;

8.2 After execution of this Contract, if any party fails to perform its obligations as specified herein or unilaterally terminates this Contract or makes any false representations or warranties, resulting in loss on the other party, the breaching party shall be responsible for bearing all of the corresponding economic, administrative or legal liabilities;

8.3 The liabilities of any party for breach of this Contract shall survive the termination of this entrusted management.

**Article 9 Applicable laws and settlement of disputes**

9.1 All of the formation, force, interpretation, performance and dispute resolution of this Contract shall be governed by the relevant laws and regulations of the People's Republic of China.

9.2 Any dispute arising from the performance of or in connection with this Contract shall be settled by both parties through friendly negotiation. In case negotiation fails to solve the dispute or no negotiation is conducted within 15 days after the dispute occurs, the said dispute shall be filed with the people's court with jurisdiction for settlement through litigation.

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Trustor: Zhejiang Yuhuan Solar Energy Source Co., Ltd

Legal Representative:/s/  
(Authorized Representative)

Trustee: Zhejiang Yuhui Solar Energy Co., Ltd

Legal Representative:/s/  
(Authorized Representative)

## Sales Contract

Contract NO.:YGX060711001 rev A

**The Seller : ReneSola LTD. (Zhejiang Yuhui Solar Energy Source CO., LTD.)**

**The Buyer : Motech Industries INC. Tainan Science-based Industrial Park**

**Sign Place: Jiashan Zhejiang Sign Date: 11 July, 2006**

The both parties sign the contract that the seller supplies solar wafers to buyer subject to the agreement as below. The execution of this contract Contract NO.:YGX060711001 rev A automatically terminates all obligations and terms from the previous 156mm mono Contract NO.:YGX060711001.

**1. Name of products, specifications, quantity, unit price:**

1.1

Name of products	Specifications	Quantity	Unit Price
Solar wafer	Enclosed to find the detailed monocrystalline 125*125 silicon wafer specification sheet	7861200pcs supplied in 2007 ( 655100 pieces per month from Jan 2007 to Dec 2007)	[****]*

1.2 Both parties have agreed to change the specification of the "Products" to be delivered by the Seller for delivery beginning in 2007 from 156mm mono to 125mm mono. The amount of 125mm mono wafers to be delivered has been converted based on the amount of watts and has been mutually set at a minimum of 65,110 (six hundred fifty five thousand, one hundred) 125\*125 mono wafers per month beginning January, 2007 and continuing until December, 2007.

1.3 28.3MW supplied in 2008, the unit price will be decided by both parties before the end of 2007. In the event both parties can not agree on pricing for 2008, the contract and commitments of both parties are void.

1.4 42.5MW supplied in 2009, the unit price will be decided by both parties before the end of 2008. In the event both parties can not agree on pricing for 2009, the contract and commitments of both parties are void.

**2. The specifications of technical requirement:** Execute according to the contract above.

**3. Shipment:** The Seller carries the goods to Shanghai Port and delivers by Sea or Air as the Buyer requires.

**4. Packing:** Packing should be suitable for the long-distance carriage of the solar wafers.

**5. Inspection and Discrepancy:** If the buyer has any defect found after the inspection of arrival goods, buyers have to present AQL report to sellers within one month. After receipt of the defects, the seller should replace such defective goods by the brand-new ones within 15 days.

**6. Payment terms:** Since the sign of the contract, the buyer shall prepay the 30% of the total amount of payment in 2007 [\*\*\*\*]\*. Half of the total prepayment will be paid before the end of Oct. 2006, the balance will be paid before the end of Dec. 2006. Buyer delay the payment beyond 7 working days, this contract will be cancelled. The prepayment shall be distributed evenly on the unit price to offset the payment of goods., and the remaining payment of goods will be paid within 1 week by the buyer according to the actual information of delivery. Negotiation of the unit price in the year of 2008 and 2009 will be decided by the both parties and executed the same prepayment before the end of last year.

\* This portion of the Sales Contract has been omitted and filed separately with the Securities and Exchange Commission, pursuant to Rule 406.

7. **Validity:** Validity from the sign of contract to the complete of performance.
8. **Breach of contract:** (1) In case of delayed payment beyond 10 working days, the buyer shall pay the 1% of total payment of goods in that month as the penalty for every delayed week, and the total penalty shall not, however, exceed 1% of total value of goods in that month. (2) In case of delayed delivery of goods beyond 10 working days, the sellers shall pay the 1% of total payment of goods in that month as the penalty for every delayed week, The total penalty shall not, however, exceed 1% of total value of goods in that month. In case the period of delay exceeds 10 weeks after the stipulated delivery date, the sellers shall return the remaining prepayment and penalty to the buyers.
9. **Disputes:** All disputes arising in the performance of this contract shall be settled by the friendly negotiation of each side; in case no settlement can be reached, the disputes shall be then submitted to the Local Arbitration Commission in China.
10. **Others:** This contract is in duplicate and comes into force only after it is signed or sealed by the each party concerned, and each party keeps one. The photocopy of the contract can be considered valid.

Duly Signed on behalf of:

**ReneSola Ltd. (Zhejiang Yuhui Solar Energy Source CO., LTD.)**

**Motech Industries INC. Tainan Science-Based Industrial Park**

**The Seller:**

**ReneSola Ltd. (Zhejiang Yuhui Solar Energy Source CO., LTD.) (Seal)**

Industrial park Yaozhuang Town Jiashan County Zhejiang Province China

Tel: +86-573-4773390

Fax: +86-573-4773063

/s/ Xianshou Li

Signature

**Date November 17, 2006**

**The Buyer:**

**MOTECH INDUSTRIES INC. Tainan Science-Based Industrial Park (Seal)**

No. 3, Da-Shun 9th Rd., Hsin-Shi, Tainan 741, Taiwan

Tel: 886-6-5050789

Fax: 886-6-5051789

/s/

Signature

**Date November 6, 2006**

Sales Contract

Party A: ReneSola Ltd  
Party B: Wuxi Suntech Power Co., Ltd

Contract No.: STP0609042  
Place of signing: Wuxi  
Time of Signing: Sept. 20<sup>th</sup> 2006

Through friendly negotiation between both parties regarding Party A supplying Party B with silicon wafers, both parties have reached a 5-year long-term agreement as follows:

I. Product name, technical requirements, quantity, amount and time of delivery

Product Name	Technical Requirements	Quantity	U/P (Incl. Taxes) (RMB/Chip)	Time of Delivery
Solar energy monocrystalline Silicon wafer	1. Type: Type P	20 megawatts to be delivered in 2007; upon Party A successfully expands production capacity, priority will be given to Party B, supplying extra 30 megawatts; from 2008 to 2011, Party A shall increase the supply to Party B on the basis of the quantity supplied in 2007	51.00/wafer for 2007; from 2008 to 2011, the unit price for each year will be separately negotiated and confirmed between both parties at the end of the previous year	From January 2007 to Dec. 2007, 700,000 wafers shall be supplied every month; after 2008, the monthly supply will depend on the actual supply capacity of Party A, but shall not be lower than the level of 2007; as time moves on and technology advances, the relevant parameters of the silicon wafer will also be changed, e.g. the thickness may be 180µm or smaller, etc
	2. Wafer width: 125±0.5mm			
	3. Wafer diameter: 150±0.5mm			
	4. Wafer thickness: 200+/-15µm			
	5. Electrical resistivity: 0.5~3□·cm, 3~7□·cm, 7~10□·cm			
	6. Working life: □10µs			
	7. Affected layer: <15µm			
	8. Cutting mode: multi-line cutting			
	9. Orientation: (100) ±1°			
	10. TTV: □30µm			
	11. Verticality: 90±1°			
	12. Oxygen content: <1×10 <sup>18</sup> at/cm <sup>3</sup>			
	13. Carbon content: <5×10 <sup>16</sup> at/cm <sup>3</sup>			
	14. Surface free of stains and abnormal flecks; no visible warps			

Total: RMB four hundred twenty-eight million and four hundred thousand Yuan ONLY (RMB428,400,000.00 VAT)

II. Quality requirements and technical standards: in accordance with the contract requirements

III. Place and means of delivery: Factory of Party A; Party B is responsible for arranging the transportation vehicles to take delivery of goods and for paying the transportation costs

IV. Packing standard and categories of packing materials: Packing must meet the requirements for long-distance transportation of solar monocrystalline silicon wafers

V. Acceptance standard, method and time limit for raising disputes: After receipt of the goods from Party A, if Party B inspects and discovers any nonconforming silicon wafers or fragments, it shall return the same to Party A within one month; within 15 days after receipt of the same, Party A shall fully replace the same with new goods

VI. Settlement means and period:

1) After this Contract is signed, by the end of September 2006 Party B shall pre-pay 10% of the total price of the 8.40 million wafers to be delivered in 2007, i.e. RMB forty-two million eight hundred and forty thousand Yuan ONLY (RMB42,840,000.00); by the end of December 2006, Party B shall pre-pay 20% of the total price of the 8.40 million wafers to be delivered in 2007, i.e. RMB eighty-five million six hundred eighty thousand Yuan ONLY (RMB85,680,000.00 Yuan). All the money paid under this item will be evenly amortized over the period of performing this Contract to offset the price of goods. The remaining 70% of the total price will be paid in installments as per the actual quantity delivered.

2) After Party A has confirmed that the extra 30 megawatts can be delivered, both parties will enter into a new contract and make payment and delivery as per the said new contract.

3) The annual quantity to be supplied for each year from 2008 to 2011 is set at 50 megawatts for the time being; at the end of each year, both parties will enter into a separate contract for the next year and make payment and delivery as per the said separate contract.

VII. Term of this Contract

The term of this Contract will correspond to the Article 5

- 1) Begin on and from the date of signing and end on Dec.31<sup>st</sup> 2007 when performance of this Contract is completed
- 2) Begin on and from the date of signing and end on Dec.31<sup>st</sup> 2007 when performance of the new contract is completed
- 3) Begin on and from the date of signing and end on Dec.31<sup>st</sup> of the next year when performance of the extra contract is completed

VIII. Liabilities for breach of contract: (1) if Party B fails to pay the balance within seven working days after the due time, for each subsequent week of delay it shall pay to Party A as penalty an amount equal to 0.5% of the total price of goods for the current month, but the maximum aggregate amount of penalty shall not exceed 0.5% of the total price of goods for the current month; (2) if Party A fails to delivery goods within seven working days after the due time, for each subsequent week of delay it shall pay to Party B as penalty an amount equal to 0.5% of the total price of goods for the current month, but the maximum aggregate amount of penalty shall not exceed 0.5% of the total price of goods for the current month

IX. Any dispute arising from performance of this Contract shall be settled by both parties through friendly negotiation. In case negotiation fails to solve the dispute, it is agreed by both parties to submit the dispute to the local arbitration commission of the place of signing for arbitration.

X. Other issues

This Contract will come into effect after it is signed by and affixed with the seals of both parties. It is made in duplicate, one copy for each party. Any faxed copy of this Contract will have the same legal force and effect as the original.

Party A

Name: ReneSola Ltd (Seal)  
Address: No.8, Baoqun Road, Yaozhuang Town Industrial Park, Jiashan County, Zhejiang Province  
Legal Representative: Li Xianshou  
Authorized Rep: /s/  
Tel: 0573-4773390  
Fax: 0573-4773063  
Opening Bank: Industrial and Commercial Bank of China, Jiashan County Branch  
A/C No.: 1204070009242025955  
Taxation No.: 330421753019961

Party B

Name (Seal): Wuxi Suntech Power Co., Ltd  
Address: No.17-6, Changjiang South Road, National Hi-Tech Industrial Development Zone, Wuxi, Jiangsu  
Legal Representative: Shi Zhengrong  
Authorized Rep: /s/  
Tel: 0510-85345000  
Fax: 0510-85343322  
Opening Bank: China Construction Bank, Wuxi  
A/C No.: 32001618636050005450  
Tax No.: 32020072655423X

Form of Purchase Contract

Contract No.:  
Date:  
Place: Jiashan

The Buyer: Zhejiang Yuhui Solar Energy Source Co., Ltd.  
Address: 8 Baoqun Road, Yaozhuang Town Industry Park, Jiashan County, Zhejiang Province  
Tel.: 0573-4773062 Fax: 0573-4773063

The Seller: Jiangxi Jingke Energy Co., Ltd.  
Jiangxi Jingke Energy Co., Ltd.  
Address: Gonye No.4 Road, Shangrao Industry Park, Jiangxi Province  
Tel.: 0793-8461219 Fax: 0793-8461219

Through negotiations, both parties enter into and abide by this Contract, whereby the Buyer purchases goods from the Seller:

1. **Product Description**

Product	Specification	Quantity (kg)	Unit price/ Kg (tax included)	Total (tax included)
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2. **Technical Requirements and Quality Standard**

P type: electrical resistivity >0.5W.cm.  
N type: electrical resistivity >1W.cm

3. **Price, Document and Transport Requirements**

- 3.1 Price is stated in Article 1. Price is denominated in RMB.
- 3.2 Document requirement: with VAT invoice.
- 3.3 Transport requirement: highway transport

4. **Terms of Payment**

5. **Packaging Requirement, Delivery Term and Delivery Conditions**

- 5.1 The Seller shall provide packages for the silicon blocks to be delivered and bear packaging costs.  
Packages shall be suitable for long-distance highway transportation.



- 5.2 Place of delivery: delivered to the warehouse of Buyer's plant (8 Baoqun Road, Yaozhuang Town Industry Park, Jiashan County, Zhejiang Province).
- 5.3 The ownership of the goods shall be transferred to the Buyer once they arrive at the Buyer's warehouse. In case of any loss, shortage, damage, etc in transit, the Seller shall be responsible for the compensation from the carrier and if Buyer's assistance is required, the Buyer shall actively provide related materials. Once the Buyer finds problems when it receives goods, it shall timely obtain the specified records and certificate from the carrier and immediately perform inspections and make a claim against the party responsible therefore. In case of over-delivery or mis-delivery, the Buyer shall make detailed records, put goods under its good custody (not use goods without Seller's permission) and inform the Seller within 10 days after receipt of goods, with all expenses thus incurred to be borne by the Seller.
- 5.4 Freight: freight will be borne by the Seller.
- 5.5 Delivery time: \_\_\_\_\_.
- 6. Force Majeure**
- 6.1 Force majeure means any event that is unforeseeable and whose occurrence and consequences are unpreventable or unavoidable after this Contract becomes effective, e.g. earthquake, typhoon, flood, fire, war, etc, which directly affects the performance of this Contract or prevents this Contract from being performed according to specified provisions.
- 6.2 The prevented party shall forthwith notify the other party and provide the details of such event and related documentary evidence to the other party within 15 days.
- 6.3 In event of force majeure, both parties shall negotiate for a reasonable resolution and make all their best efforts to alleviate the influence of such event.
- 6.4 In case that an event of force majeure lasts for thirty days, both parties shall negotiate whether to perform or terminate this Contract or not.
- 7. Quality Issue**
- 7.1 Upon receipt of goods, the Buyer shall make random inspections on all the goods and issue the corresponding acceptance documents. The unqualified products will be returned to the Seller together with documents, with freight borne by the Seller.
- 7.2 In case that any delivered goods are defective, the Buyer may choose to continue to perform this Contract or not.
- 8. Termination of Contract**
- This Contract will be terminated immediately after the written notice of termination issued by one party to the other party, especially in any of the following cases:
- 8.1 The Seller fails to perform its supply obligations under this Contract and fails to fix its non-performance or breach of this Contract within 30 days upon the Buyer's requirement.
- 8.2 The other party goes bankrupt or files a bankruptcy petition or is reorganized or goes into liquidation or the other party files a similar petition.

If this Contract is terminated for goods reason, the Seller shall refund all advance payments to the Buyer within 7 working days of receipt of the notice of termination.

**9. Defaulting Liabilities**

In the event that either party breaches this Contract, it shall undertake the defaulting liabilities and pay default penalty to the other party. If default penalty cannot cover the losses due to such default, the defaulting party shall make up the deficit. If default penalty are excessively higher or lower than actual losses, either party may request people's court or arbitration institute to decrease or increase default penalty appropriately.

9.1 In case either party fails to perform this Contract in whole or in part (in case of delayed delivery or insufficient delivery by the Seller, in reference to Article 9.2), the Seller shall pay the other party the default penalty at a rate of 0.5% of the total value of the goods involved in such default. If both parties negotiate to change or terminate this Contract, neither party is deemed to breach the Contract.

9.2 If the Seller delays delivery or that delivered goods are insufficient, the Seller shall pay the Buyer the default penalty at a rate of 1% of the total value of this batch of goods. If the Buyer does not collect goods according to delivery term or rejects qualified goods, it shall pay the Seller the default penalty at a rate of 1% of the total value of this batch of goods. If either party intends to increase or decrease contractual quantity or change the delivery term, it shall give a 10 days prior notice and obtain the consent of the other party; otherwise, it shall undertake economic liabilities.

9.3 The expenses actually paid by the Buyer during the custody period due to the mis-delivery by the Seller shall be borne by the Seller. In case that the Buyer delays payment, it shall pay the Seller the default penalty for overdue payment in accordance with the relevant regulations of the People's Bank of China.

9.4 The default penalty, compensation, custody and maintenance expenses and various economic losses payable by either party shall be paid to the other party within 10 days after responsibilities are defined. Otherwise, such party will be punished for overdue payment. However, neither party shall offset relevant fees by withholding goods or deducting payment for goods.

**10. Confidentiality**

10.1 Each party shall keep confidential the business secrets of the other party obtained during cooperation, which are not publicly available. Except as otherwise specified by laws, without the written consent of the other party, neither party shall disclose such secrets to any third party or use them for any other purpose than as specified herein; otherwise, it shall undertake defaulting liabilities and bear the losses.

10.2 Each party shall also keep confidential the business information of both parties in this Contract and not disclose any such information to any third party.

10.3 The obligations of both parties under this Contract shall not be terminated with the Contract. Each party shall continue to comply with the confidential provisions herewith and perform its confidentiality obligations until the other party agrees to discharge its confidentiality obligations or its violation of the confidentiality provisions herewith will not result in any form of damage to the other party.

**11. Final Provisions**

11.1 This Contract supersedes all prior oral or written agreements between both parties. There is no other contract between both parties except this Contract. Any amendment or supplement to this Contract shall be made in writing. Likewise, any provision of this Contract shall be cancelled in writing.

11.2 The invalidity of any provision of this Contract shall not affect the validity of the other provisions of this Contract. Both parties shall replace such invalid provision with a valid provision which most closely approximates the economic intention of both parties. This article is also applicable if the blanks in this Contract are filled.

**12. Settlement of Disputes**

12.1 The validity and performance of this Contract and its amendments and all matters regarding the validity of this Contract and its amendments shall be governed by the laws of the People's Republic of China. Any dispute is only governed by the laws of the People's Republic of China.

12.2 Any dispute arising from the interpretation or performance of this Contract shall be first settled by both parties through friendly negotiations within 30 days.

12.3 In case no settlement can be reached through negotiations, either party may submit such dispute to local arbitration commission for arbitration in accordance such commission's arbitration rules. Arbitral award shall bind upon both parties.

12.4 During arbitration, both parties shall continue to perform this Contract except for the matters involved in the dispute.

**13. Effectiveness and Termination**

13.1 The date when the duly authorized representatives of both parties sign this Contract shall be the effective date of this Contract. If there is any discrepancy between the signing dates, the later date shall be the effective date of this Contract.

13.2 The expiry date of the final warranty term of the "purchased goods" under this Contract shall be the date of termination of this Contract. But confidentiality provisions, settlement of disputes and the outstanding claims and liabilities between both parties shall not be affected by the expiry of this Contract, and the non-defaulting party shall be entitled to make claims.

**14. Miscellaneous**

14.1 This Contract is executed in duplicate, one copy for each party.

14.2 In case of anything not covered herein, both parties may enter into a supplementary agreement through negotiations, which is annexed to this Contract. The annexes to this Contract shall have the same effect as this Contract. Any and all correspondences, fax copies and emails confirmed by both parties form an integral part of this Contract and have the same effect as this Contract.

14.3 This Contract shall become effective as of its signing date (please fax this Contract back. This Contract shall be deemed to become effective if no objection is raised and this Contract is not faxed back within 24 hours).

The Seller: Jiangxi Jingke Energy Co., Ltd.

Signature/seal: (Seal) /s/

Account opening bank: Shangrao Xuri Branch, China Construction Bank

Account No.: 36001351100059900098

Tax No.:

The Buyer: Zhejiang Yuhui Solar Energy Source Co., Ltd.  
Signature/seal: (Seal) /s/  
Account opening bank: Jiashan County Branch, ICBC  
Account No.: 1204070009242025955  
Tax No.: 330421753019961

Contract No.	Date	Product	Specification	Quantity	Unit Price/KG	Total Amount	Terms of Payment	Term of Delivery
YGC061213W	December 13, 2006	reclaimable silicon material	/	60000	About RMB 1500.00 (specific price is subject to further negotiations between both parties)	RMB 90000000.00 (specific amount changes with the unit price)	An advance payment of RMB 5 million shall be paid before December 15, 2006. The balance shall be paid upon the term subject to further negotiations between both parties.	from January to December 2007, the Seller will deliver 5000Kg silicon materials to the Buyer at one time before the end of each month (12 batches in total).
PS070115	January 15, 2007	silicon scrap	5% heavy doping	2362.00	1556.10	3675508.20	January 17, 2007	Before January 15, 2007
PS070131	January 31, 2007	silicon scrap	5% heavy doping	1975.00	1462.5	2888437.5	February 2, 2007	Before January 31, 2007
PS070201	February 1, 2007	bare silicon wafer	5% heavy doping	2212.00	1567.80	5316573.6	February 5, 2007	February 3, 2007
		silicon scrap	10% heavy doping	1264.00	1462.50			
PS070202	February 2, 2007	bare silicon wafer	5% heavy doping	2212.00	1567.80	5316573.6	February 5, 2007	February 3, 2007
		silicon scrap	10% heavy doping	1264.00	1462.50			
PS070202	February 6, 2007	silicon wafer	/	698.96	1521.00	1063118.16	February 8, 2007	February 6, 2007
PS070211	February 11, 2007	silicon raw material	/	612.98	1556.10	2445912.38	February 13, 2007	February 12, 2007
		silicon wafer	/	910.90	1638.00			
PS070227	February 27, 2007	silicon wafer	/	2000.00	1521.00	3042000.00	March 2, 2007	March 1, 2007
PS070310	March 10, 2007	silicon wafer	12", 8"	697.92	1638.00	2582913.83	March 13, 2007	March 12, 2007
		bare silicon wafer	clean bare wafer scrap	312.01	1614.60			
			thick bare wafer	356.665	1474.20			
		coated wafer	scrap	207.400	1298.70			
		polished wafer	chip	113.000	1246.05			

<u>Contract No.</u>	<u>Date</u>	<u>Product</u>	<u>Specification</u>	<u>Quantity</u>	<u>Unit Price/KG</u>	<u>Total Amount</u>	<u>Terms of Payment</u>	<u>Term of Delivery</u>
PS070331	March 31, 2007	scrap wafer	/	64.165	1556.10	1037691.98	April 3, 2007	March 31, 2007
		8" silicon wafer	/	737.39	1638.00			
PS070421	April 21, 2007	silicon scrap	/	1503.34	1900	2856346.00	April 24, 2007	April 23, 2007
PS070428	April 28, 2007	chip	Cleaning free	1020.00	1521.00	4961285.02	May 8, 2007	April 30, 2007
		scrap wafer	Cleaning free	375.00	1700.00			
		cell	Monocrystalline cleaning free	400.00	1556.10			
		cell	Mixed crystal cleaning free	800.00	1300.00			
		silicon scrap	/	127.980	1579.50			
		coated wafer	Full wafer	83.945	1614.60			
		broken wafer	Mixed sizes	282.400	1556.10			
		coated wafer	Mixed scrap	146.810	1556.10			
		bare scrap	/	71.350	1462.50			
PS070530	May 30, 2007	chip	cleaning free	630	1580	5383022	May 31, 2007	May 31, 2007
		chip	cleaning free	30	1500			
		scrap wafer	cleaning free	1150	1750			
		scrap wafer	cleaning free	150	1700			
		mono	cleaning free	20	1556.1			
		crystalline wafer						
		multi	cleaning free	1420	1400			
		crystalline wafer						
		mixed	cleaning free	40	1400			
		crystal wafer						

Form of Purchase Contract

Contract No.:  
Date:  
Place: Jiashan

The Buyer: Zhejiang Yuhui Solar Energy Source Co., Ltd.  
Address: 8 Baoqun Road, Yaozhuang Town Industry Park, Jiashan County, Zhejiang Province  
Tel.: 0573-4773062 Fax: 0573-4773063

The Seller: Shangrao Desheng Industry Co., Ltd.  
Address: Shangrao Industry Park, Jiangxi Province  
Tel.: 0793-8461399 Fax: 0793-8461159

Through negotiations, both parties enter into and abide by this Contract, whereby the Buyer purchases goods from the Seller:

1. Product Description

Product	Specification	Quantity (kg)	Unit price/Kg (tax included)	Total (tax included)
2. Technical Requirements and Quality Standard P type: electrical resistivity >0.5W.cm. N type: electrical resistivity >1W.cm				
3. Price, Document and Transport Requirements				
3.1 Price is specified in Article 1. Price is denominated in RMB.				
3.2 Document requirement: with VAT invoice.				
3.3 Transport requirement: highway transport				
4. Terms of Payment. _____.				
5. Packaging Requirement, Delivery Term and Delivery Conditions				
5.1 The Seller shall provide packages for the silicon blocks to be delivered and bear packaging costs. Packages shall be suitable for long-distance highway transportation.				
5.2 Place of delivery: goods shall be delivered to the warehouse of Buyer's plant (8 Baoqun Road, Yaozhuang Town Industry Park, Jiashan County, Zhejiang Province).				
5.3 The ownership of the goods shall be transferred to the Buyer upon arrival at the Buyer's warehouse. In case of any loss, shortage, damage, etc in transit, the Seller shall be responsible for getting compensation from the carrier. The Buyer shall actively provide related materials, when the assistance is needed. In case that the Buyer finds problems when it receives goods, the Buyer shall obtain the specified records and certificate from the carrier and immediately check the goods and make a claim against the party responsible therefore. In case of over-delivery or mis-delivery, the Buyer shall make detailed records, store and shall not use such goods without permission and inform the Seller within 10 days after receipt of goods, with all expenses thus incurred to be borne by the Seller.				

- 5.4 Freight: freight will be borne by the Seller.
- 5.5 Delivery time: \_\_\_\_\_
6. Force Majeure
- 6.1 Force majeure means any event that is unforeseeable and whose occurrence and consequences are unpreventable or unavoidable after this Contract becomes effective, e.g. earthquake, typhoon, flood, fire, war, etc, which directly affects the performance of this Contract or prevents this Contract from being performed according to specified provisions.
- 6.2 The prevented party shall forthwith notify the other party and provide the details of such event and related documentary evidence to the other party within 15 days.
- 6.3 In event of force majeure, both parties shall negotiate for a reasonable resolution and make all their best efforts to alleviate the influence of such event.
- 6.4 In case that an event of force majeure lasts for thirty days, both parties shall negotiate whether to perform or terminate this Contract or not.
7. Quality Issue
- 7.1 Upon receipt of goods, the Buyer shall make random inspections on all the goods and issue the corresponding acceptance documents. The unqualified products will be returned to the Seller together with documents, with freight borne by the Seller.
- 7.2 In case that any delivered goods are defective, the Buyer may choose to continue to perform this Contract or not.
8. Termination of Contract
- This Contract will be terminated immediately after the written notice of termination issued by one party to the other party, especially in any of the following cases:
- 8.1 The Seller fails to perform its supply obligations under this Contract and fails to fix its non-performance or breach of this Contract within 30 days upon the Buyer's requirement.
- 8.2 The other party goes bankrupt or files a bankruptcy petition or is reorganized or goes into liquidation or the other party files a similar petition.
- If this Contract is terminated for goods reason, the Seller shall refund all advance payments to the Buyer within 7 working days of receipt of the notice of termination.
9. Defaulting Liabilities
- In the event that either party breaches this Contract, it shall undertake the defaulting liabilities and pay default penalty to the other party. If default penalty cannot cover the losses due to such default, the defaulting party shall make up the deficit. If default penalty are excessively higher or lower than actual losses, either party may request people's court or arbitration institute to decrease or increase default penalty appropriately.
- 9.1 In case either party fails to perform this Contract in whole or in part (in case of delayed delivery or insufficient delivery by the Seller, in reference to Article 9.2), the Seller shall pay the other party the default penalty at a rate of 0.5% of the total value of the goods involved in such default. If both parties negotiate to change or terminate this Contract, neither party is deemed to breach the Contract.



- 9.2 If the Seller delays delivery or that delivered goods are insufficient, the Seller shall pay the Buyer the default penalty at a rate of 1% of the total value of this batch of goods. If the Buyer does not collect goods according to delivery term or rejects qualified goods, it shall pay the Seller the default penalty at a rate of 1% of the total value of this batch of goods. If either party intends to increase or decrease contractual quantity or change the delivery term, it shall give a 10 days prior notice and obtain the consent of the other party; otherwise, it shall undertake economic liabilities.
- 9.3 The expenses actually paid by the Buyer during the custody period due to the mis-delivery by the Seller shall be borne by the Seller. In case that the Buyer delays payment, it shall pay the Seller the default penalty for overdue payment in accordance with the relevant regulations of the People's Bank of China.
- 9.4 The default penalty, compensation, custody and maintenance expenses and various economic losses payable by either party shall be paid to the other party within 10 days after responsibilities are defined. Otherwise, such party will be punished for overdue payment. However, neither party shall offset relevant fees by withholding goods or deducting payment for goods.
10. Confidentiality
- 10.1 Each party shall keep confidential the business secrets of the other party obtained during cooperation, which are not publicly available. Except as otherwise specified by laws, without the written consent of the other party, neither party shall disclose such secrets to any third party or use them for any other purpose than as specified herein; otherwise, it shall undertake defaulting liabilities and bear the losses.
- 10.2 Each party shall also keep confidential the business information of both parties in this Contract and not disclose any such information to any third party.
- 10.3 The obligations of both parties under this Contract shall not be terminated with the Contract. Each party shall continue to comply with the confidential provisions herewith and perform its confidentiality obligations until the other party agrees to discharge its confidentiality obligations or its violation of the confidentiality provisions herewith will not result in any form of damage to the other party.
11. Final Provisions
- 11.1 This Contract supersedes all prior oral or written agreements between both parties. There is no other contract between both parties except this Contract. Any amendment or supplement to this Contract shall be made in writing. Likewise, any provision of this Contract shall be cancelled in writing.
- 11.2 The invalidity of any provision of this Contract shall not affect the validity of the other provisions of this Contract. Both parties shall replace such invalid provision with a valid provision which most closely approximates the economic intention of both parties. This article is also applicable if the blanks in this Contract are filled.
12. Settlement of Disputes
- 12.1 The validity and performance of this Contract and its amendments and all matters regarding the validity of this Contract and its amendments shall be governed by the laws of the People's Republic of China. Any dispute is only governed by the laws of the People's Republic of China.
- 12.2 Any dispute arising from the interpretation or performance of this Contract shall be first settled by both parties through friendly negotiations within 30 days.
- 12.3 In case no settlement can be reached through negotiations, either party may submit such dispute to local arbitration commission for arbitration in accordance such commission's arbitration rules. Arbitral award shall bind upon both parties.
- 12.4 During arbitration, both parties shall continue to perform this Contract except for the matters involved in the dispute.

13. Effectiveness and Termination
- 13.1 The date when the duly authorized representatives of both parties sign this Contract shall be the effective date of this Contract. If there is any discrepancy between the signing dates, the later date shall be the effective date of this Contract.
- 13.2 The expiry date of the final warranty term of the “purchased goods” under this Contract shall be the date of termination of this Contract. But confidentiality provisions, settlement of disputes and the outstanding claims and liabilities between both parties shall not be affected by the expiry of this Contract, and the non-defaulting party shall be entitled to make claims.
14. Miscellaneous
- 14.1 This Contract is executed in duplicate, one copy for each party.
- 14.2 In case of anything not covered herein, both parties may enter into a supplementary agreement through negotiations, which is annexed to this Contract. The annexes to this Contract shall have the same effect as this Contract. Any and all correspondences, fax copies and emails confirmed by both parties form an integral part of this Contract and have the same effect as this Contract.
- 14.3 This Contract shall become effective as of its signing date (please fax this Contract back. This Contract shall be deemed to become effective if no objection is raised and this Contract is not faxed back within 24 hours).

The Seller: Shangrao Desheng Industry Co., Ltd.

Signature/seal: (Seal) /s/

Account opening bank: Jiangxi Shangrao Xuri Branch, China Construction Bank

Account No.: 36001351100052500920

Tax No.: 36112178970264X

The Buyer: Zhejiang Yuhui Solar Energy Source Co., Ltd.

Signature/seal: (Seal) /s/

Account opening bank: Jiashan County Branch, ICBC

Account No.: 1204070009242025955

Tax No.: 330421753019961



Contract No.	Date	Product	Specification	Quantity/ KG	Unit Price/ RMB	Total Amount (tax included)	Payment term	Delivery Term
DSC0611160005	November 16, 2006	silicon scrap	/	5750	1212.00	6969000.00	before November 20, 2006	November 18, 2006
DSC0611200006	November 20, 2006	silicon scrap	/	4569.88	1377.80	6296380.66	before November 23, 2006	November 21, 2006
DSC0611280007	November 28, 2006	reclaimable raw material	small	1245	1404	5961150.00	before November 29, 2006	November 30, 2006
		reclaimable raw material	big	1521	1521			
DSC0612040008	December 4, 2006	reclaimable raw material	small	3460	1404	6895980.00	before December 5, 2006	December 5, 2006
		reclaimable raw material	big	1340	1521			
DSC0612060009	December 6, 2006	silicon scrap	/	1315.2	1608	4930977.60	before December 7, 2006	December 7, 2006
		scrap wafer	/	1473.8	720			
		reclaimable raw material	small	1120	1404			
		reclaimable raw material	big	120	1521			
DSC0612120010	December 12, 2006	reclaimable raw material	small	3320	1404	6425002.80	before December 13, 2006	December 13, 2006
		reclaimable raw material	big	1130	1521			
		reclaimable raw material	/	62.40	720			
DSC0612140011	December 14, 2006	scrap wafer	/	197.6	2363.40	467007.84	before December 15, 2006	December 15, 2006
DSC0612160012	December 16, 2006	crystal ingot	/	197.6	2363.40	467007.84	before December 15, 2006	December 15, 2006
DSC0612160012	December 16, 2006	multicrystalline scrap	cleaning free	550	1989.00	1093950.00	before December 18, 2006	December 18, 2006
DSC0612180013	December 18, 2006	multicrystalline scrap	cleaning free	1000	1965.60	1965600.00	before December 18, 2006	December 31, 2006
DSC0612180014	December 18, 2006	reclaimable raw material	cleaning free	4000	1521.00	6417616.80	before December 18, 2006	December 19, 2006
		reclaimable raw material	/	44.4	1397.00			
		raw material tops & tails	/	164.6	1650.00			

Contract No.	Date	Product	Specification	Quantity/ KG	Unit Price/ RMB	Total Amount (tax included)	Payment term	Delivery Term
DSC0612210015	December 21, 2006	scrap wafer	/	70	1638.00	6433586.64	before December 21, 2006	December 21, 2006
		reclaimable raw material	cleaning free	940	1638.00			
		reclaimable raw material	cleaning free (small)	790	1521.00			
		silicon scrap	/	2399.9	1497.60			
DSC0612250016	December 25, 2006	semiconductor- grade ingots	tops and tails included	1048	1829.88	1917714.24	before December 26, 2006	December 26, 2006
DSC0612280017	December 28, 2006	reclaimable raw material	big	685	1638	10304883	before December 29, 2006	December 29, 2006
		reclaimable raw material	small	2175	1521			
		bare scrap	/	3303.8	1567.8			
		scrap wafer	/	495	1404			
DSC0612280018	December 28, 2006	pot scrap	electrical resistivity >6W.cm, about 10W.cm	500	1205.10	855738	before December 29, 2006	December 31, 2006
		6"-8" wafer, bare wafer and FZ scrap silicon	/	100	1708.2			
		Zonemelting ingot, N type	/	44	1872			
DSC071100001 Subcontract of contract numbered YGC061127W	January 10, 2007	cleaning free reclaimable raw material	as agreed by both parties	467.70	2375.10	1110834.27	before January 11, 2007	January 11, 2007

Contract No.	Date	Product	Specification	Quantity/ KG	Unit Price/ RMB	Total Amount (tax included)	Payment term	Delivery Term
DSC071100002 Subcontract of contract numbered YGC061127W	January 10, 2007	cleaning free reclaimable raw material scrap wafer	as agreed by both parties	2795	1521	4604717.00	before January 11, 2007	January 11, 2007
		bare scrap	/	205	1638			
			/	11.31	1567.8			
DSC071100003 Subcontract of contract numbered YGC061127W	January 11, 2007	pot scrap	Including 20% quartz	207	1111.50	230080.50	before January 11, 2007	January 11, 2007
DSC071170004 Subcontract of contract numbered YGC061127W	January 17, 2007	bare scrap	/	2500	1462.50	5490669.60	before January 18, 2007	January 18, 2007
		ingot	/	107.6	1521.00			
		scrap wafer	Cleaning free	1020	1638.00			
DSC0701220005 Subcontract of contract numbered YGC061127W	January 22, 2007	ingot	/	1344.67	2370.92	3177115.45	before January 22, 2007	January 22, 2007
DSC0701230006 Subcontract of contract numbered YGC061127W	January 23, 2007	ingot	/	724.7	2223.00	1611008.10	before January 23, 2007	January 23, 2007
DSC0701230007 Subcontract of contract numbered YGC061127W	January 23, 2007	cleaning free reclaimable raw material scrap wafer	small	1225	1521.00	3337425.00	before January 24, 2007	January 24, 2007
			/	900	1636.00			
DSC0701270008 Subcontract of contract numbered YGC061127W	January 27, 2007	cleaning free reclaimable raw material scrap wafer	small	1415	1521.00	3200535.00	before January 27, 2007	January 27, 2007
			cleaning free	640	1638.00			

Contract No.	Date	Product	Specification	Quantity/ KG	Unit Price/ RMB	Total Amount (tax included)	Payment term	Delivery Term
DSC0702060009 Subcontract of contract numbered YGC061127W	February 9, 2007	bare scrap	/	3208.7	1246.05	6855268.10	before February 7, 2007	February 7, 2007
		bare scrap	/	758	1567.80			
		bare scrap	/	146.5	1427.40			
		wafer	polished wafer	490.31	1638.00			
		wafer	coated wafer	431.58	1521.00			
DSC07021200010 Subcontract of contract numbered YGC061127W	February 10, 2007	scrap wafer	/	300	1638.00	5868720.00	before February 14, 2007	February 13, 2007
		bare scrap	/	400	1696.50			
		cleaning free chip	/	1000	1521.00			
		monocrystalline cell	/	400	1556.10			
		bare scrap	15% heavy doping	1560	1638.00			
DSC07022500011 Subcontract of contract numbered YGC061127W	February 25, 2007	scrap wafer	5% heavy doping	5622	1567.80	8814171.60 (RMB638820.00 shall be deducted from last payment, the payable amount shall be RMB8175351.60 )	before February 26, 2007	February 26, 2007
DSC07031100011 Subcontract of contract numbered YGC061127W	March 11, 2007	cleaning free reclaimable raw material	scrap wafer	450	1638.00	5357758.78	before March 12, 2007	March 12, 2007
		polished wafer	2% heavy doping	253.6	1579.50			
		coated wafer	10% heavy doping	105.76	1287.00			
		wafer	polished wafer	129.5	1638.00			
		scrap wafer	80% wafer	183.51	1462.50			
		laser wafer	15% heavy doping	1769	1152.45			
		polished wafer	25% heavy doping	1060.5	1246.05			
		wafer		160	1521.00			

Contract No.	Date	Product	Specification	Quantity/ KG	Unit Price/ RMB	Total Amount (tax included)	Payment term	Delivery Term
DSC07031800012 Subcontract of contract numbered YGC061127W	March 18, 2007	cleaning free reclaimable raw material	chip	665	1521.00	3389560.20	before March 19, 2007	
		cleaning free reclaimable raw material	scrap wafer	150	1638.00			
		cleaning free reclaimable raw material	monocrystalline cell	300	1521.00			
		8" wafer polished wafer	/	492.9	1638.00			
			15% heavy doping	675	1287.00			
PSO70115	January 15, 2007	bare scrap	5% heavy doping	2362	1556.10	3675508.20	before January 17, 2007	January 15, 2007
DSC07032500014 Subcontract of contract numbered YGC061127W	March 25, 2007	bare wafer	/	5997.3	1287.00	8477323.95	before March 26, 2007	March 26, 2007
		wafer wafer	polished wafer coated wafer	420.65 26.15	1638.00 1521.00			
DSC07033100015 Subcontract of contract numbered YGC061127W	March 31, 2007	cleaning free reclaimable raw material	chip	720	1521.00	8663273.63	before April 1, 2007	April 1, 2007
		cleaning free reclaimable raw material	scrap wafer	600	1700.00			
		cleaning free reclaimable raw material	monocrystalline cell	100	1556.10			
		polished wafer monocrystalline bare cell	/	4410	1246.05			
		monocrystalline bare cell	whole wafer	162.65	1462.50			
		monocrystalline bare cell	scrap wafer	451	1462.50			



Contract No.	Date	Product	Specification	Quantity/ KG	Unit Price/ RMB	Total Amount (tax included)	Payment term	Delivery Term
DSC07040600016 Subcontract of contract numbered YGC061127W	April 6, 2007	cleaning free reclaimable raw material	chip	810	1521.00	3519815.00	before April 7, 2007	April 7, 2007
		cleaning free reclaimable raw material	scrap wafer	1300	1700.00			
		cleaning free reclaimable raw material	monocrystalline cell	50	1556.10			
DSC07041200017 Subcontract of contract numbered YGC061127W	April 12, 2007	cleaning free reclaimable raw material	chip	450	1521.00	3088027.50	before April 13, 2007	April 13, 2007
		cleaning free reclaimable raw material	chip	60	1521.00			
		cleaning free reclaimable raw material	scrap wafer	1200	1700.00			
		cleaning free reclaimable raw material	monocrystalline cell	175	1556.10			

Contract No.	Date	Product	Specification	Quantity/ KG	Unit Price/ RMB	Total Amount (tax included)	Payment term	Delivery Term
DSC07041700018 Subcontract of contract numbered YGC061127W	April 17, 2007	cleaning free reclaimable raw material	chip	360	1521.00	6719510.95	before April 18, 2007	April 18, 2007
		cleaning free reclaimable raw material	chip (red pen)	1140	1521.00			
		cleaning free reclaimable raw material	scrap wafer	800	1700.00			
		cleaning free reclaimable raw material	scrap wafer (red pen)	750	1700.00			
		8" wafer	/	283.5	1638.00			
		4", 5" wafer	/	198.95	1521.00			
		polished wafer	/	805	1287.00			
DSC07042200019 Subcontract of contract numbered YGC061127W	April 22, 2007	cleaning free reclaimable raw material	chip	240	1521.00	4056560.00	before April 23, 2007	April 23, 2007
		cleaning free reclaimable raw material	chip (red pen)	1710	1521.00			
		cleaning free reclaimable raw material	scrap wafer	500	1700.00			
		cleaning free reclaimable raw material	scrap wafer (red pen)	50	1700.00			
		cleaning free reclaimable raw material	monocrystalline cell	100	1556.10			
DSC07042500020 Subcontract of contract numbered YGC061127W	April 25, 2007	cleaning free reclaimable raw material	chip	450	1521.00	3696520.00	before April 26, 2007	April 26, 2007
		cleaning free reclaimable raw material	chip (red pen)	1170	1521.00			
		cleaning free reclaimable raw material	scrap wafer	725	1700.00			

Contract No.	Date	Product	Specification	Quantity/ KG	Unit Price/ RMB	Total Amount (tax included)	Payment term	Delivery Term
DSC07050400021 Subcontract of contract numbered YGC061127W	May 4, 2007	cleaning free reclaimable raw material	chip	1290	1580.00	6607300.00	before May 5, 2007	May 5, 2007
		cleaning free reclaimable raw material	chip (red pen)	1770	1580.00			
		cleaning free reclaimable raw material	scrap wafer	675	1700.00			
		cleaning free reclaimable raw material	scrap wafer (red pen)	50	1700.00			
DSC07050700022 Subcontract of contract numbered YGC061127W	May 7, 2007	cleaning free reclaimable raw material	chip	1860	1580.00	7631850.00	before May 8, 2007	May 8, 2007
		cleaning free reclaimable raw material	chip (multicrystalline)	1500	1500.00			
		cleaning free reclaimable raw material	monocrystalline cell	500	1556.10			
		cleaning free reclaimable raw material	scrap wafer	300	1700.00			
		cleaning free reclaimable raw material	scrap wafer (multicrystalline)	700	1650.00			

Contract No.	Date	Product	Specification	Quantity/ KG	Unit Price/RMB	Total Amount (tax included)	Payment term	Delivery Term					
DSC07051000023 Subcontract of contract numbered YGC061127W	May 10, 2007	cleaning free reclaimable raw material	chip	1860	1580.00	5017942.50	before May 11, 2007	May 11, 2007					
		cleaning free reclaimable raw material	chip (multicrystalline)	180	1500.00								
		cleaning free reclaimable raw material	scrap wafer	200	1700.00								
		cleaning free reclaimable raw material	scrap wafer (multicrystalline)	25	1650.00								
		cleaning free reclaimable raw material	monocrystalline cell	275	1556.10								
		cleaning free reclaimable raw material	mixed crystal cell	425	1350.00								
		raw material	8" polished wafer	/	219.4				1700.00				
		raw material	8" coated wafer	/	180				1521.00				
		DSC07051300024 Subcontract of contract numbered YGC061127W	May 13, 2007	cleaning free reclaimable raw material	chip				2460	1580.00	4618050.00	before May 14, 2007	May 14, 2007
				cleaning free reclaimable raw material	chip (multicrystalline)				90	1500.00			
cleaning free reclaimable raw material	scrap wafer			150	1700.00								
cleaning free reclaimable raw material	scrap wafer (multicrystalline)			125	1650.00								
cleaning free reclaimable raw material	mixed multicrystalline cells			100	1350.00								

Contract No.	Date	Product	Specification	Quantity/ KG	Unit Price/ RMB	Total Amount (tax included)	Payment term	Delivery Term
DSC07052000025 Subcontract of contract numbered YGC061127W	May 20, 2007	cleaning free reclaimable raw material	chip	2220	1580.00	5525252.50	before May 21, 2007	May 21, 2007
		cleaning free reclaimable raw material	chip (multicrystalline)	180	1500.00			
		cleaning free reclaimable raw material	scrap wafer	425	1750.00			
		cleaning free reclaimable raw material	scrap wafer (multicrystalline)	250	1700.00			
		cleaning free reclaimable raw material	monocrystalline cell	25	1556.10			
		cleaning free reclaimable raw material	mixed multicrystalline cells	400	1350.00			
		cleaning free reclaimable raw material	chip	1770	1558.00			
cleaning free reclaimable raw material	chip (multicrystalline)	90	1500.00					
cleaning free reclaimable raw material	scrap wafer	400	1750.00					
cleaning free reclaimable raw material	scrap wafer (multicrystalline)	50	1700.00					
cleaning free reclaimable raw material	monocrystalline cell	325	1556.10					
cleaning free reclaimable raw material	mixed multicrystalline cells	800	1400.00					
cleaning free reclaimable raw material wafer	4", 5" and 6" wafer	462.62	1521.00					

Contract No.	Date	Product	Specification	Quantity/ KG	Unit Price/ RMB	Total Amount (tax included)	Payment term	Delivery Term
DSC07052700027 Subcontract of contract numbered YGC061127W	May 27, 2007	cleaning free reclaimable raw material	chip	660	1580.00	5548482.00	before May 28, 2007	May 28, 2007
		cleaning free reclaimable raw material	chip (multicrystalline)	210	1500.00			
		cleaning free reclaimable raw material	scrap wafer	675	1750.00			
		cleaning free reclaimable raw material	scrap wafer (multicrystalline)	25	1700.00			
		cleaning free reclaimable raw material	monocrystalline cell	120	1556.10			
		cleaning free reclaimable raw material	mixed multicrystalline cells	1760	1400.00			
		cleaning free reclaimable raw material wafer	12" wafer	186	1700.00			
		DSC07060200028 Subcontract of contract numbered YGC061127W	June 2, 2007	bare wafer	/			
		cleaning free reclaimable raw material	chip	660	1580.00			
		cleaning free reclaimable raw material	chip (multicrystalline)	120	1500.00			
		cleaning free reclaimable raw material	scrap wafer	1075	1750.00			
		cleaning free reclaimable raw material	scrap wafer (multicrystalline)	175	1700.00			
		cleaning free reclaimable raw material	monocrystalline cell	60	1556.10			
		cleaning free reclaimable raw material	mixed multicrystalline cells	1860	1400.00			

Contract No.	Date	Product	Specification	Quantity/ KG	Unit Price/ RMB	Total Amount (tax included)	Payment term	Delivery Term
DSC07062800033 Subcontract of contract numbered YGC061127W	June 28, 2007	cleaning free reclaimable raw material	chip	630	1630.00	5530800.00	before June 29, 2006	June 29, 2006
		cleaning free reclaimable raw material	chip (multicrystalline)	90	1580.00			
		cleaning free reclaimable raw material	scrap wafer	1500	1800.00			
		cleaning free reclaimable raw material	scrap wafer (multicrystalline)	120	1750.00			
		cleaning free reclaimable raw material	monocrystalline cell	240	1580.00			
		cleaning free reclaimable raw material	mixed multicrystalline cells	750	1430.00			

Contract No.	Date	Product	Specification	Quantity/ KG	Unit Price/ RMB	Total Amount (tax included)	Payment term	Delivery Term
DSC07070400034 Subcontract of contract numbered YGC061127W	July 4, 2007	cleaning free reclaimable raw material	chip	1020	1750.00	5403000.00	before July 5, 2007	July 5, 2007
		cleaning free reclaimable raw material	chip (multicrystalline)	90	1700.00			
		cleaning free reclaimable raw material	scrap wafer	240	1900.00			
		cleaning free reclaimable raw material	monocrystalline cell	1590	1700.00			
DSC07070600035 Subcontract of contract numbered YGC061127W	July 4, 2007	cleaning free reclaimable raw material	chip	420	1750.00	6651000.00	before July 9, 2007	July 9, 2007
		cleaning free reclaimable raw material	chip (multicrystalline)	30	1700.00			
		cleaning free reclaimable raw material	scrap wafer	420	1900.00			
		cleaning free reclaimable raw material	scrap wafer (multicrystalline)	60	1850.00			
		cleaning free reclaimable raw material	polysilicon	1800	2300.00			
		cleaning free reclaimable raw material	monocrystalline cell	480	1700.00			



Contract No.	Date	Product	Specification	Quantity/ KG	Unit Price/ RMB	Total Amount (tax included)	Payment term	Delivery Term
DSC07071000036 Subcontract of contract numbered YGC061127W	July 10, 2007	cleaning free reclaimable raw material	chip	90	1750.00	5403000.00	before July 11, 2007	July 11, 2007
		cleaning free reclaimable raw material	chip (multicrystalline)	60	1700.00			
		cleaning free reclaimable raw material	scrap wafer	660	1900.00			
		cleaning free reclaimable raw material	scrap wafer (multicrystalline)	150	1850.00			
		cleaning free reclaimable raw material	monocrystalline cell	210	1700.00			
		cleaning free reclaimable raw material	mixed multicrystalline cells	2100	1550.00			

Bank of China  
Guarantee Contract  
(Individual Maximum Guarantee Contract)

Guarantor: Li Xianshou and Lian Xiahe

Borrower: Zhejiang Yuhui Solar Energy Co., Ltd

Lender: Bank of China, Jiashan Branch

Contract No.: \_\_\_\_\_

**Maximum Guarantee Contract**  
**(Applicable to Individual Guarantor)**

No.

Guarantor: Li Xianshou, Lian Xiahe

ID Card Nos.: 3301061968010015 and 332027700701008

Domicile: \_\_\_\_\_

Contact Means: 4773061

Creditor: Bank of China, Jiashan Branch

Legal Representative or Responsible Person: Jiang Zhongliang

Domicile: No.269, Jiefang (M) Road

Contact Means: 4021956

In order to ensure the performance of the obligations the Debtor under the Main Contracts already signed or to be signed by and between Zhejiang Yuhui Solar Energy Co., Ltd (the Debtor) and Bank of China, Jiashan Branch (the Creditor) during the period from \_\_\_\_\_ to \_\_\_\_\_, the Guarantor is willing to provide the Creditor with guarantee. This Contract is entered into by and between both parties through friendly negotiation.

**Article 1 Representations and undertakings**

The Guarantor hereby represents and undertakes that:

- (I) As per relevant Chinese laws, the Guarantor is qualified as a Guarantor that has the capability to bear the guarantee responsibilities.
- (II) The Guarantor fully understands the contents of the Main Contracts and provides the Debtor with guarantee fully out of their own will; all of their declarations of will herein are true.
- (III) All of the documents, materials, reports and vouchers provided by the Guarantor to the Creditor are accurate, true, complete and effective.
- (IV) The Guarantor shall in advance notify the Creditor of any change to the property or to the means of income during the guarantee period. The Guarantor shall not be released of any of their guarantee responsibilities as a result of any of the above-mentioned changes.

**Article 2 Relationship between this Contract and the Main Contracts**

This Contract is an independent contract of guarantee. Any invalidity or reversibility of any of the Main Contracts due to any reason shall not affect the force or effect of this Contract. The Guarantor shall be jointly and severally responsible to the Creditor.

Before both parties to any of the Main Contracts dissolves any of the Main Contracts or cause any of the Main Contracts to expire earlier, this Contract shall remain effective. The Guarantor shall bear guarantee responsibilities for any and all losses caused by the Debtor to the Creditor.

If both parties negotiate to modify the contents of any of the Main Contracts, except extending any of the Main Contracts and increasing the amount of the principal obligation, no consent is required from the Guarantor who will still bear the guarantee responsibilities within the modified scope of guarantee. If any of the Main Contracts is extended without prior consent from the Guarantor, the Guarantor will still bear the guarantee responsibilities within the original scope of guarantee. If the amount of the principal obligation of any of the Main Contracts is increased without consent from the Guarantor, the Guarantor will still bear the guarantee responsibilities within the amount of the original principal obligation.

The Creditor can transfer its creditor's rights under any of the Main Contracts to any third party without prior consent from the Guarantor. In this case, the Guarantor will still bear the guarantee responsibilities within the original scope of guarantee.

**Article 3 Scope of guarantee**

The creditor's rights guaranteed hereby are all of the creditor's rights the Creditor may have against the Debtor during the period from \_\_\_\_\_. The principal of these obligations shall not exceed \_\_\_\_\_.

The scope of this Contract includes the principal of the obligations under the Main Contracts and the interest thereupon (including legal interest, agreed interest, compound interest and penalty interest), the liquidated damages, compensations, expenses on realization of creditor's rights (including legal costs, lawyer's expenses, notarization expenses, execution expenses, etc), the losses by the Debtor to the Creditor as a result of any default on the part of the Debtor as well as all the other payable expenses.

**Article 4 Means of guarantee**

The means of guarantee hereunder is joint and several. If the same main contract has two or more guarantors, the Guarantor hereunder shall bear all the guarantee responsibilities to the Creditor within the originally agreed scope of guarantee.

If the Debtor fails to make repayment to the Creditor on any normal repayment date under any of the Main Contracts or on any earlier repayment date as agreed in the contract, the Guarantor must perform their obligation of guarantee. The Creditor specifically reminds the Guarantor that the normal repayment date referred to in this article shall mean the interest payment date as specified in the Main Contracts, the principal repayment date as specified in the repayment plan or in the certificate of indebtedness or the date on which the Debtor shall make any payment to the Creditor as per the provisions hereof and that the earlier repayment date mentioned in this article shall mean the earlier repayment date proposed by the Debtor and agreed by the Creditor as well as the date on which the Creditor requests the Debtor to recover the loan earlier as per the provisions of the contract.

If the Debtor fails to make repayment to the Creditor as per the provisions of the relevant main contract, as specified in Paragraph 1 of this article, within \_\_\_\_\_ days after the Creditor gives notice to the Guarantor, the Guarantor shall pay the amount specified in the notice to the account designated by the Creditor. The notice from the Creditor must be given in writing and can be delivered by any of the following means:

1. Registered mail

2. Express delivery

3. In person

4. Fax

After receipt of the above notice, the Guarantor must pay in time the amount requested in the notice and shall not refuse to make the payment or delay in making the payment for any reason whatsoever.

**Article 5 Period of guarantee**

The period of guarantee hereunder will begin on the date on which the first main contract takes effect and ends upon same date two years after the expiration of the period for making the last repayment under the Main Contracts.

**Article 6 Liabilities for breach of contract**

Any of the following circumstances will constitute the breach of contract on the part of the Guarantor hereunder:

(I) The Guarantor violates the provisions of Article 1 herein by making false representations or violates any of the undertakings;

(II) The Guarantor fails to discharge their obligations of the Debtor in time in accordance with the provisions of Article 4 herein;

(III) If this Contract is rendered invalid due to any reason on the part of the Guarantor, the Guarantor shall bear all the liabilities within the scope of guarantee hereunder.

If the Guarantor breaches this Contract, the Creditor shall have the right to take any one or more of the following actions:

(I) Dissolve the loan contract or any other credit loan contract signed between the Creditor and the Guarantor or declare earlier expiration of any of the above-mentioned contracts;

(II) Request the Guarantor to compensate any and all direct or indirect losses sustained by the Creditor as a result of any default on the part of the Guarantor (including but not limited to the losses of the principal of the obligation under any of the Main Contracts, interest upon the principal and expenses);

(III) After giving a notice, offset the guaranteed creditor's rights with the funds in the accounts the Guarantor has or may have at the Creditor and other institutions of Bank of China or with any creditor's rights the Guarantor has or may have against the Creditor and other institutions of Bank of China.

**Article 7 Offsetting and rights retention**

Under this Contract, the Guarantor shall pay in full all the obligations within the scope of guarantee without claiming to offset any of such obligations, unless otherwise agreed by the Creditor.

No allowance, grace or favor given by the Creditor to the Guarantor or no postponement of the Creditor in exercising its rights hereunder shall affect, damage or limit any right of the Creditor under this Contract or any law or be regarded as the Creditor's waiver of any of its rights or interests hereunder or release the Guarantor from any of its obligations hereunder.

It is hereby undertaken by the Guarantor that the Guarantor will not base its performance of guarantee obligations on the precondition that the Creditor first exercises its guarantee interest under the relevant Main Contract.

**Article 8 Modification, dissolution and interpretation of contract**

Any modification of, supplement to or dissolution of this Contract shall be subject to written consent by both parties and shall constitute an integral part hereof.

Any issue not covered herein shall be interpreted or handled as per relevant provisions of the relevant the Main Contracts guaranteed hereby.

Invalidity of any provision herein shall not affect the validity of other provisions.

**Article 9 Governing law, settlement of disputes and jurisdiction**

This Contract shall be governed by the laws of the People's Republic of China.

Any dispute arising out of performing this Contract shall be solved by both parties through negotiation. In case negotiation fails to solve the dispute, both parties hereby agree to solve it through first of the following means:

(I) File it with the local people's court of the place where the Creditor is located to solve it through judicial procedures;

(II) Submit it to \_\_\_\_\_ arbitration commission for arbitration.

All expenses related to litigation or arbitration, including but not limited to legal expenses, execution expenses, lawyer's costs, attorney costs, etc, shall be born by the Guarantor, unless otherwise judged by the people's court or awarded by the arbitration commission.

**Article 10 Effectiveness of contract**

This Contract will take effect after being signed by and affixed with the seals of both parties.

This Contract is made in \_\_\_\_\_, \_\_\_\_\_ copy (copies) for each party hereto and the Debtor; all copies have the same legal force.

Guarantor: Li Xianshou /s/, Lian Xiahe /s/

\_\_\_\_\_

\_\_\_\_\_

Creditor: (Seal)  
Legal Representative or  
Authorized Signatory:

/s/ \_\_\_\_\_

\_\_\_\_\_

No.	Contract Number	Term	Amount	Date of Agreement
1	JSGB060041	April 18 <sup>th</sup> 2006 to April 17 <sup>th</sup> 2006	RMB 30.0 million	April 18, 2006
2	JSGB060083	August 2, 2006 to August 2, 2007	RMB 85.0 million	August 2, 2006
3	JSGB070065	February 5, 2007 to February 5, 2008	RMB 260.0 million	February 5, 2007
4	JXJIASHAN2007 INDIVIDUAL GUARANTEE NO. 001	November 10, 2007 to November 10, 2009	RMB 790.0 million	November 10, 2007

**Maximum-Amount Mortgage Contract****[Important]**

This Contract is concluded by both parties pursuant to relevant laws and administrative regulations on basis of equality and free will. All the provisions herein are the true expressions of the intentions of both parties. In order to fully protect the legal rights of the Mortgagor, the Mortgagee hereby specifically requests the Mortgagor to carefully and thoroughly read the provisions of this Contract and the Main Contracts before signing this Contract and to pay special attention to the underlined parts herein and to execute and affix his seal to this Contract after fully understanding the meanings and legal implications of the provisions of this Contract and the Main Contracts.

Mortgagor (Party A): /s/

Domicile (Address):

Legal Representative:

Tel: Fax: P.C.:

Mortgagee (Party B): Industrial and Commercial Bank of China, Jiashan Branch (Seal)

Domicile (Address): No.8, Jiefang East Road, Jiashan County Seat

Legal Representative (Responsible Person): /s/

Tel: Fax: P.C.:



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In order to ensure performance of the obligations of the Debtor under the Loan Contract, the Bank Acceptance Agreement and the Opening Guarantee Agreement signed by and between the Debtor, Zhe jiang Yuhui Solar Energy Co., Ltd. and Party B within the maximum creditor's right balance of RMB ten million and seventy thousand Yuan (incl. equivalent in any foreign currency) during the period from May 26<sup>th</sup> 2006 to November 27<sup>th</sup> 2006 as well as the following (1),(7) trade financing operations (the corresponding operation vouchers, including but not limited to applications, agreements, contracts, letters of credit, trust receipts, etc; the above operation vouchers and the Loan Contract, the Bank Acceptance Agreement and the Opening Guarantee Agreement, etc are hereinafter referred to as the "Main Contracts"), Party A is willing to provide Party B with mortgage guarantee (including the counter guarantee provided for the obligations of the Debtor under the Opening Guarantee Agreement – the same below).

- (1) Import L/C
- (2) Import Bill Advance
- (3) Shipping Guarantee
- (4) Forfaiting
- (5) Export Factoring
- (6) Export Bill Advance/Discounting
- (7) Other Trade Financing Operations

In order to define the rights and obligations of both parties, Party A and Party B have entered into this Contract through negotiation pursuant to the Contract Law and the Guarantee Law of the People's Republic of China, the relevant Main Contracts and other relevant laws and administrative regulations.

#### Article 1 Representations and Warranties by Party A

- 1.1 Party A is the complete, valid and legal owner or government-authorized manager of the Mortgage hereunder; this Mortgage is free of any dispute over the ownership or management right.
- 1.2 If the obligations under the Main Contracts are loans, Party A fully understands the intended uses of loans borrowed by the Borrower under the Main Contracts; if the obligations under the Main Contracts are the obligations under the Bank Acceptance Agreement, Party A fully understands the intended use of the bank acceptance bill of the Applicant under the Main Contracts; if the obligations of the Main Contracts are the obligations under the Opening Guarantee Agreement, Party A fully understands the use of the letter of guarantee of the Applicant under the Main Contracts; if the obligations under the Main Contracts are trade finance, Party A fully understands the actual use of the trade finance of the Debtor under the Main Contracts. Party A acknowledges that the basic transactions on which the bank acceptance bill, the letter of guarantee and financing are based are true and free of fraud. Party A provides the Debtor under the Main Contracts with mortgage guarantee fully at his own will and all of his declarations of intention hereunder are true.
- 1.3 Party A has given full and reasonable explanations of the defects of the Mortgage hereunder.
- 1.4 The Mortgage hereunder can be legally mortgaged.
- 1.5 The Mortgage hereunder is free of any limitation.
- 1.6 The Mortgage hereunder is not lawfully seized, detained or controlled.
- 1.7 If the Mortgage hereunder is already leased out in part or in whole, Party A promises to inform the lessee of this Mortgage and will in writing notify Party B of the lease.

- 1.8 When the Debtor fails to perform his obligations as agreed in the Main Contracts, Party B shall have the right to directly request Party A to bear the guarantee obligations within the scope of guarantee and Party A waives the right of defense, no matter whether or not Party B owns any other guarantees for the creditor's rights under the Main Contracts (including but not limited to such guarantee means as warranty, mortgage, pledge, letter of guarantee, standby letter of credit, etc).
- 1.9 Party A clearly understands the scope of business of Party B.
- 1.10 If the obligations under the Main Contracts are denominated in any foreign currency while the Mortgage is disposed or the insurance compensation is made in RMB, Party A hereby authorizes Party B to pay off obligations by converting the obligations as per the selling foreign exchange rate published by ICBC on the date of deduction and purchasing foreign exchange (and arbitraging foreign exchange) as per relevant governmental rules.

**Article 2 Types and Amounts of Guaranteed Principal Creditor's Rights**

- 2.1 The principal creditor's rights guaranteed hereunder are all the creditor's rights of Party B formed under the Main Contracts within the time period and maximum creditor's right balance as specified herein, no matter whether or not the expiry date for performing any single Main Contract exceeds the above-mentioned time period.

**Article 3 Deadline for the Debtor under the Main Contracts to Perform Obligations**

- 3.1 As per the separate provisions in the Main Contracts.

**Article 4 Scope of Mortgage & Guarantee**

- 4.1 The scope of mortgage guarantee hereunder includes the loan, bank acceptance, guarantee and trade finance principal, interest, penalty interest, compound interest, penalty, compensation and exchange rate loss under the Main Contracts as well as all the expenses incurred and payable by Party B for realizing the creditor's rights.

**Article 5 Mortgage**

- 5.1 For details of mortgages, please see the List of Mortgages.
- 5.2 The values of the mortgages agreed in the List of Mortgages shall not be used as the basis for Party B to valueate the Mortgage according to Article 9 herein or restrict Party B in exercising hypothecation.
- 5.3 After being confirmed by both Party A and Party B, mortgage-related valid certificates and documents will be sealed and be given by Party A to Party B, unless otherwise specified by laws and/or administrative regulations.

**Article 6 Mortgage Registration**

- 6.1 If registration is required as per any laws/administrative regulations or any agreement between both parties, both parties shall complete the mortgage registration formalities at the local mortgage registration authority within 15 days after the execution hereof.
- 6.2 When any mortgage registration item is modified and the modification shall be registered as required by law, both parties shall complete the modification registration formalities at the local mortgage registration authority within 15 days after the modification.

**Article 7 Possession & Management of the Mortgage**

- 7.1 The Mortgage hereunder will be possessed and managed by Party A. During the period of such possession and management, Party A shall maintain the integrity of the Mortgage and shall not use the Mortgage in any unreasonable means that may reduce the value of the Mortgage. Party B shall have the right to check the use and management of the Mortgage.
- 7.2 If the Mortgage is damaged or lost, Party A shall in time notify Party B of the damage or loss and immediately take measures to prevent the spread of damage or loss. At the same time, Party A shall submit to Party B the evidence(s) issued by the relevant authority for proving the said damage or loss.

**Article 8 Insurance**

- 8.1 Within 15 days after execution hereof, Party A shall procure property insurance coverage for the Mortgage from the relevant insurance institution against basic risk and additional \_\_\_\_ risk; the insurance period shall not be shorter than the period for performing the Main Contracts and the amount insured shall not be lower than that as agreed in Article 2 hereof.
- 8.2 Party A shall definitely specify in the insurance policy that the insurance interest shall be transferred to Party B; that once any insured incident occurs, the insurer shall directly transfer the amount insured to the bank account designated by Party B; that, before any insured incident occurs, if the Mortgagor has performed his obligations under the Main Contracts, Party B shall refund the said amount insured to Party A; that neither the insurance contract nor the policy shall have any provision that may restrict Party B from exercising his assignee's right and requesting the amount insured. The policy shall be held by Party B.
- 8.3 During the validity period of this Contract, Party A shall not discontinue or cancel the insurance coverage for any reason whatsoever. In case the insurance coverage is discontinued, Party B shall have the right to procure insurance coverage for and on behalf of Party A who shall bear all the associated expenses.
- 8.4 As to the compensatory payment for insurance, Party A hereby agrees that Party B shall have the right to dispose it in any of the following ways and agrees to provide assistance in completing relevant formalities:
- I. Use it to pay off the principals and interest thereupon under the Main Contracts and relevant expenses;
  - II. Transfer it into term deposit and mortgage the deposit receipt;
  - III. If so agreed by Party B, use it to reinstate the Mortgage to restore the value thereof;
  - IV. Deposit it with a third party designated by Party B;
  - V. After Party A provides new mortgage meeting the requirements of Party B, the liquidated damages can be freely disposed.
- 8.5 During the duration of the hypothecation, if the value of the Mortgage is reduced as a result of any act of any third party, the liquidated damages shall be deposited into the account designated by Party B. As to the said liquidated damages, Party A agrees that Party B shall have the right to dispose it in any of the following ways and agrees to provide assistance in completing relevant formalities:
- I. Use it to pay off the principals and interest thereupon under the Main Contracts and relevant expenses;

- II. Transfer it into term deposit and mortgage the deposit receipt;
- III. If so agreed by Party B, use it to reinstate the Mortgage to restore the value thereof;
- IV. Deposit it with a third party designated by Party B;
- V. After Party A provides new mortgage meeting the requirements of Party B, the liquidated damages can be freely disposed.

#### Article 9 Realization of Hypothecation

- 9.1 When exercising the hypothecation, after negotiation with Party A, Party B shall have the right to convert the Mortgage into money pursuant to the provisions of relevant laws and regulations so as to pay off the debts of the Debtor under the Main Contracts or auction or sell of the Mortgage and use the proceeds to pay off the debts.
- 9.2 When Party B disposes the Mortgage as per Article 9.1 herein, Party A shall provide cooperation and in no way set up any barrier.
- 9.3 The effectiveness of the hypothecation hereunder covers the res accessoria of, secondary rights to, attachments to and accretions to the Mortgage as well as the amount insured, liquidated damages and/or compensatory payment as a result of any damage to, loss of or confiscation of the Mortgage.
- 9.4 Upon expiration of the period for performing the obligations under the Main Contracts, if the Debtor fails to perform his obligations and, as a result, the Mortgage is legally detained by a people's court, on and from the date of detention, Party A shall have the right to collect the natural fruits and legal fruits separated from Mortgage. Payment shall be made in the following sequence:
  - I. Expenses spent on collecting the fruits;
  - II. Interest and other expenses under the Main Contracts;
  - III. Principals of obligations.

#### Article 10 Rights and Obligations of Party A

- 10.1 As per the requirements of Party B, Party A shall provide in time the financial statements and relevant documents and guarantee that all of the provided documents are true and lawful.
- 10.2 Party A shall have the obligation to sign for the collection letter or other collection document issued by Party B and to send back the return receipt within 3 days after signing for it.
- 10.3 Within the validity period of this Contract, without written consent from Party B, Party A shall not sell or present the mortgaged property as a gift; before Party A moves, leases, assigns, re-mortgage (or pledge) or in any other way transfers the mortgaged property hereunder, written consent shall be obtained from Party B.
- 10.4 Except extending the term hereof or increasing the amount herein, if Party B modifies any provision of the Main Contracts as per the application from the Debtor, Party B shall be regarded as having obtained prior consent from Party A and need not give any notice to Party A and, in such cases, Party A still bear the mortgage guarantee responsibilities within the scope of mortgage & guarantee as defined herein.
- 10.5 If any act of Party A suffices to reduce the value of the Mortgage, Party A shall stop the said act; when the said act has reduced the value of the Mortgage, Party A shall have the obligation to restore the value of the Mortgage or provide additional guarantee equivalent to the reduced

value. During the duration of the hypothecation, if any act of a third party makes the value of the Mortgage insufficient to pay off the principals of the obligations and the interest thereupon under the Main Contracts and the interest thereupon, Party A shall provide additional guarantee acceptable to Party B. The remaining part of the Mortgage shall still be used as the guarantee for the creditor's rights.

10.6 If Party A is not liable for the reduced value of the Mortgage, Party A shall provide Party B guarantee, provided that the guarantee does not exceed the liquidated damages received by Party A. The remaining part of the Mortgage shall still be used as the guarantee for the creditor's rights.

10.7 If the government confiscates the Mortgage hereunder the need of construction, Party A shall use the received compensatory payment to pay off the guaranteed principal creditor's rights before they become due or deposit the received compensatory payment with a third person as agreed by both parties.

10.8 Party A shall bear relevant expenses spent hereunder, including but not limited to lawyer services, property insurance, notarization, authentication, evaluation, registration, ownership transfer, transportation, custody, litigation, etc.

10.9 After this Contract takes effect, if Party A is separated or merged or undergoes shareholding reform or any other change, Party A shall properly perform its guarantee obligations hereunder.

10.10 When the hypothecation is or may be infringed by any third party, Party A shall notify Party B and assist Party B in avoiding the infringement.

10.11 In any of the following circumstances, Party A shall in time send a written notice to Party B and assist Party B in performing its mortgage guarantee responsibilities, provide additional guarantee or take other protective measures as agreed in the contract to protect hypothecation from being infringed:

10.11.1 The operational mechanism of Party A changes, e.g. it is contracted, leased, affiliated, merged, separated or undergoes shareholding reform or cooperates with any foreign individual or entity, etc;

10.11.2 The scope of business or the amount of registered capital or the equity structure of Party A changes;

10.11.3 Party A is involved in any major economic dispute or litigation;

10.11.4 The ownership of the Mortgage is under dispute;

10.11.5 Party A becomes bankrupt, goes out of business, gets dissolved or is ordered to stop operation for rectification or the business license of Party A is revoked or withdrawn;

10.11.6 The domicile, telephone number and/or legal representative of Party A changes.

10.12 If any of the following circumstances specified in 10.11.1 and 10.11.2 will occur, Party A shall give Party B a 30 days' written notice; if any of the other circumstances agreed in 10.11 occurs, Party A shall give Party B a written notice within 5 days after the occurrence.

10.13 After the Debtor under the Main Contracts pays off all the obligations specified in Article 4 hereof, he shall have the right to request the release of the Mortgage hereunder.

10.14 If the discharge by the Debtor under the Main Contracts is judged by a judicial department as invalid discharge, Party A shall continue to bear his guarantee responsibilities within the original scope of mortgage & guarantee.

- 10.15 Under the import L/C, once Party B accepts, pays or negotiates the L/C according to the clauses thereof, Party A shall bear an un-defendable guarantee obligation. This obligation shall not be released or defended as a result of any stop-payment order or injunctive issued by any judicial authority or administrative authority specific to the payment obligation under the L/C or as a result of arresting, detaining or freezing any property related to the L/C or any similar measures.
- 10.16 Without written consent from Party B, Party A shall not transfer in part or in whole his rights or obligations hereunder.
- 10.17 During the term of this Contract, if Party B transfers his principal creditor's rights to any third party, Party A shall bear his guarantee responsibilities within his original scope of mortgage & guarantee.
- 10.18 If any ongoing project is used for mortgage guarantee, after the project construction is completed and accepted and the ownership certificate is obtained, Party A shall actively cooperate with Party B in completing the real property mortgage registration formalities with relevant mortgage registration authority.

#### **Article 11 Rights and Obligations of Party B**

- 11.1 Party B shall have the right to request Party A to provide relevant documents evidencing his legal identity.
- 11.2 Party B shall have the right to request Party A to provide financial reports and other documents reflecting his credit standing.
- 11.3 In any of the following conditions, Party B shall have the right to legally dispose the Mortgage:
- 11.3.1 Party B does not receive the discharge upon the expiration of the time for re-paying in part or in whole the principal of the obligation under the Main Contracts or the interest thereupon;
- 11.3.2 When any of the conditions specified in Article 10.5 herein occurs and Party A fails to separately provide corresponding guarantee;
- 11.3.3 Other circumstances under which Party B can realize its creditor's rights earlier as per the provisions of the Main Contracts;
- 11.3.4 Other circumstances under which Party B can realize hypothecation as per the provisions herein.
- 11.4 If it is agreed to dispose the Mortgage earlier as per the provisions in this Contract, Party A agrees that Party B shall have the right to dispose the proceeds from the disposal of the Mortgage in the following means:
- I. Use it to pay off the principals and interest thereupon under the Main Contracts and relevant expenses;
- II. Transfer it into term deposit and mortgage the deposit receipt;
- III. Deposit it with a third party designated by Party B;
- 11.5 In any of the following conditions, Party B shall have the right to dispose the Mortgage earlier and get paid first from the proceeds from the disposal:
- 11.5.1 Party B legally dissolve the Main Contracts as per the provisions thereof, provided that the main obligations under the mortgage contract have been incurred in part or in whole and have not been performed in full;

- 11.5.2 When Party B requests the Debtor to perform his obligations earlier as per the provisions of the Main Contracts and the creditor's rights under the Main Contracts cannot be realized or cannot be realized in whole.
- 11.6 Party B shall have the right to request Party A to assist Party B in protecting the hypothecation from being infringed by any third party.
- 11.7 Unless otherwise specified by any laws, regulations and/or financial rules, Party B shall keep confidential of the undisclosed information contained in any and all relevant documents, financial reports and other relevant documents submitted by Party A during the performance of his obligations hereunder;
- 11.8 If Party B needs to legally transfer the principal creditor's rights, it shall give a notice to Party A in time;
- 11.9 After the hypothecation is realized, Party B shall does its best efforts to cooperate Party A in exercising his right of recovering the Mortgage from the creditor.
- 11.10 The balance of the proceeds from disposal of the Mortgage hereunder after repayment of all the obligations within the scope of mortgage & guarantee hereunder shall be returned to Party A.

**Article 12 Liabilities for Breach of Contract**

- 12.1 Party A shall be responsible for compensating Party B for any and all losses caused by any false statement made by Party A in Article 1 herein.
- 12.2 After this Contract takes effect, both Party A and Party B shall perform their respective obligations as agreed herein. If any party hereto fails to perform in part or in whole its obligations agreed herein, the said party shall bear the corresponding liabilities for breach of contract and compensate the resulting losses sustained by the other party.
- 12.3 If any fault on the part of Party A makes this Contract invalid, Party A shall, within his original scope of mortgage & guarantee, compensate all the losses sustained by Party B.

**Article 13 Effectiveness, Modification, Dissolution and Termination of Contract**

- 13.1 This Contract will take effect on and from the date of execution. If it is requested by laws and regulations that the mortgage contract shall not become effective before the mortgage registration, this Contract will not go into effect until and after the mortgage registration formalities are completed at the relevant mortgage registration authority. The validity period of this Contract will end until all the monies specified in Article 4 herein have been paid.
- 13.2 This Contract is independent from the Main Contracts and its validity will not be affected by the invalidity of any of the Main Contracts. Invalidity of the Main Contracts become in part or in whole will not affect the validity of this Contract; Party A shall bear his mortgage guarantee responsibilities hereunder.
- 13.3 After this Contract takes effect, neither party shall modify or dissolve it at his/its own discretion. If this Contract needs to be modified or dissolved, both parties shall, through negotiation, reach a written agreement which shall constitute an integral part hereof. Before the said written agreement is signed, this Contract will continue to be effective.
- 13.4 Any modification or dissolution of this Contract will not affect the right of either party to request compensation. Dissolution of this Contract shall not affect the force and effect of the provisions herein regarding the settlement of disputes.



- 13.5 The invalidity or unenforceability of any provision herein shall not affect the validity or enforceability of other provisions herein or affect the effect and force of this Contract as a whole.
- 13.6 If Party B fails to exercise, exercise in part or delays in exercising any of its rights hereunder, it will not constitute any waiver or modification of this right or any other rights or prevent Party B from further exercising this right or any other rights.

#### Article 14 Dispute Settlement

- 14.1 Any dispute arising between Party A and Party B during the process of performing this Contract shall be settled between Party A and Party B through negotiation. In case negotiation fails to settle the dispute, it shall be settled by (2) of the following means:
- (1) The dispute shall be submitted to \_\_\_\_\_ arbitration commission for arbitration as per the arbitration rules of the said commission;
  - (2) The dispute shall be submitted to the local people's court of the place where Party B is located for settlement through litigation.
- 14.2 During the period of litigation or arbitration, all the provisions hereof not involved in the dispute shall continue to be performed.

#### Article 15 Other Issues

- 15.1 Party A shall disclose to Party B his related-party relations and related-party transactions in a timely, comprehensive and accurate manner. If Party A fails to disclose the above-mentioned information or if any of the following conditions occurs to Party A or any of his related parties and may have adverse impact on the performance by Party A of any of his obligations hereunder, Party B shall have the right to take remedial actions as agreed herein and specified in relevant laws.
- (I) The financial status of any of the related parties of Party A deteriorates;
  - (II) Party A or any of his related parties is under legal investigation by or subject to legal punishing measures taken by any judicial department, tax authority, administration for industry and commerce, etc;
  - (III) The control relationship between Party A and any of his related parties has changed;
  - (IV) Any related party of Party A gets or may get involved in any major economic dispute, lawsuit and/or arbitration;
  - (V) Any of the main individual investors and key managers of Party A changes abnormally or is suspected of any illegal/criminal act and is placed under investigation by any judicial department or is limited in terms of personal freedom;
  - (VI) Any other issue on the part of any of the related parties of Party A that may have adverse impact on the borrower.
- As per the Accounting Standards for Business Enterprises – Disclosure of Related-party Relationships and Related-party Transactions, for the purpose of this article, a related party refers to:
- (I) Any other enterprise directly or indirectly controlled by Party A or any other enterprise that directly or indirectly controls the borrower, and any other enterprise under the common control as Party A is;

- (II) A joint venture of Party A;
- (III) An affiliate of Party A;
- (IV) Any of the main individual investors, key managers or close family members of Party A;
- (V) Any other enterprise directly controlled by any of the main individual investors, key managers or close family members of Party A.

Other terms in this article shall have the same meanings as they have in the Accounting Standards for Business Enterprises – Disclosure of Related-party Relationships and Related-party Transactions.

15.2 During the financing period, when the Mortgagee (Party B) reevaluates the value of the Mortgage, if the product of the revaluated value by the agreed mortgage rate (i.e. discount) is smaller than the financed amount, the borrower shall repay part of the financed money or increase the guarantee; otherwise, the Mortgagee (Party B) shall have the right to legally dispose the Mortgage.

15.3

15.4

15.5

#### Article 16 Attachments

16.1 The attachments hereto constitute an integral part hereof and have the same force and effect as the main body of this Contract.

16.2 Attachments hereto are:

Attachment 1: List of Mortgages

Attachment 2:

#### Article 17 Supplementary Rules

17.1 This Contract is made in triplicate, one copy for each of Party A, Party B and the related mortgage registration authority. Each of these three copies has the same legal force and effect.

Party A (Seal):  
Legal Representative:  
(or Authorized Agent)

May 26<sup>th</sup> 2006

Party B (Seal):  
Legal Representative  
(Responsible Person):  
(or Authorized Agent)  
May 26<sup>th</sup> 2006

## List of Mortgages

No.: 2006 JS (N) No.0059

Name	Quantity	Quality	Condition	Location	Ownership and Ownership Certificate	Valuated Value (10,000 Yuan)	Mortgage Value for Other Creditor's Rights (10,000 Yuan)	Other Issues
Land	21726.11m <sup>2</sup>	Good	Good	Yaozhuang Town Industrial Park	SGY (2005) NO.107-4068	584		
Real Property	5591.94 m <sup>2</sup>	Good	Good	Yaozhuang Town Industrial Park	00090208	423		
						Total:		
						1007		

Mortgagor:

Legal Representative (Responsible Person) or Authorized Agent: (Seal)

MM DD YY

(Seal)

Mortgagee:

Responsible Person or Authorized Agent: (Seal)

(Seal)

Equipment Purchase and Sales Contract

Seller: Shanghai Hanhong Precision Machinery Co., Ltd

Contract No.: FISM0704028

("Hanhong")

Buyer: Zhejiang Yuhui Solar Energy Co., Ltd

Date: 02<sup>nd</sup> JUN, 2007

("Yuhui")

I. Product description, trademark, model, manufacturer, quantity, amount, delivery time and quantity

Description	Model	Unit	Qty	Unit Price (RMB)	Total Amt (RMB)	Delivery time
Silicon Monocrystalline Furnace	FT-CZ2008 See parameter list for details	Set	120	[****]*	[****]*	By Oct. 20 <sup>th</sup> 2007, the first installment of 20 sets will be delivered from Hanhong Factory. Thereafter, from Nov. 2007 to March 2008, 20 sets will be delivered by the 20 <sup>th</sup> day of each month in principle. However, the installment of 40 sets shall be delivered first under this Contract. For the subsequent 80 sets, the Buyer shall give the Seller 90 days notice before production and delivery. The validity period of the pricing term of the whole contract will end on April 30 <sup>th</sup> 2008. After this date, the unit price for the remaining equipment specified under this Contract will be renegotiated and determined between both parties. In order to ensure the delivery of the first 20 sets, the general contract must be signed by June 2 <sup>nd</sup> 2007 (for details of equipment, please see Attachment 4 hereto)
Delivery by installments	FT-CZ2008	Set	40	[****]*	[****]*	
			40	[****]*	[****]*	
			40	[****]*	[****]*	
Total:			120		[****]*	

Total amount (in words): [\*\*\*\*]\*  
Remarks: the Seller shall provide VAT invoices.

II. **Quality requirements and technical standards:** as per the product specifications, requirements and standards of the Seller as confirmed by both parties (for details, please see Attachment 1 hereto).

III. **Quality warranty of the Seller:** The complete-machine warranty period provided by the Seller is one year after deliver and acceptance. The Buyer shall ensure normal operation of its goods under normal use and maintenance conditions. The Buyer shall be responsible for any quality problems caused by damage, improper installation and/or improper use of the machinery by the Buyer (Hanhong shall be responsible)

\* This portion of the Sales Contract has been omitted and filed separately with the Securities and Exchange Commission, pursuant to Rule 406.

- IV. **Place and Method of delivery:** EX the factory of the Buyer; address: (Jiashan County, Zhejiang) (Hanhong shall be responsible)
- V. **Transportation, station/port of destination and expenses:** the Seller shall be responsible for both determining the means and bearing the transportation expenses.
- VI. **Packaging standards and supply and recovery of packing materials:** equipment shall be packed in strong wood cartons which will not be recovered; for packing requirements, please see Attachment 2 hereto.
- VII. **Accompanied accessories:** for details, please see Attachment 3 hereto.
- VIII. **Acceptance criteria, method and deadline for objection:** acceptance shall be performed as per the product specifications provided by the Seller and confirmed by both parties (Shanghai Hanhong Company shall be responsible).
- Means of acceptance: (for acceptance criteria for installation, testing, calcination and trial pulling, please refer to Attachment 5 hereto).
1. **Unpacking inspection of silicon monocrystalline furnace**  
Yuhui will conduct unpacking inspection on the monocrystalline furnace shipped by the Seller and issue the inspection report in accordance with the packing list of monocrystalline furnace;
  2. **Installation and testing of monocrystalline furnace:** Hanhong will work together with Yuhui in installing and testing monocrystalline furnace. After testing is completed, the equipment testing group led by Hanhong will provide a written report to Yuhui to confirm that the monocrystalline furnace are ready for operation. Yuhui shall be responsible for ensuring the supporting system for the operation of the monocrystalline furnace.
  3. **monocrystalline furnace calcination**  
Hanhong will work together with Yuhui in calcining installed and tested monocrystalline furnace to test the performance of the electrical parts of each set and the equipment testing group lease by Hanhong will complete the final written report for the operation of electrical and mechanical parts during the process of calcination.
  4. **Trial pulling of the monocrystalline furnace**  
Hanhong and Yuhui will conduct trial pulling of the monocrystalline furnace that has passed the calcination test so as to fully test the performance of the monocrystalline furnace. The crystal pulling conditions for trial pulling will be proposed and prepared by Hanhong and be implemented after full communication with Yuhui.

**Acceptance criteria:**

1. Yuhui will prepare 95kg multicrystalline silicon material (Yuhui shall ensure that, under normal process conditions, the material used for acceptance shall be able to be pulled into monocrystalline products which comply with the acceptance conditions) and a 20-inch quartz crucible to pull two ovens of monocrystalline products on the monocrystalline furnace to test the overall operation performance of the monocrystalline furnace. The process conditions for testing crystal pulling will be proposed by Hanhong and implemented after being confirmed by Yuhui through full communication.
  2. **Requirements for single crystals:**
    - Isometric crystal diameter: target value+/-2mm
    - Mean single-crystal length after crystallization $\geq$  800mm.8 (excluding non-conformance caused by the material or any other reasons than the equipment itself)

Test method: The length of a calibrated measuring tape running from the head of the crystal ingot to the fault line of the ingot.

    - During the process of crystal pulling, no significant crystal growth failure is caused by any mechanical/electrical failure
    - Crystal pulling reports recognized by both parties
  3. Yuhui is responsible for disposing the crystal ingots pulled during acceptance and the silicon pot scraps.
- IX. **Installation, testing and services:** the Seller shall be responsible for installing and testing the equipment and for providing trainings in operation as well as day-to-day maintenance. The Buyer must provide corresponding cooperation, e.g.: tools, equipment, electric power, gas, personnel, etc used in the process of installation (before shipment of the equipment, the Seller will provide a

detailed list). Once any machinery fails, the Seller will arrive at the site within 24 hours to eliminate the failure. For the detailed field training plan, please see Attachment 6 hereto (Shanghai Hanhong Company shall be responsible).

**X. Method and Term of Settlement**

Within one week after the contract is signed, the Buyer shall pay by T/T 30% of the price of the first 40 sets, and 7 days before shipment, 65% of the price shall be paid by T/T. The remaining 5% shall be paid by T/T within 15 days after installation and testing is completed. Production of the remaining 2<sup>nd</sup> and 3<sup>rd</sup> shipments will begin after the Seller receives the 90 days' notice from the Buyer. Payment for the 2<sup>nd</sup> and 3<sup>rd</sup> shipments will be made in the same manner as that for the first shipment.

**XI. Force majeure:** if the Seller delays in delivering goods or cannot deliver goods due to any force majeure event or any other reason acceptable to both parties (including but not limited to any event that occurs during the process of manufacturing, loading or transportation, the Seller can be released from its responsibilities, provided that the Seller notifies in writing the Buyer of the event within 5 days after its occurrence and does its best efforts to minimize the impact of the force majeure event.

**XII. Settlement of disputes:** any dispute arising from the performance of or in connection with this Contract shall be solved through friendly negotiation between both parties. If no settlement can be reached through negotiation, it shall be submitted to the local arbitration commission of the place where this Contract is executed. This arbitral award shall be final and binding on both parties. The losing party shall bear the arbitration fees.

**XIII. Other agreed issues:**

- 1) Through negotiation between both parties, it is that, before this Contract is completely executed, the Seller agrees to change the Buyer in this Contract, provided that the following conditions are satisfied:
  - If the Buyer herein changes, a new purchase contract must be signed in the name of the new buyer.
  - If a new contract is signed in the name of a new buyer, other provisions shall remain unchanged, except that the buyer is changed.
  - The new buyer must be a Chinese enterprise or a joint venture in China and controlled by RENESOLA or an enterprise exclusively owned RENESOLA so as to ensure that the transaction currency (RMB) and means remain unchanged.
  - Before the new contract is signed, performance of this Contract shall be continued and shall not be terminated without justification.
  - When the new contract is signed, this Contract will be automatically rescinded. Once the new contract takes effect, all acts completed under this Contract shall be automatically transferred to the acts completed under the new contract, including advance payments, etc.
  - The new contract must be signed before the Seller supplies the first shipment of equipment, because the principal cannot be changed as a result of the VAT invoice issued by the Seller.
  - In case the Buyer cannot modify this Contract before delivery of goods and issuance of invoices, the part for which the VAT invoices have been issued and goods have been delivered can only be regarded as the execution under this Contract, and only the unexecuted part of this Contract can be modified.
- 2) The location of the air exhaust opening of equipment shall be modified as per the request of the Buyer; the modification shall not be executed before the new drawing is confirmed by both parties.
- 3) Hanhong promises to supply together with the first three Hanhong monocrystalline furnace the graphite heating system suitable for use by the such furnace. The price for the graphite shall be separately calculated (for details, please see Attachment 7 hereto). The working drawing for this heating system shall be subject to final confirmation by both parties before execution.
- 4) The price in this Contract excludes the primary and secondary vacuum pumps needed by the equipment, which will be separately purchased by Yuhui. The supplier recommended by Hanhong is Zhejiang Vacuum Equipment Group Co., Ltd in Taizhou, Zhejiang Province.

- 5) The attachments hereto and drawings will constitute an integral part hereof and have the same legal effect as this Contract.
- 6) This Contract will take effect after being signed by the authorized representatives of and affixed with the seals of both parties.
- 7) If the Buyer delays in making any payment, the delivery time will be correspondingly postponed.
- 8) If the Seller cannot deliver goods by the specified time, it shall negotiate with the Buyer in advance and reach an agreement. Otherwise, the Seller shall pay to the Buyer a penalty equal to 0.05% of the total price of the equipment delayed per day.
- 9) If the Buyer cannot make payment by the specified time, it shall negotiate with the Seller in advance and reach an agreement. Otherwise, the Buyer shall pay to the Seller a penalty equal to 0.05% of the total amount of the overdue payment per day.
- 10) Any provision in this Contract, the end of which is marked with "Hanhong shall be responsible", shall be within the exclusive responsibility of Hanhong.
- 11) This Contract is made in duplicate, one copy for each of the Seller and the Buyer. If any issue not covered herein needs to be supplemented, a separate written agreement shall be signed by both parties. The supplementary agreement and this Contract shall have the same legal effect.

**XIV. Conditions for termination of the contract**

If the price of goods cannot be paid in time in accordance with the provisions herein, which results in material loss on the part of the Seller, the Seller shall have the right to terminate this Contract and stop the corresponding after-sales services and trainings. Similarly, if the goods cannot be delivered in time in accordance with the provisions herein, which results in material loss on the part of the Buyer, the Buyer shall have the right to dissolve this Contract. No dissolution hereof shall prejudice against the right of the affected party to claim from the other party default penalty, including but not limited to direct economic loss and expenses spent on recovering the loss. If no agreement is reached between both parties through negotiation, the dispute will be settled in accordance with the provisions of Article 12 hereof.

**Seller**

Name (seal): Shanghai Hanhong Precision Machinery Co., Ltd. (Seal)  
Address: Baoshan Industrial Park, Shanghai  
Legal Representative: Shan Cunzhang  
Authorized agent: /s/Zhao Zhihong June 2, 2007  
Tel:  
Paying bank: Bank of China, Shanghai Branch  
A/C No.: 044434-8400-13267808091001  
Tax Registration No.: 310113772117540

**Buyer**

Name (seal): Zhejiang Yuhui Solar Energy Co., Ltd. (Seal)  
Address: No.8, Baoqun Road, Yaozhuang Town Industrial Park, Jiashan County, Zhejiang Province  
Legal Representative: Li Xianshou  
Authorized Agent: /s/ Huang Binghua June 2, 2007  
Tel: 0573-84773392  
Opening bank: ICBC, Jiashan Branch  
A/C No.: 1204070009242025955  
Tax Registration No.: 330421753019961

## Form of contract

No.: \_\_\_\_\_

Date: \_\_\_\_\_  
At: Jiashan, Zhejiang, China

**The Buyers:**  
Zhejiang Yuhui Solar Energy Source Co., Ltd  
Address:  
No. 8 Baoqun Road, Yaozhuang, Jiashan,  
314117 Zhejiang, P.R. China,  
TEL: 0086-573-4773059  
FAX: 0086-573-4773383

**The Sellers:**  
MEYER BURGER AG  
Address:  
Alte Bernstrasse 146,  
3613 Steffisburg, Switzerland  
TEL: 0041-33-4390505  
FAX: 0041-33-4390510

This Contract is made by and between the Buyers and the Sellers, whereby the Buyers agree to buy and the Sellers agree to sell the under-mentioned commodity according to the terms and conditions stipulated below:

1.

No.	Commodity, Specifications	Quantity	Unit Price	Total Amount (USD)
1	(details as per attachment)			
<b>TOTAL CIF SHANGHAI SEAPORT, SAY US DOLLARS</b>				

2. **Country of Origin and Manufacturers:** Switzerland, Meyer Burger AG

3. **Packing:** To be packed in strong wooden cases(s), or in carton(s) suitable for long distance ocean transportation and to change of climate, well protected against moisture, shocks and rust. The Seller shall be liable for any damage of the commodity and expenses incurred on account of improper packing and for any rust attributable to inadequate or improper protective measures taken by the Sellers in regard to the packing. One full set of service and operation instructions concerned shall be enclosed in the case(s).

4. **Shipping Mark:** The Sellers shall mark on each package with fadeless paint the package number, gross weight, net weight, measurement and the wordings: "KEEP AWAY FROM MOISTURE", "HANDLE WITH CARE", "THIS SIDE UP", etc., and the shipping mark:

5. **Time of shipment:**  
(Shipping out from Port of shipment)

6. **Port of Shipment:** Main European Seaport7. **Port of Destination:** Shanghai Seaport8. **Insurance:** To be covered by the Seller.9. **Payment:** 1) Down Payment: 30% of the total contact value will be paid by the buyer to the seller via T/T before Dec. 30, 2006.



2) 65% of the price of each shipped goods shall be paid via T/T by the Buyer 30 days before shipment.

3) 5% of the price of each shipped goods shall be paid via T/T by the Buyer within one week after acceptance certificate issued by the buyer. The acceptance certificate must be issued by the buyer immediately after acceptance test.

**10. Documents:**

- (1) Full set of on board ocean bills of lading marked "Freight Prepaid" made out to order blank endorsed notifying the Buyer.
- (2) Commercial invoice in 5 copies indicating contract number, made out in details as per relative contract
- (3) Insurance Policy/Certificate in one original and two copies for 110% of the invoice value showing claims payable in China in currency of the draft, blank endorsed, covering All Risks.
- (4) Packing list in 5 copies issued by the Manufacturers.
- (5) Certificate of Quality in 5 copies issued by the Manufacturers.
- (6) Copy of fax to the Buyers advising particulars of shipment immediately after shipment is made.
- (7) Certificate of Origin issued by the manufacturer.
- (8) Fumigation Certificate or certificate of Plant Quarantine issued by relative competent authority or Non-wooden packing declaration.

**11. Shipment:**

The Sellers shall ship the goods within the shipment time from factory to destination port. Partial shipment is allowed. Transshipment is allowed.

**12. Guarantee of Quality:**

The Sellers guarantee that the commodity hereof is made of the best materials with first class workmanship, brand new and unused, and complies in all respects with the quality and specification stipulated in this Contract. The guarantee period shall be 12 months counting from the date on which the acceptance certificate is issued or 15 months after the date of shipment, whichever comes first.

**13. Force Majeure:**

The Sellers shall not be held responsible for the delay in shipment or non-delivery of the goods due to Force Majeure, which might occur during the process of manufacturing or the course of loading or transit. The Sellers shall advise Buyers immediately of the occurrence mentioned above and within fourteen days thereafter, the Sellers shall send by air mail to the Buyers for their acceptance a certificate of the accident issued by the Competent Government Authorities where the accident occurs as evidence thereof. Seller's inability in obtaining export license shall not be considered as Force Majeure.

Under such circumstances, the Sellers, however, are still under the obligation to take all necessary measures to hasten the delivery of the goods. In case the accident lasts for more than 10 weeks, the Buyers shall have right to cancel the Contract. The Sellers shall refund the value paid by the Buyers for undelivered goods.

**14. LATE DELIVERY AND PENALTY:**

Should the Sellers fail to make delivery on time as stipulated in the Contract, with exception of Force Majeure causes specified in Clause 13 of this Contract, the Buyers have the right to penalize the Sellers. Only in case the delay shipment is more than 1 week. The penalty, however, shall not exceed 5% of the goods involved in the late delivery. The rate of penalty is charged at 0.5% for every seven days starting counting from 8<sup>th</sup> day of the delay, odd days less than seven days should be counted as seven days.

**15. Arbitration:**

All disputes arising from the contract or the execution of the contract shall be settled first between the buyer and seller in a friendly way. If the agreement can not be reached after friendly discussion, the disputes will be submitted to the China International Economics and Trade Arbitration Commission in Shanghai for arbitration. The arbitration will be carried out in accordance with the Commission's arbitration rules in effect at the time of arbitration. The arbitral award is final and binding upon both parties. The arbitration fees shall be borne by the losing party unless otherwise awarded by the Commission.

**16.** This contract is made in Chinese/English, and has the same validity. Two original ones of this contract will be held by the Buyer and the Seller respectively.

**Special Provision:**

**1.** In case the buyer cancels the contract after signature of contract due to the buyer's reason, the buyer is liable for compensation to the Seller at the rate of 10% of the contract value. The payment will be made by the buyer within 15 days after cancellation of contract. Vice versa, in case the seller cancels the contract due to seller's reason, the seller will bear the compensation as stated above rate of 10% of the contract value.

The Buyers:  
/s/

The Sellers:  
/s/

<u>Contract No.</u>	<u>Date</u>	<u>Quantity</u>	<u>Price</u>		<u>Shipment mark</u>	<u>Time of shipment</u>
MB-SHA2006060	September 27, 2006	12 sets	Unit Price [****]*	Total Price [****]*	<u>MB-SHA2006060</u> Shanghai China	1 <sup>st</sup> machine before February 28, 2007 2 <sup>nd</sup> , 3 <sup>rd</sup> machine before March 25, 2007 4 <sup>th</sup> , 5 <sup>th</sup> , 6 <sup>th</sup> machine before April 25, 2007 7 <sup>th</sup> , 8 <sup>th</sup> , 9 <sup>th</sup> , 10 <sup>th</sup> machine before May 25, 2007 11 <sup>th</sup> , 12 <sup>th</sup> machine before June 25, 2007
MB-SHA2007016	April 20, 2007	32 sets	Unit Price [****]*	Total Price [****]*	<u>MB-SHA2007016</u> Shanghai China	1 <sup>st</sup> -4 <sup>th</sup> machine before February 28, 2008 5 <sup>th</sup> -8 <sup>th</sup> machine before March 30, 2008 9 <sup>th</sup> -12 <sup>th</sup> machine before April 30, 2008 13 <sup>th</sup> -17 <sup>th</sup> machine before May 30, 2008 5 <sup>th</sup> -8 <sup>th</sup> machine before March 30, 2008 18 <sup>th</sup> -22 <sup>th</sup> machine before June 30, 2008 23 <sup>th</sup> -27 <sup>th</sup> machine before July 30, 2008 28 <sup>th</sup> - -32 <sup>th</sup> machine before August 30, 2008
MB-SHA2006080	December 11, 2006	8 sets	Unit Price [****]*	Total Price [****]*	<u>MB-SHA2006080</u> Shanghai China	1 <sup>st</sup> -2 <sup>nd</sup> machine before August 28, 2007 3 <sup>rd</sup> -4 <sup>th</sup> machine before September 15, 2007 5 <sup>th</sup> -6 <sup>th</sup> machine before September 30, 2007 7 <sup>th</sup> -8 <sup>th</sup> machine before Oct. 15, 2007
MB-SHA2007007	March 27, 2007	8 sets	Unit Price [****]*	Total Price [****]*	<u>MB-SHA2007007</u> Shanghai China	1 <sup>st</sup> -4 <sup>th</sup> machine before December 31, 2007 5 <sup>th</sup> - 8 <sup>th</sup> machine before January 31, 2008

\* This portion of the Sales Contract has been omitted and filed separately with the Securities and Exchange Commission, pursuant to Rule 406.

PURCHASE CONTRACT

Contract No: YGC060602001

Supplier: Beijing Oriental Keyuan Crystal Technology Co., Ltd.  
Add.: Zhang Jia Wan Town Development Zone, Tongzhou District, Beijing  
Banker: Beijing Bank, Jiulong Shan Sub-branch  
A/C No.: 900120109077097  
Tel: 010-61568946/61568945  
Fax: 010-61568947 Zip Code: 101113

Purchaser: Zhejiang Yuhui Solar Energy Source Co., Ltd.  
Add.: Yaozhuang Industrial Park, Jiashan County, Zhejiang  
Banker: \_\_\_\_\_  
A/C No.: \_\_\_\_\_  
Tel: 0573-4773059  
Fax: 0575-4773063 Zip Code: 314117

This Contract is entered into by and between both parties in accordance with the *Contract Law of the People's Republic of China* and other applicable laws and regulations and through friendly negotiations:

1. LIST OF PRODUCTS

No.	Model	Unit	QTY	Unit Price	Total	Remarks
1	Monocrystalline Silicon Furnace (JRDL-800CCD)	Set	36	860000	30960000	
18 sets to be delivered on July 30 (First Batch)						
18 sets to be delivered on August 30 (Second Batch)						
Total (RMB): Thirty Million Nine Hundred Sixty Thousand Yuan Only						

2. ADVANCE PAYMENT

The Purchaser shall advance 25% of the total contract price to the Supplier for the first batch of products on or before June 5, 2006 and shall advance 25% of the total contract price to the Supplier for the second batch of products on or before June 30, 2006. When the contract for the first and second batch of products becomes effective, the Purchaser shall pay up 95% of the total contract price for these products.

3. TERM OF PAYMENT

The Purchaser shall pay up the remaining 5% contract price of products within six (6) months.

4. PLACE AND TIME OF DELIVERY AND METHOD OF ACCEPTANCE

Products shall be inspected and accepted according to the specific contract.

5. MEANS OF TRANSPORTATION

Products shall be transported by means of trucks. The cost of package shall be paid by the Supplier and the cost of transportation shall be paid by the Purchaser.

**6. QUANTITY**

Subject to the specific contract.

**7. AFTER-SALES SERVICES**

The Supplier will provide one year of free warranty service (except for any damage caused by human act, and the period of free warranty service for vacuum pump shall be half a year), and will provide life-long warranty service.

**8. ADDITIONAL ARTICLES**

The Supplier shall issue a valid VAT invoice within seven (7) days upon shipment of each batch of products.

**9.** This Contract shall be made and executed in duplicate, one for each party hereto. This Contract shall become effective as of being duly executed by both parties. Facsimile copy hereof shall be effective and valid.

**10.** Anything not covered herein shall be settled by both parties through friendly negotiations.

Authorized Representative of Supplier: Wang Feng

Seal of Supplier: Beijing Oriental Keyuan Crystal Technology Co., Ltd. (Seal)

Date: June 2, 2006

Authorized Representative of Purchaser: /s/

Seal of Purchaser: Zhejiang Yuhui Solar Energy Source Co., Ltd. (Seal)

Date:

**PURCHASE CONTRACT**

Supplier: Beijing Oriental Keyuan Crystal Technology Co., Ltd.

Purchaser: Zhejiang Yuhui Solar Energy Source Co., Ltd.

Contract No.: YHCG261111088

November 16, 2006

PURCHASE CONTRACT

Contract No.: 26111088  
Execution date: November 16, 2006  
Execution place: Jiashan County, Zhejiang

Party A (Purchaser): Zhejiang Yuhui Solar Energy Source Co., Ltd.

Party B (Supplier): Beijing Oriental Keyuan Crystal Technology Co., Ltd.

This Contract is entered into by and between both parties in accordance with the Contract Law and through friendly negotiations, whereby Party A will purchase the equipment from Party B hereunder, on and subject to the terms and conditions as follows:

1. DESCRIPTION OF EQUIPMENT

1.1 Price, Model and Quantity of Equipment

Equipment Name	Model	QTY	Unit Price	Total Amount (RMB)	Remarks
Monocrystalline Silicon Furnace	JRDL-800	96 Sets	720,000 Yuan/Set	69,120,000	Including Taxes
Total: Say Sixty Nine Million One Hundred Twenty Thousand Yuan Only				RMB 69,120,000	

1.2 Quality and Structure of Equipment

The main technical specifications of the equipment shall be subject to the standards of the Supplier, and other technical codes shall conform to the relevant national standards (the technical parameter sample as well as the qualification certificate and technical specifications of main parts shall be provided by the Supplier).

1.3 Documents Attached to Equipment

Documents attached to the equipment include the operation manual of products, packing list, list of accessory parts, accessories, spare parts and tools, manuals for spare parts and accessories of main equipment, and qualification certificate of spare parts and products.

1.4 Equipment shall include:

For detailed information on composition of the equipment, refer to the packing list (including a detailed list).

2. DELIVERY OF EQUIPMENT

2.1 Place of Delivery

The equipment shall be delivered on the production site of the Supplier.

2.2 Delivery Period

20 sets shall be delivered on January 20, 2007 (1<sup>st</sup> Batch); 28 sets shall be delivered on February 18, 2007 (2<sup>nd</sup> Batch); and remaining 48 sets shall be delivered within four (4) months after Party A has paid 30% advance payment to Party B.

3. PACKAGING AND TRANSPORTATION

The cost of package shall be paid by the Supplier. The equipment shall be delivered to the Purchaser by trucks, and all costs and expenses during transportation shall be paid by the Purchaser.

#### **4. INSTALLATION, COMMISSIONING AND ACCEPTANCE**

##### **4.1 Installation**

When the equipment is delivered to the Purchaser, the Purchaser shall move it to the installation site. The Purchaser shall be responsible for installation of the equipment, and the Supplier shall send one (1) person to direct the installation. The Purchaser shall prepare proper conditions for water, electricity and gas supply and shall provide basic tools for installation.

##### **4.2 Commissioning**

The commissioning service shall be provided by the Supplier without charge. The Purchaser shall send a notice to the Supplier when the equipment is installed, when the water, electricity and gas system required by operation of the equipment is connected to the site and can be operated normally and when all conditions for commissioning are fulfilled, and the Supplier shall immediately send its personnel to conduct commissioning service within twenty four (24) hours upon receipt of the notice. During the process of commissioning, the Purchaser shall provide the tools and appoint relevant technicians and maintenance service personnel as required for commissioning.

##### **4.3 Acceptance of Equipment**

After the process of commissioning is completed by the Supplier, successful production of a silicon ingot shall be deemed that the equipment has passed the acceptance.

#### **5. WARRANTY AND SERVICES**

##### **5.1 Warranty**

The Supplier will provide one year of free warranty service (except for any damage caused by human act, and the period of free warranty service for vacuum pump shall be half a year), and will provide life-long warranty service with charge.

##### **5.2 After-sales Services**

The Supplier shall provide perfect services according to the requirements of the Purchaser.

Service for Spare Parts: The Supplier shall deliver spare parts by means of express delivery service within twenty four (24) hours upon request of the Purchaser. In case of any failure during the warranty period of the equipment, the Supplier shall unconditionally cooperate with the Purchaser to ensure normal operation of the equipment. Upon receipt of a notice from the Purchaser, the Supplier shall send its personnel to the Purchaser's site for maintenance service within forty eight (48) hours (in case of any damage the any part due to human cause, the Supplier will charge the cost of such part). In case of any failure after the warranty period of the equipment and if the Supplier is unable to repair the equipment, the Supplier shall send its personnel to the Purchaser's site and direct the Purchaser's personnel to repair the equipment within forty eight (48) hours upon receipt of a notice from the Purchaser (a reasonable labor cost and cost of replace part will be charged).

The Supplier shall provide spare parts for those wearing parts during the life of the equipment. If the Purchaser needs any spare part, please refer to the number of such part indicated on the drawing attached to the equipment manual, and then inform the Supplier of the number and quantity of such part by fax, and the Supplier shall give a reply to the Purchase on the price and period of delivery of such part.

#### **6. TRAINING**

The Supplier undertakes that it will at its own costs provide training service to the Purchaser. The Purchaser may all send its appropriate personnel to the production site of the Supplier to learn the process of equipment manufacturing, maintenance of equipment and install of equipment, so that they will have the ability to install, maintain and repair the equipment.



**7. PAYMENT**

The Purchaser shall advance a sum of RMB 10,368,000.00 to the Supplier within seven (7) days upon execution of this Contract. The Supplier shall fax the transport contract entered into with the carrier and the car number to the Purchaser. The Purchaser shall pay 95% of the price of equipment in each batch within two (2) business days upon receipt of the fax from the Supplier, and shall pay the remaining 5% of the price within one (1) year.

**8. ADDITIONAL PROVISIONS**

The Supplier shall issue a valid VAT invoice within seven (7) days upon shipment of each batch of products. Appropriate spare parts shall be supplied together with each set of equipment, and the electric driven ball valve shall be downward shift 300mm.

**9. FORCE MAJEURE**

Where both parties are unable to perform this Contract due to any event of force majeure during the term of this Contract, the losses and damages arising from such event shall be undertaken by both parties respectively. Both parties may negotiate and agree to continue performance of this Contract.

**10. SETTLEMENT OF DISPUTE**

Any dispute arising from performance of this Contract shall be settled by both parties through friendly negotiation according to the applicable laws of China. In case no settlement can be reached through negotiation, either party may institute a suit with the court of competent jurisdiction in the place where this Contract is executed.

**11. MISCELLANEOUS**

This Contract is executed in duplicate, one copy for each party hereto. This Contract shall become effective as of the date when it is duly executed by both parties. Facsimile copy hereof shall be effective and valid. Anything not covered herein shall be settled by both parties through friendly negotiations.

Legal Representative of Purchaser: /s/

Seal of Supplier:

Date: November 16, 2006

Tel: 010-61568946

Fax: 010-61568946

Legal Representative of Purchaser: /s/

Seal of Purchaser: Zhejiang Yuhui Solar Energy Source Co., Ltd. (Seal)

Date:

Tel: 0573-4773059

Fax: 0573-4773063

CONFIRMATION FOR EFFECTIVENESS OF CONTRACT

Supplier: Beijing Oriental Keyuan Crystal Technology Co., Ltd.

Purchaser: Zhejiang Yuhui Solar Energy Source Co., Ltd.

It is hereby confirmed by both parties with respect to the Purchase Contract regarding 96 sets of JRDL800 monocrystalline silicon furnace signed on November 16, 2006 (Contract No. YHCG261111088):

1. This Contract shall become effective as of the date when it is duly executed and sealed by both parties.
2. It is agreed that both parties shall implement this Contract in accordance with terms and conditions specified herein, and the delivery schedule of 96 sets of JRDL800 monocrystalline silicon furnace shall be as follows:
  - (1) 20 Sets to be delivered on January 20, 2007 (1<sup>st</sup> Batch);
  - (2) 28 Sets to be delivered on February 18, 2007 (2<sup>nd</sup> Batch);
  - (3) 24 sets to be delivered on March 15, 2007 (3<sup>rd</sup> Batch);
  - (4) 24 sets to be delivered on March 30, 2007 (4<sup>th</sup> Batch);

Additionally, the Purchaser guarantees that it will advance to the Supplier 30% price of 48 sets of JRDL800 monocrystalline silicon furnace in the 3<sup>rd</sup> and 4<sup>th</sup> batch on or before December 31, 2006, i.e. RMB 10,368,000.00. 95% price of products delivered in each batch shall be paid by the Purchaser within two (2) business days upon receipt of the fax from the Supplier indicating the transport contract entered into with the carrier and the car number. The 5% remaining price of products delivered in each batch shall be paid by the Purchaser within one (1) year upon acceptance of such products.

3. This Confirmation shall be made and executed in duplicate, one for each party hereto. This Confirmation shall become effective as of being duly executed by both parties. Facsimile copy hereof shall be effective and valid.

Supplier: Beijing Oriental Keyuan Crystal Technology Co., Ltd. (Seal)

Legal Representative of Purchaser: /s/

Date: December 16, 2006

---

Purchaser : Zhejiang Yuhui Solar Energy Source Co., Ltd. (Seal)

Legal Representative of Purchaser: /s/

Date: December 5, 2006

CONTRACT No. \_\_\_\_\_

made between

**THE BUYER**

Zhejiang Yuhui Solar Energy Source Co., Ltd (ReneSola)  
ADDRESS: No.8 Baoqun Road Yaozhuang  
Industrial Park,  
Jiashan Country, Zhejiang Provinc,  
314117 China  
Tel: +86 (0)573 4773058  
Fax: +86 (0)573 4773383

and

**THE SELLER:**

ALD VACUUM TECHNOLOGIES GmbH  
ADDRESS: Wilhelm-Rohn-Strasse 35, 63450 Hanau, Germany  
Fax: 49-6181-307-3299  
Tel: 49-6181-307-3078

This contract is made by and between the Buyer and Seller, whereby the Buyer agrees to buy and the Seller agrees to sell the under mentioned commodity according to the terms and conditions stipulated below:

**ITEM**  
**1**

**COMMODITIES; SPECIFICATIONS**

\_\_\_\_\_ Silicon Crystallisation Units Type SCU 400 capable of Melting, Crystallising, Annealing and Cooling Down of Photovoltaic Grade Silicon Ingots, scope of supply and service as per Annex 1,

-hereafter referred to as the Equipment or the Goods-

CIF Shanghai, China Seaport according to Incoterms 2000.

**Total Contract Price**

**ALL AMOUNTS**  
**in**  
**EUR**

in words: \_\_\_\_\_.

Contract Renesola / ALD 14.10.06

2 **COUNTRY OF ORIGIN AND MANUFACTURERS:** European Community; ALD Vacuum Technologies GmbH, Germany

3 **PACKING:**

To be packed in new strong wooden cases and suitable for long distance ocean transportation and to change of climate, well protected against rough handling, moisture, rain, corrosion, and shocks.

The Seller shall be liable – to the extent as covered by Seller’s transport insurance - for any direct damage of the commodity and direct expenses incurred on account of improper packing and for any rust attributable to inadequate or improper protective measures taken by the Seller in regard to the packing.

4 **SHIPPING MARK:**

The Seller shall mark on the four adjacent sides of each package with fadeless painting the package number, gross weight, net weight, measurement, Contract No., port of destination, consignee code and the wordings “KEEP AWAY FROM MOISTURE”; “HANDLE WITH CARE”, “THIS SIDE UP”, the lifting position, gravity centre and the shipping mark:

RENESOLA  
Contract No.

5 **TIME OF SHIPMENT** (FOB delivery, i.e. date of Bill of Lading): \_\_\_\_\_

Earlier delivery in other sequences is allowed.

6 **PORT OF SHIPMENT:** European North-Sea Port

7 **PORT OF DESTINATION:** Shanghai Seaport China

8 **TRANSPORT INSURANCE:** Under CIF terms transport insurance for 110 % of the invoice value shall be arranged by the Seller.

9 **PAYMENT TERMS:**

All payment under this contract from the Buyer to the Seller shall be made via Industrial and Commercial Bank of China, Zhejiang Branch, Swift BIC: ICBKCNBJZJP, IID No. 307911, Account No. 1204070009814017930 via Swift to Seller’s account no 23 04 046 with Commerzbank AG Frankfurt BLZ: 506 400 15 SWIFT: COBA DE FF 506 as follows:

1<sup>st</sup> Instalment:

\_\_\_\_\_:

– Sellers commercial invoice signed in 1 original and 4 Copies, indicating the contract no. and shipping mark, the total contract value and the amount claimed under this instalment.

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2<sup>nd</sup> Instalment:

\_\_\_% of the total contract value pro rata delivery cash against documents (CID) according to ICC 500.

3<sup>rd</sup> Instalment:

10 % of the total contract amount pro rata acceptance of each of the furnaces against presentation of the respective final invoice, latest however 4 months after date of FOB delivery of the respective furnace in case acceptance protocol could not be signed for reason not attributable to the Seller. The 3<sup>rd</sup> instalment is automatically valid for each furnace which is used for production by the Buyer.

All the banking charges incurred in China shall be borne by the Buyer while all the banking charges incurred outside China shall be borne by the Seller.

**10 SHIPMENT:**

It is understood that delivery of the furnaces requires receipt of down payment and receipt of the shipping rate (3<sup>rd</sup> instalment) for the lot previously shipped.

Provided the respective payment have been received in time the Seller shall arrange FOB delivery within the time of shipment as per clause 5 from the port of shipment to the port of destination. Trans shipment is prohibited. Partial shipments are allowed. Within 7 working days after date of Bill of Lading for each shipment, the Seller shall send the following documents via COMMERZBANK Frankfurt to Industrial and Commercial Bank of China, Zhejiang Branch requesting them to release the following documents to the Buyer against irrevocable payment of the shipment rate to Seller's account:

- Seller's commercial invoice signed in 4 originals, indicating the contract no. and shipping mark.
- Full set of 3/3 original clean on board Bills of Lading marked "Freight to collect", indicating Contract No. and shipping mark made out to order and blank endorsed, notifying the Buyer.
- Packing List in 2 originals and 2 copies issued by the Seller with indication of gross weight, net weight, dimension of each package, number of packages and content of each package.
- Certificate of Quality and Quantity issued by the Seller, three originals
- Certificate of Origin in one original and two copies

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**11 LATE DELIVERY AND LIQUIDATED DAMAGES:**

Should the Seller fail to make delivery (i.e. shipment on board the vessel as per Clause 5. above) on time as stipulated in the contract, with exception of Force Majeure causes specified in Clause 15 of this contract or delays not imputable to Seller, the Buyer shall agree to postpone the delivery on condition that he is entitled to claim from Seller Liquidated Damages. After an initial grace period of 2 weeks, the rate of Liquidated Damages is charged at 0,5% of the value of the goods being in delay for every complete week of delay. Such Liquidated Damages, however, shall not exceed 5,0% of the total value of the Goods involved in the late delivery.

In case the time of delivery is delayed for more than 4 months for reason solely attributable to the Seller, the Buyer has the right to terminate the contract for the furnaces being in such delay. In such a case the Seller has to repay the down payment received for this furnace(s) and has to pay the respective penalty to the Buyer.

Further liabilities of the Seller for delay are excluded.

**12 INSPECTION AND TESTING:**

10.1. The Seller shall invite the Buyer in time to attend the inspection and testing procedure in German as described in Chapter 5 of the Annex 1 of the technical specification for the 1<sup>st</sup> two Furnaces produced. The Buyer shall furnish all raw material and consumables as described in Chapter 5.2 of Annex 1 in time and in the required quality and quantity. The Inspection and testing period is scheduled to be completed in 2 (two) weeks time. The delegation of the Buyer shall consist of up to 5 persons (including 1 interpreter). In case the specialist of the Buyer does not attend the testing procedure the Seller has the right to perform the tests without the presence of the Buyer.

12.3 After arrival of the goods on Buyer's site, the Buyer, with the Seller's representatives ( if requested by the Seller and if Seller's representative arrives in time), has the right to apply to the Beijing Entry-Exit Inspection and Quarantine (hereinafter referred to as the Entry-Exit Inspection) for a preliminary inspection in respect of the quality, specifications and quantity/weight of the goods and a Survey Report shall be issued therefore. If discrepancies are found by the Entry-Exit Inspection regarding specifications of the quantity or both, except when the responsibilities lie with insurance company or shipping company, the Buyer shall, within 60 days after arrival of the goods on Buyer's site, have the right to claim against the Seller.

Should the quality and specifications of the goods be not in conformity with contract or should the goods prove defective within the warranty period stipulated in Clause 13 for any reason imputable to Seller, the Buyer shall arrange for a survey to be carried out by the Entry-Exit Inspection and have the right to claim against the Seller on the strength of the Survey Report.

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11.4 Final acceptance testing of the Furnaces shall be carried out as per Chapter 7 of Annex 1. Final acceptance shall take place for each of the delivered furnace independently.

**13 SHIPPING ADVICE**

The Seller shall, within 3 working days after B/L-date, advise the Buyer by fax of the Contract No., commodity, quantity, number of package, invoiced value, gross weight, name of vessel, date of B/L and B/L- number, and estimated date of arrival etc.

**14 WARRANTY AND QUALITY:**

Seller warrants that the equipment will be constructed in a workmanlike manner, that it is free from defects in material and manufacture and that, at the time Seller tenders delivery at the destination point, it will conform substantially to the Specifications and Designs.

If within 12 months after this first start-up at Buyer's site or within 16 months from FOB delivery or notification that the equipment is ready for dispatch, whichever is earlier, any item of the equipment proves to be defective by reason of wrong choice of material, bad workmanship or faulty design, and such reasons are attributable to Seller, Seller at his choice and expense, and upon Buyer's prompt written notice - which is to be given at the latest within fourteen (14) days from the discovery of such defect - shall replace the defective item by a new one or repair it within a reasonable time after receipt of buyer's notice.

It is agreed and understood that the warranty period starts and end of each of the delivered furnaces independently.

It is clearly understood that Seller's responsibility for parts fabricated locally and / or bought by Buyer according to Seller's engineering instructions is limited to the submitted design and engineering.

Seller's warranty does not cover parts which are subject to normal wear and tear as well as damages due to improper or negligent handling of equipment or due to deviations from Seller's operating instructions.

The foregoing warranties are definite and Seller makes no other warranties with respect to the equipment, expressed or implied, including no warranty of merchantability or of fitness for a particular purpose.

**15 FORCE MAJEURE:**

The contract parties shall be released from liability for partial or complete non-fulfilment of their obligations hereunder if due to Acts of God/Force Majeure, including but not

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limited to war, fire, flood, typhoon, earthquake, strike, embargo or governmental acts or interference's. In such an event, the contract party suffering from such event shall promptly notify the other contract party in writing of the beginning and cessation of the circumstances preventing performance, and the time for fulfilment of the contractual obligations shall be extended for a period of time equal to that during which such circumstances have lasted, or for such other reasonable period as the contract parties may agree upon. In addition, within fourteen days after the party's notification of a Force Majeure event, such party shall send by airmail to the other party a certificate issued by the Competent Government Authorities or Chamber of Commerce where the event occurs as evidence thereof.

Should the Force Majeure period exceed 40 consecutive weeks, either contract party shall have the right to cancel the contract. No liability or penalty shall be imposed on the party suffering from such an event for damages of any kind incurred or sustained by the other party from delays in the performance of this contract for the reasons stated above.

**16 ARBITRATION:**

AU disputes in connection with this contract or the execution thereof shall be settled through friendly negotiations. In case no settlement can be reached, the case may then be submitted for arbitration in Stockholm in accordance with the arbitral rules promulgated by the Arbitration Commission (ICC, Paris rules). The arbitration shall take place in Stockholm, Sweden and the decision of the Arbitration Commission shall be final and binding upon both parties; neither party shall seek recourse to a law court nor other authorities to appeal for revision of the decision. Or the arbitration may be settled in a third country mutually agreed upon by both parties. Arbitration fee shall be borne by the losing party. The contract shall be governed by the substantive law of Sweden.

**17 EFFECTIVENESS OF CONTRACT:**

This contract shall become effective upon

– signature of this contract by both parties, and

\_\_\_\_\_

\_\_\_\_\_

**18 TAXES AND DUTIES:**

18.1 All taxes in connection with the execution of this contract levied by the Chinese Government on the Buyer in accordance with the tax laws in effect shall be borne by the Buyer.

18.2 All taxes arising outside of China in connection with the execution of this contract shall be borne by the Seller.

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**19 GENERAL LIABILITY:**

Liability for damage to persons or property is accepted by the Seller only to the extent covered by the existing insurance (third party liability insurance) concluded by the Seller. This third party liability insurance for any one insured event and annual aggregate shall provide insurance cover up to a limit of € 10.000.000,— for bodily injury and property damage.

Any liability by Seller for consequential damages, loss of profit, or any other indirect losses or damages is expressly excluded, to the extent that the Seller does not infringe on compulsory law.

**20 PASSAGE OF RISK**

The risk of loss passes to the Buyer according to the provisions of the Incoterms 2000, applicable for the delivery condition as stipulated in this contract.

**21 PASSING OF TITLE**

The Seller reserves the right of ownership for all deliveries made and services rendered under the contract until payment of the contract price has been made in full by the BUYER.

The Buyer shall co-operate in any measures necessary for the protection of Buyer's title, in particular reservation of title in the required form in public registers or similar records, all in accordance with relevant laws.

**22 SECRECY**

The Secrecy Agreement signed on September 29, 2006 shall apply to all information exchanged under this contract.

**23 APPENDICES**

The following Appendices form an integral part of this contract:

Annex 1 \_\_\_\_\_  
Annex 2 \_\_\_\_\_

**24** \_\_\_\_\_

IN WITNESS THEREOF, this contract is signed by all parties in two original copies, each party holds one copy. The Appendices of this contract shall be an integral part of the contract and have the same validity as the contract. In case of any discrepancies, the wording of this contract shall govern. Attached to the contract or integrated into is a Chinese translation of the contract language. This translation is for reference only and in any case the English version shall govern.

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**THE BUYER:**

**Zhejiang Yuhui Solar Energy Source Co., Ltd  
(ReneSola)**  
No.8 Baoqun Road Yaozhuang Industrial  
Park, Jiashan Country, Zhejiang Provinc, 314117  
China

/s/ Xianshou Li

Signature

**Zhejiang Yuhui Solar Energy Source Co., Ltd. (Seal)**

Jiashan January 26, 2007

**THE SELLER:**

**ALD VACUUM TECHNOLOGIES GmbH**  
Wilhelm Rohm Str. 35  
63450 Hanau, Germany

/s/

Signature

Jiashan January 26, 2007

Contract Renesola / ALD 14.10.06

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Contract No.	Quantity	Amount	Time of Shipment	Payment Term	Inspection and Testing	Effectiveness of Contract	Appendices	Option
32-000061-01	Ten (10) Silicon Crystalline Units	EUR 5,400,000  In words: EUR Five Million Four Hundred Thousand Only	2 Furnace (No. 1 to 2): within 5 (five) months after coming into force of contract  4 Furnace (No. 3 to 6): within 6 (six) months after coming into force of contract  4 Furnace (No. 7 to 10): within 7 (seven) months after coming into force of contract	<u>1<sup>st</sup> Instalment:</u> 50% of the total contract amount as down payment within 10 days after the contract has been signed by both parties against Seller's presentation of:  <u>2<sup>nd</sup> Instalment:</u> 40%	The Buyer shall furnish all raw material and consumables as described in Chapter 5.2 of Annex 1 in time and in the required quality and quantity. The Inspection and testing period is scheduled to be completed in 2 (two) weeks time.	Seller's written confirmation to Buyer that either no export license is presently required or that the export license has been received by the Seller from the competent authorities in Germany.  Seller's receipt of the down payment (1 <sup>st</sup> instalment) as per clause 9  Should this contract not become effective by November 30, 2006, the prices and terms of this contract have to be re-negotiated.	Annex 1: Technical Specification No. SCU 400 No. 32-000061-01 Rev. A  Annex 2: Price sheet  Annex 3: List of Spare Parts	Buyer has the right to place an order for a batch of further 10 furnaces on the same conditions as per this contract, except the provision under item 5.2. of Annex 1, described hereunder for a total lump sum price of € 5.300.000,- (without spares). provided such contract will not come into force later than August 31, 2007. This price shall be adjusted to the price of furnace base materials at fair value from the time of this order until the time the future order. For the price adjustment formula the relevant indices published in Germany for furnace base materials and production cost for this type of equipment will be used.

32-000075-01  
C II

Ten (10) Silicon  
Crystalline Units

EUR 5,400,000

In words: EUR Five  
Million Four Hundred  
Thousand Only

Under the condition  
that the down payment  
as per Article 9 is  
credit at Sellers  
account not later than  
09.02.07 and payment  
has been advised not  
later than  
February 02.2007 the  
delivery time will be as  
follows:  
5 Furnace (No. 1-5):  
18.06.2007  
5 Furnace (No. 6-10):  
18.07.2007

In case of a delay in  
receipt and/or advise of  
the down payment, the  
time of delivery is  
prolonged by an  
appropriate period.

1<sup>st</sup> Instalment:  
40% of the total  
contract amount as  
down payment to be  
received by the Seller  
not later than  
February 09 2007,  
whereas the Buyer  
shall advise the release  
of the payment not  
later than February 02,  
2007 against Seller's  
presentation of  
2<sup>nd</sup> Instalment:  
50%

Seller's receipt of the  
down payment (1<sup>st</sup>  
instalment as per  
Clause 9)  
Should this contract not  
become effective by  
February 9, 2007, the  
prices and terms of this  
contract have to be re-  
negotiated. Buyer shall  
advise release of the  
payment to Buyer's  
account not later than  
February 2, 2007.

Annex 1: Price sheet /  
Annex 2:  
Technical Specification  
No. SCU 400 No. 32-  
000075-01 C II

32-000075-01  
C III

Twelve (12) Silicon  
Crystalline Units

EUR 6,480,000 In  
word: Six Million, four  
hundred and Eighty  
Thousand Only

Under the condition  
that the down payment  
as per Article 9 is  
credit at Sellers  
account not later than  
March 14, 2007 and  
payment has been  
advised not later than  
March 07, 2007 the  
delivery time will be as  
follows:  
6 Furnace (No. 1-6):  
18.08.2007  
6 Furnace (No. 7-12):  
18.09.2007  
In case of a delay in  
receipt and/or advise of  
the down payment, the  
time of delivery is  
prolonged by an  
appropriate period

1<sup>st</sup> Instalment:  
40% of the total  
contract amount as  
down payment to be  
received by the Seller  
not later than  
February 28 2007  
against Seller's  
presentation of  
2<sup>nd</sup> Instalment:  
50%

/

-confirmation that the  
contract shall be put  
into force, in writing by  
the Buyer to Seller and  
-confirmation that the  
contract shall be put  
into force, in writing by  
the Seller to the Buyer  
and  
-Seller's receipt of the  
down payment (1<sup>st</sup>  
instalment as per  
Clause 9)  
Both Parties shall  
exchange their  
willingness to put the  
contract into force not  
later than February 28,  
2007.  
The Buyer shall advice  
the release of the down  
payment to the Seller  
not later than  
March 14, 2007  
Should this contract not  
become effective by  
March 14, 2007, the  
prices and terms of this  
contract have to be re-  
negotiated.

Annex 1: Price sheet /  
Annex 2:  
Technical Specification  
No. SCU 400 No. 32-  
000075-01 C III

LOAN AGREEMENT

Party A: Zhejiang Yuhuan Solar Energy Source Co., Ltd.

Party B: Zhejiang Yuhui Solar Energy Source Co., Ltd.

Whereas, this Loan Agreement is entered into by and between Party A and Party B on this 30<sup>th</sup> day, October, 2006 with a total amount of RMB 10,000,000.00 (Renminbi Ten Million Yuan only), with the following terms and conditions:

Party A shall advance the first installment of loan, in sum of RMB Five Million Yuan, without interest to Party B on October 30, 2006, and the term of this loan shall be two (2) months and it shall be due on December 30, 2006;

Party A shall advance the second installment of loan, in sum of RMB Five Million Yuan, with monthly interest rate of 0.6%, to Party B on November 13, 2006, and the term of this loan shall be one (1) year. Party B shall repay the principal of this loan and pay the interest thereof on the due date (unless Party A agrees to extend the term of this loan). If Party A demands Party B to repay this loan before the due date, Party B shall do so unconditionally.

If case of any doubt or dispute, it shall be settled by both parties through negotiations. This Agreement shall be made and executed in two (2) counterparts, one for each party hereto.

Party A: Zhejiang Yuhuan Solar Energy Source Co., Ltd. (Seal)

Party B: Zhejiang Yuhui Solar Energy Source Co., Ltd. (Seal)

Date: October 30, 2006

AGREEMENT

Yuhuan Solar Energy Source Co., Ltd. ("Yuhuan")

Zhejiang Yuhuan Solar Energy Source Co., Ltd. ("Zhejiang Yuhuan")

Zhejiang Yuhui Solar Energy Source Co., Ltd. ("Yuhui")

This Agreement is entered into by and among Zhejiang Yuhuan, Yuhui and Yuhuan through friendly negotiation with respect to the settlement of account to the date of May 31, 2006:

1. Since Yuhuan owes RMB 2,100,000 to Yuhui and Yuhui owes RMB 800,000 to Yuhuan, it is agreed by Yuhuan and Yuhui that the net balance of such debt shall be RMB 1,300,000 after set-off of debts;
2. Yuhui owes RMB 6,320,226.13 to Zhejiang Yuhuan as a price for purchasing houses;
3. It is agreed by all parties that Yuhui will assign its creditor's right of RMB 1,300,000 against Yuhuan to Zhejiang Yuhuan, which shall be used to discharge some of the price for purchasing houses owing to Zhejiang Yuhuan;
4. Upon execution of this Agreement, all parties shall make adjustment to their accounts respectively in accordance with the terms and conditions of this Agreement as follows:
  - (1) The receivables and payables between Yuhuan and Yuhui as mentioned in Article 1 above have been completely settled.
  - (2) Yuhui still owes to Zhejiang Yuhuan a sum of RMB 5,020,226.13 as the price for purchasing houses, and Yuhui agrees to pay the remaining amount before the due date as specified in the Contract for Transfer of Real Estate and Land signed by Yuhui and Zhejiang Yuhuan;
  - (3) The amount owed by Yuhuan to Zhejiang Yuhuan increases RMB 1,300,000.

Yuhuan Solar Energy Source Co., Ltd. (Seal)

Authorized Representative:



Zhejiang Yuhuan Solar Energy Source Co., Ltd. (Seal)

Authorized Representative:

Zhejiang Yuhui Solar Energy Source Co., Ltd. (Seal)

Authorized Representative:

May 31, 2006

## SALES CONTRACT

DATE: Jun/29/2006  
CONTRACT NO.: K06-10-124/ESELLER: KOMEX INC.  
#1202, VICTORIA B/D, 705-1 YEOKSAM-DONG,  
KANONAM-KU, SEOUL, 135-709, KOREABUYER : ZHEJIANG YUHUI SOLAR ENERGY  
NO 8, EAST RD, BAOQUN, INDUSTRY ZONE,  
YAOZHUANG, JIASHAN, ZHEJIANG, CHINA

This contract is made by and between the buyer and the seller, whereby the buyer agree to buy and the seller agree to sell the undermentioned commodity according to the terms, and conditions stipulated below:

	(1) GOODS AND DESCRIPTION	(2) QTY/MONTH	(3) UNIT PRICE	(4) AMOUNT/MONTH
	<u>SILICON MATERIALS</u>		<u>EX-WORK</u>	
1.	TOP/TAIL	5,000KGS	[****]*	[****]*
2.	POT SCRAP	5,000KGS	[****]*	[****]*
3.	BROKEN WAFER 90%	7,000KGS	[****]*	[****]*
	<b>TOTAL</b>	<b>17,000KGS</b>		<b>[****]*</b>

(5) PORT OF LOADING : KOREA PORT

(6) PORT OF DESTINATION: CHINA PORT

(7) PRICE TERMS: EX-WORK

(8) CONTRACT PERIOD: FROM AUGUST 2006 TO DECEMBER 2007

(9) PAYMENT: T/T IN ADVANCE

\* BENEFICIARY: KOMEX INC.

\* NAME CF BANK: SHINHAN BANK TEHERAN BR.

TEL. +822-566-9800

\* ACCOUNT NO.: 393-82-103053

\* SWIFT CODE : SHBKRRSE

\* This portion of the Sales Contract has been omitted and filed separately with the Securities and Exchange Commission, pursuant to Rule 406.

SELLER / KOMEX INC.

BUYER / ZHEJIANG YUHUI SOLAR ENERGY  
SOURCE CO., LTD

/s/

C.J. SUK / PRESIDENT

/s/ Xianshou Li

Li Xian Shou / Board Chairman

## CONTRACT

No. P383048YA  
Date: May 23, 2007

**The Buyers:** Zhejiang Yuhui Solar Energy Source Co. Ltd.  
Address: Baoqun Road, Yaozhuangzhen Industrial Zone, Jiashan, Zhejiang, China  
Tel: ++85-573-477 3059 Fax: ++86573-477 3063 Post Code: 314117

**The Sellers:** HCT SHAPING SYSTEMS SA.  
Address: Route de Geneve 42, 1033 Cheseaux, Switzerland  
Tel: ++41-21-731 9100 Fax: ++41-21-731 9101

This Contract is made by and between the buyers and the Sellers whereby the Buyers agree to buy and the Sellers agree to sell the goods according to the terms and conditions stipulated hereunder:

1.

Item	Goods Specifications	Unit	Qty	Unit Price	Total Amount
1.	HCT wire saw E500SD-B/5	Sets	18	940,000.00	16,920,000.00
2.	HCT wire saw SQUARER	Sets	16	862,000.00	13,792,000.00
Details as per appendix				Total Contract Value (USD)	30,712,000.00

Total Contract Value: USD CIP Shanghai, China  
U.S. DOLLARS THIRTY MILLION SEVEN HUNDRED TWELVE THOUSAND ONLY

Prices in this contract are valid for the ordered quantities stated above. Any reduction in ordered quantities will be subject to price revision.

2. COUNTRY OF ORIGIN AND MANUFACTURER: HCT SHAPING SYSTEMS SA, Switzerland

3. Main machine will be packed in steel frame and plastic cover suitable for air transportation. Goods other than the main machine will be packed in wooden boxes. The wooden packaging materials shall be prepared and stamped in accordance with ISPM #15 (International Standards on Phytosanitary Measures issued by the International Plant Protection Council IPPC), in place of the Certificate of Wood Fumigation issued by the local government authorities.

During the shipment transit time, the goods must be stored indoors or with proper shelter against rain and humidity.

The Sellers shall be liable for any damage to the commodity and expenses incurred on account of improper packaging and for any rust attributable to inadequate or improper protective measures taken by the Sellers in regard to the packing.

4. SHIPPING MARK: The Sellers shall mark on each package with fadeless paint the package number, gross weight, net weight, measurements and the wording: "Keep away from moisture" "Handle with care" "This side up" and the shipping mark:

P383048YA  
SHANGHAI / CHINA

5. TIME OF SHIPMENT

Details as per the appendix II and it is subject to the advance payment being remitted on time. Any delay in advance payment date may delay shipment date.

6. PORT OF SHIPMENT: Swiss airport, Switzerland

7. PORT OF DESTINATION: Shanghai airport, China

8. INSURANCE: To be covered by the Sellers.

9. PAYMENT:

- a) 20% by T/T:

i. 20% advance payment of the value of 12x E500SD-B/5 and 16x SQUARER total USD5,014,400.00 of advance payment shall be made by T/T directly deposited to the Sellers' bank account in Switzerland before June 3, 2007. The Sellers shall furnish the Buyers invoice and bank guarantee prior to the advance payment to be made by the Buyers.

ii. 20% advance payment of the value of remaining 6x E500SD-B/5 total USD1,128,000.00 of advance payment shall be made by T/T directly deposited to the Sellers' bank account in Switzerland before June 20, 2007. The Sellers shall furnish the Buyers invoice and bank guarantee prior to the advance payment to be made by the Buyers.

Advance payment shall be effected by T/T directly deposited to the Sellers' bank account in Switzerland. The Sellers shall furnish the Buyers invoice and bank guarantee prior to the advance payment to be made by the Buyers.

The Sellers bank account:  
UBS SA Lausanne, 243-FS101770.2  
IBAN CH13 0024 3243 FS10 1770 2  
BIC UBSWCHZH80A

- b) The advance payment is due according to contract terms and conditions. Otherwise, the Seller reserves the right to revise the contract value according to the Swiss Francs prevailing exchange rate.

- c) 30 days before the delivery date, the Buyers shall remit immediately 75% of contract value via T/T directly deposited to the Sellers' bank account in Switzerland on presentation of invoice issued by the Sellers. This payment is a necessary pre-requisite for machine delivery.
- d) Within 5 days at sight of machine acceptance protocol, the Buyers shall remit immediately 5% of contract value via T/T directly deposited to the Sellers' bank account in Switzerland.
- e) If the final machine acceptance at the Buyers' site does not take place within 60 days following the arrival of machine at the entry port/airport of destination through no fault of Sellers, the final 5% of payment shall become payable immediately.
- f) All the bank charges incurred inside China shall be borne by the Buyers and the bank charges incurred outside China shall be borne by the Sellers.

10. DOCUMENTS:

- a) Full set of Airway bills showing "Freight Prepaid" and consigned to the party as instructed in the aforesaid L/C
- b) Manually Signed Commercial invoice in 3 originals indicating the Contract number and shipping mark and made out in details as per the Contract
- c) Certificate(s) of origin of the goods issued by the Sellers
- d) Packing list/Weight Memo in 3 originals issued. by the Sellers
- e) Certificate of Quality and Quantity in one copy issued by the Sellers
- f) Full set of Insurance Certificate for 110% of the invoice value, showing claims payable in People's Republic of China, in currency of the draft, blank endorsed, covering All Risks
- g) Copy of shipping advice to the Buyers
- h) For final 10% payment, a signed copy of machine test acceptance certificate

11. SHIPMENT:

CIP Terms (Airfreight): CIP

The Sellers shall contract on usual terms at his own expenses for the carriage of the goods to the agreed point at the named place of destination and bear all risks and expenses until the goods have been delivered to the first carrier.

12. SHIPPING ADVICE:

The Sellers shall within 2 working days after the shipment of the goods, advise the shipping department of the Buyers by fax of Contract No., goods name, quantity, value, invoiced value, invoice No., gross weight, air waybill No., flight No., etc.

13. GUARANTEE OF QUALITY:

The Sellers guarantees that the commodity hereof is made of the best materials with first class workmanship brand new and unused, and complies in all respects with quality and specifications stipulated in the Contract. The guarantee period shall be 15 months counting from the date on which the commodity arrives at the port of destination or 12 months after the machine acceptance test is passed, whichever comes first.

In case of defectives judged according to the quality standard agreed by both the Buyers and the Sellers, following article 14 shall be observed.

14. CLAIMS:

Within 90 days after the arrival of the goods at destination, should the quality, specification or quantity be found not in conformity with, the stipulations of the Contract except those claims for which the insurance company or the owners of the airfreight are liable, the Buyers, on the strength of the Inspection Certificate issued by the China Entry-Exit Inspection and Quarantine Bureau, have the right to claim for replacement with new goods, or for compensation, and all the expenses (such as inspection charges, freight for returning the goods and sending the replacement, insurance premium, storage and loading and unloading charges, etc.) shall be borne by the Sellers. As regards to the quality, the Sellers guarantee that if, within 12 months from the date of arrival of the goods at destination, damages occur in the course of operation by reason of inferior quality, bad workmanship or the use of inferior materials, the Buyers shall immediately notify the Sellers in writing and put forward a claim supported by Inspection Certificate. issued by the China Entry-Exit Inspection and Quarantine Bureau. The Certificate so issued shall be accepted as the base of a claim. The Sellers, in accordance with the Buyers' claim shall be responsible for the immediate elimination of the defect(s). Where necessary, the Buyers shall be at liberty to eliminate the defect(s) themselves at the Sellers' expenses. If the Sellers fail to answer the Buyers within one month after receipt of the aforesaid claim, the claim shall be reckoned as having been accepted by the Sellers.

15. FORCE MAJEURE:

The Sellers shall not be held responsible for the delay in shipment or non-delivery of the goods due to Force Majeure, such as war, serious fire, flood, typhoon and earthquake, strike or other events agreed upon between both parties, which might occur during the process of manufacturing or in the course of loading or transit. The Sellers shall advise the Buyers for their acceptance a certificate .of the accident mentioned above and within fourteen days thereafter, shall send by airmail to the Buyers for their acceptance a certificate of the accident issued by the Competent Government Authorities, Where the accident occurs as evidence thereof. Under such circumstances the Sellers, however, are still under the obligation to take all necessary measures to hasten the delivery of the goods. In case the accident lasts for more than 10 weeks, the Buyers shall have the right to cancel this Contract.

16. LATE DELIVERY AND PENALTY

Should the Sellers fail to make delivery on time as stipulated in this Contract, with exception of Force Majeure specified in Clause 15 of this contract, the Buyers shall agree to postpone the

delivery on condition that the Sellers agree to pay a penalty, which shall be deducted by the paying bank from the payment. The penalty, however, shall not exceed 5% of the total value of the goods involved in the late delivery. The rate of penalty is charged at 0.5% for every seven days, odd days less than seven days shall be counted as seven days. In case the Sellers fail to make delivery six weeks later than the time of shipment stipulated in this Contract, the Buyers shall have the right to cancel this Contract.

17. ARBITRATION

All disputes with this Contract or the execution thereof shall be settled friendly through negotiations. In case no settlement can be reached, the case may then be submitted for arbitration to the China International Economics and Trade Arbitration Commission in accordance with the Rules of Arbitration promulgated by the said Arbitration Commission. The Arbitration shall take place in Shanghai and the decision of the Arbitration Commission shall be final and binding upon both parties; neither party shall seek recourse to a law court nor other authorities to appeal for revision of the decision. Arbitration fee shall be borne by the losing party.

18. SPECIAL PROVISIONS:

- a) Upon the Buyers' request, the English version of this contract is translated into Chinese language for reference only. Shall there be any contradictions found in the Chinese translation versus the English version, the original English version shall prevail.
- b) All appendixes to the Contract shall form an integral part of the Contract and have the same effectiveness as the Contract. IN WITNESS THEREOF, both parties signed this Contract in three original copies, each party holds one copy.

The Buyers: /s/  
ZHEJIANG YUHUI SOLAR  
ENERGY SOURCE CO., LTD

The Sellers: /s/ May 23, 2007  
HCT SHAPING SYSTEMS SA



Appendix I to Contract No. P383048YA dated May 23, 2007  
No. P383048YA (5/23/2007)

<u>Pos</u>	<u>Description</u>	<u>Qty</u>
101	HCT wire saw model E500SD-B/5 E500SD-B/5 Basic configuration including One wire saw machine 3x 400V 50 Hz Side-by-side double ingots table (replaced standard table) One slurry tank with pump(s) and mixer Slurry flow and density measurement unit(s) One set of wire guides, coated and grooved One disposal wire spool shaft adapter One take-up spool and its shaft adapter One set of ingot holder(s) with gluing plate(s) Operating software for Window XP with menu in Chinese Complete set of machine documentation One set of standard metric tools One set of special HCT tools	18 sets
200	Modern for connection to remote computer Machine options (additional to POS 101):	
201	Set of machine consumables for the start up en site	18 sets
203	Power supply failure protection for wire saw	18 sets
204	Auto transformer or stepping up to 400V	18 sets
207	Quick release hydraulic take up spool	18 sets

208	Side-by-side double ingots table (replaced standard table)	18 sets
209	High load feature (2x 61 kw, 140kw cooling, 550L tank, BB cooling)	18 sets
212	Metallic filter system	18 sets
<b>500</b>	<b>Options for production</b>	
501	Set of wire guides standard Ø300	36 sets
505	Ingot holder (per piece)	72 pcs
506	Gluing plate (per piece)	144 pcs

<u>Pos</u>	<u>Description</u>	<u>Qty</u>
101	HCT wire saw model SQUARER	16 sets
	Basic configuration including	
	One wire saw machine (4i). 3x 400V 50 Hz	
	One slurry tank with pump(s) and mixer	
	Slurry flow and density measurement unit(s)	
	One set of wire guides, coated and grooved	
	One disposal wire spool shaft adapter	
	One take-up spool and its shaft adapter	
	One set of ingot holder(s) with gluing plate(s)	
	Operating software for Window NT with menu in Chinese NT	
	Complete set of machine documentation	
	One set of standard metric tools	
	One set of special HCT tools	

Modem for connection to remote computer

**200 Machine options (additional price to POS 101):**

201	Set of machine consumables for the start up on site	16 sets
203	Power supply failure protection	16 sets
204	Auto transformer for stepping up to 400V	16 sets
<b>Options for Squarer:</b>		
210	Magnetic table and automatic alignment for mono ingot squaring	7 sets
5004	Gluing plate for multi crystalline brick 840x840mm	9 sets
505	Gluing plate for 6" mono ingot squaring (per piece)	100 pcs
505	Gluing plate for 8" mono ingot squaring (per piece)	48 pcs
506	Centering frame for 6" mono ingot squaring	4 sets
506	Centering frame for 8" mono ingot squaring	3 sets
614	Gluing station for round ingot (mono)	7 sets
<b>500 Options for production:</b>		
501	Set of wire guides standard Ø300 (6" mono ingot)	8 sets
501	Set of wire guides standard Ø300 (8" mono ingot)	6 sets
501	Set of wire guides standard Ø300 (156x156 multi)	18 sets
503	Take up spool type HCT 63	16 pcs

**Remarks:**

1. Machine Installation in China

One month before the equipment delivery, the Sellers shall inform the Buyers the schedule of machine commissioning. In case of scheduled service suspended due to the Buyers' reasons, the Sellers shall inform the Buyers next available date of installation. The machine commissioning will be handled by the Chinese engineers and includes equipment installation, machine acceptance test and training to the Buyers' personnel. The duration of stay will be seven (7) man-days per machine. All costs are borne by the Sellers except the local transportation between hotel and the work site.

2. Machine Acceptance Test at the Buyer's Site

After the machine is installed and trial runs are made, the Sellers' engineer shall carry out one cut for the machine acceptance test according to one of the following conditions. Both representatives shall sign the machine acceptance protocol if all conditions have been fulfilled. Details as per appendix No 3

3. Options for the Buyers

The Buyers reserves the right to cancel the ordered last 6 units of E500SD-B/5 of this Contract. The Buyers shall inform the Sellers in writing before June 10, 2007.

Delivery Schedule

Shipment	Machine Type	Ex-works
1.	1 × SQUARER for mono	10/30/2007
2.	3 × SQUARER for multi	3/31/2008
3.	2 × SQUARER for mono	5/31/2008
4.	3 × SQUARER for mono	6/30/2008
5.	3 × E500SD-B/5	
	1 × SQUARER for mono	7/31/2008
	3 × SQUARER for multi	
6.	3 (+ 1) × E500SD-B/5	
	3 × SQUARER for multi	8/31/2008
7.	6 (+5) × E500SD-B/5	9/30/2008

(...) are quantities in option

Share Entrustment Agreement

Party A: Lian Zheng Min Identity Card No.: 332627197205130216  
Party B: Dong Xiang Jun Identity Card No.: 332627196805240190  
Party C: Li Xian Shou Identity Card No.: 330106196808010015  
Party D: Wu Yu Cai Identity Card No.: 332627671104001

(The four parties of this Agreement are each referred to as a "Party", and collectively as the "Parties"; Party A and Party B are collectively referred to as the "Actual Shareholders"; Party C and Party D are collectively referred to as the "Entrusted Shareholders")

**WHEREAS**, Party A, Party B, Party C and Party D are shareholders of Zhejiang Yuhuan Solar Energy Source Co., Ltd. ("Yuhuan"), among them Party A owns 23% equity interest in Yuhuan; Party B owns 18% equity interest in Yuhuan; Party C owns 41% equity interest in Yuhuan; Party D owns 18% equity interest in Yuhuan. Yuhuan currently holds 75% equity interest in Zhejiang Yuhui Solar Energy Source Co., Ltd. ("Yuhui").

**WHEREAS**, Party C and Party D jointly incorporated ReneSola Limited ("ReneSola"), a limited liability company legally incorporated and validly existing under the laws of the Cayman Islands, and Party C holds 66% of its shares, and Party D holds 34% of its shares;

**WHEREAS**, Party C and Party D now propose to acquire all equity interests in Yuhui (including the 75% equity interest held by Yuhuan) via ReneSola, and facilitate ReneSola's listing on the London AIM securities exchange. Party A and Party B agree to cooperate on this acquisition and overseas listing project.

To reflect all the Parties' contribution to Yuhuan and Yuhui's operations, and to allow all the Parties to share the results of this acquisition and overseas listing, all the Parties hereby reach the following agreement after friendly negotiation:

**Section 1 Entrustment of Shares**

- 1.1 The Entrusted Shareholders confirm, the Actual Shareholders are entitled to invest in ReneSola and hold the shares of ReneSola.
- 1.2 The Actual Shareholders agree that they will not actually invest in ReneSola, nor will they actually hold ReneSola's shares, they entrust the Entrusted Shareholders with full power to invest in ReneSola and hold shares therein in accordance with this Agreement, but they are entitled to enjoy the proceeds relating to the entrusted shares.
- 1.3 The Parties confirm, Party A is entitled to 23% shares of ReneSola and related rights and interests; he entrusts Party C with full power to hold such shares. Party B is entitled to 18% shares of ReneSola and related rights and interests; he entrusts Party D with full power to hold 16% shares and entrusts Party C with full power to hold 2% shares (the "Entrusted Shares").

**Section 2 Trust Period**

- 2.1 The trust as provided in this Agreement commences from the date that this Agreement is signed and ends when the Actual Shareholders and the Entrusted Shareholders agree to sell the relevant shares.
- 2.2 Before the listing of ReneSola and thereafter during the lock-up period prohibiting the shareholders or the executives of the company to sell shares that they hold, the Actual Shareholders shall not rescind this Agreement for whatever reason, and shall not request the sale of the Entrusted Shares.

**Section 3 Rights and Obligations of the Actual Shareholders**

- 3.1 Rights of the Actual Shareholders
  - 3.1.1 to obtain the proceeds relating to the Entrusted Shares, and such proceeds shall first be obtained by the Entrusted Shareholders and then be arranged to be obtained by the Actual Shareholders after deducting the relevant expenses and taxes;
  - 3.1.2 after entering into agreement with the Entrusted Shareholders, to sell the Entrusted Shares and obtain the proceeds from transferring the Entrusted Shares;
  - 3.1.3 to be informed of the information relating to the asset operation of the Entrusted Shares, including gains and losses, material events of operation changes, etc.
- 3.2 Obligations of the Actual Shareholders
  - 3.2.1 to assume all the expenses and taxes relating to obtaining and maintaining the Entrusted Shares and its related rights and interests in accordance with the provisions hereof;
  - 3.2.2 to assume the investment losses in accordance with the provisions hereof;
  - 3.2.3 not to assign, to any third party, any of his rights and obligations hereunder or any rights or interests relating to the Entrusted Shares during the term of this Agreement;
  - 3.2.4 not to arbitrarily terminate this Agreement unless otherwise provided herein.

**Section 4 Rights and Obligations of the Entrusted Shareholders**

- 4.1 Rights of the Entrusted Shareholders
  - 4.1.1 to deal with the Entrusted Shares in their own names;
  - 4.1.2 to exercise the investor's rights relating to the Entrusted Shares in their own names, e.g., the rights of operation and decision-making with respect to ReneSola;

- 4.1.3 to take necessary measures to protect the rights and interests of the Actual Shareholders.
- 4.2 Obligations of the Entrusted Shareholders
  - 4.2.1 to attend to their duties without any reservation, perform the obligations of good faith and diligence, serve the maximum interests of the Actual Shareholders, and legally protect the asset rights and interests of the Actual Shareholders;
  - 4.2.2 to distribute the proceeds of the shares according to the proportion of the Entrusted Shares;
  - 4.2.3 to distribute the proceeds from transferring the shares according to the proportion of the Entrusted Shares;
  - 4.2.4 to ensure that the Actual Shareholders can timely be informed of the information relating to the asset operation of the Entrusted Shares, including gains and losses, and material events of operation changes;
  - 4.2.5 to compensate the Actual Shareholders for the losses of the Entrusted Shares resulted from his own fault.

**Section 5 Expenses and Taxes**

- 5.1 Expenses incurred arising from ReneSola's listing and operation activities shall be borne by the Parties according to the shareholding proportion.
- 5.2 The expenses, other expenditure or taxes incurred for the benefit of the Actual Shareholders shall be paid according to the relevant laws and regulations, the Entrusted Shareholders may deduct the above expenses from the proceeds received on behalf of the Actual Shareholders.

**Section 6 Termination of the Agreement**

- 6.1 In accordance with this Agreement, during the period that the Entrusted Shares can be sold, the Actual Shareholders may negotiate with the Entrusted Shareholders requesting the Entrusted Shareholders to sell the Entrusted Shares on the public market.
- 6.2 After reaching an agreement with the Entrusted Shareholders, the Entrusted Shareholders shall sell the Entrusted Shares according to the market price, and pay the Actual Shareholders the proceeds from such sale as soon as possible in compliance with the requirements of the exchange where ReneSola is listed after deducting the relevant expenses and taxes.
- 6.3 The Actual Shareholders' request regarding the sale of the Entrusted Shares shall comply with the relevant rules of the exchange where ReneSola is listed, the Entrusted Shareholders are obligated to provide relevant consultation opinion with respect to the above rules.
- 6.4 After the sale of the Entrusted Shares, this Agreement shall be terminated.



**Section 7 Circumstances of Early Termination of the Agreement**

- 7.1 ReneSola is unable to achieve the listing within two years.
- 7.2 The Entrusted Shareholders conduct a material breach under this Agreement.  
If this Agreement is to be terminated in advance due to the above reasons, the notifying Party shall notify the other Party in writing of the termination of this Agreement, and such notice shall be effective immediately upon service.

**Section 8 Liabilities of Breach**

- 8.1 Either Party shall assume the losses resulted from his failure to perform all or part of the obligations hereunder. The damages that shall be compensated by the breaching Party shall equal the actual losses incurred by the other Party due to such breach, but such damages shall not exceed the scope foreseeable by the breaching Party when entering into this Agreement. If this breach is caused by the mutual fault of both Parties, both Parties shall assume the liabilities according to their respective fault.
- 8.2 Each Party shall ensure that the representations and warranties he made when entering into this Agreement and the information or representations that he currently provides or provided in the past are all true and accurate in all material aspects and continue to be so until the date this Agreement is signed.

**Section 9 Applicable Law and Dispute Resolution**

- 9.1 The law of the People's Republic of China shall apply to the entering into, effectiveness, interpretation and performance of this Agreement.
- 9.2 All Parties shall amicably resolve any dispute with respect to this Agreement or its effectiveness. If any dispute is unable to be resolved within thirty (30) days after one Party's proposal of amicable resolution, any Party may submit such dispute to Shanghai Arbitration Commission for arbitration. The arbitration shall be final and binding upon both Parties, and the arbitration cost shall be borne by one or both Parties as determined by the arbitration tribunal.
- 9.3 During the course of the resolution of the dispute through the arbitration procedures, the Parties shall continue to perform the clauses of this Agreement except for the clauses involved in the arbitration.

**Section 10 Miscellaneous**

- 10.1 This Agreement shall become effective upon the signature by all Parties. This Agreement shall be signed in four originals, with each Party holding one.
- 10.2 The Actual Shareholders and the Entrusted Shareholders shall sign written supplemental agreement to provide for any matter not addressed herein.
- 10.3 All Parties agree that the clauses of this Agreement fall under confidential information. All Parties bear the confidentiality obligations after the termination of this Agreement.

IN WITNESS HEREOF, both Parties of this Agreement hereby execute this Agreement in Shanghai, China on May 2, 2006.



**Party A:**

Signature: /s/ Lian Zheng Min

**Party B:**

Signature: /s/ Dong Xiang Jun

**Party C:**

Signature: /s/ Li Xian Shou

**Party D:**

Signature: /s/ Wu Yu Cai

*Agreement*

THIS AGREEMENT (the "**Agreement**") is made and entered into as of July \_\_, 2007 by and among:

<i>Party A: Lian Zheng Min</i>	Identity Card No.: 332627197205130216
<i>Party B: Dong Xiang Jun</i>	Identity Card No.: 332627196805240190
<i>Party C: Li Xian Shou</i>	Identity Card No.: 330106196808010015
<i>Party D: Wu Yu Cai</i>	Identity Card No.: 332627671104001

(Each of the above Parties is individually referred to herein as "**Party**" and are collectively referred to herein as the "**Parties**".)

**RECITALS**

The Parties have entered into a Trust Agreement dated as of May 2, 2006 ("**Trust Agreement**"), and the Parties desire to enter into this Agreement to clarify certain matters with respect to the Trust Agreement.

**AGREEMENT**

NOW, THEREFORE, in consideration of the foregoing and the mutual promises contained herein, the Parties agree as follows:

1. The Parties hereby acknowledge that there is a typographical error with respect to the word "Cayman Islands" in the second recital paragraph of the Trust Agreement. The correct content should be: "WHEREAS, Party C and Party D jointly incorporated Renesola Limited ("**Renesola**"), a limited liability company legally incorporated and validly existing under the laws of the British Virgin Islands, and Party C holds 66% of its shares, and Party D holds 34% of its shares."
2. According to a Deed relating to the Sale and Purchase of Certain Shares in the Issued Share Capital of ReneSola Ltd, by and among the Sellers (as defined therein), Ruixin Holdings Ltd ("**Ruixin**"), Yuncai Holdings Ltd ("**Yuncai**") and Bai Xiao Shu, dated as of 2 August 2006, and amended as restated on 7 March 2007 (the "**Deed**"), Li Xian Shou, Ruixin, Wu Yu Cai, Yuncai and other parties thereto are obligated to transfer the legal and beneficial interest in certain shares of ReneSola to Bai Xiao Shu at certain agreed dates.

The Parties hereby confirm that the Parties have transferred, pro rata according to the proportion of shares in the capital of ReneSola which it was agreed they would beneficially hold under the terms of the Trust Agreement (notwithstanding the fact that the actual percentage of shares ultimately beneficially held by each of the Parties in each case is different to the percentages set out in the Trust Agreement due to the placing of shares in the capital of ReneSola made at the time of the ReneSola's admission to the AIM market of London Stock Exchange plc), the legal interest in 300,000 shares in the share capital of ReneSola to Bai Xiao Shu in accordance with the Deed.

---

3. This Agreement is governed by and shall be construed in accordance with the laws of People's Republic of China.

**Party A:**

Signature: /s/ Lian Zheng Min

**Party B:**

Signature: /s/ Dong Xiang Jun

**Party C:**

Signature: /s/ Li Xian Shou

**Party D:**

Signature: /s/ Wu Yu Cai

Date:

Dated 26 March 2007

RENESOLA LTD

and

DB TRUSTEES (HONG KONG) LIMITED

**TRUST DEED**

constituting

RMB928,700,000

USD Settled 1.00 per cent. Convertible Bonds due 2012 convertible into shares of  
RENESOLA LTD

**Linklaters**

10th Floor, Alexandra House  
Chater Road  
Hong Kong

Telephone (852) 2842 4888  
Facsimile (852) 2810 8133/2810 1695

Ref JECW/MNG/L-135005

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This Trust Deed is made on 26 March 2007 between:

- (1) RENESOLA LTD, a company incorporated with limited liability in the British Virgin Islands with company number 1016246 whose principal office is at 8 Baoquan Road, Jiashan City, Zhejiang 314117, PRC (the "Company"); and
- (2) DB TRUSTEES (HONG KONG) LIMITED, whose principal office is situated at 55<sup>th</sup> Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong (the "Trustee", which expression, where the context so admits, includes all persons for the time being the trustee or trustees of this Trust Deed).

Whereas:

- (A) The Company has (pursuant to resolutions of its Board of Directors dated 20 March 2007) authorised the issue of RMB928,700,000 USD Settled 1.00 per cent. Convertible Bonds due 2012.
- (B) The Trustee has agreed to act as trustee of this Trust Deed on the following terms and conditions.

THIS DEED WITNESSES AND IT IS DECLARED as follows:

**1 Interpretation**

**1.1 Definitions:** Unless otherwise defined herein, terms defined in the Conditions (as defined below) shall have the same meanings herein. In addition, the following expressions have the following meanings:

"Accounts" means, in relation to a Fiscal Period, the Company's balance sheet and income statements for that Fiscal Period, which shall be consolidated if the Company has Subsidiaries the accounts of which should be consolidated under International Financial Reporting Standards;

"Agency Agreement" means the Paying and Conversion Agency Agreement dated 26 March 2007, as amended or supplemented from time to time, between the Company, the Trustee, the Registrar and the Agents, whereby the Registrar and the Agents are appointed and includes any other agreements related to it, as amended or supplemented from time to time, approved in writing by the Trustee appointing Successor Agents and/or a Successor Registrar;

"Agents" means the Principal Agent, the Registrar and the other paying, conversion and transfer agents appointed under the Agency Agreement, at their specified offices, and their Successors;

"AIM" means the AIM Market of the London Stock Exchange plc;

"AIM Rules" means the AIM Rules for Companies;

"Alternative Stock Exchange" has the meaning set out in Condition 6(C);

"Auditors" means the independent auditors for the time being of the Company or, in the event of their being unable or unwilling to carry out any action requested of them pursuant to this Trust Deed or the Conditions, such other firm of auditors as may be nominated by the Company and approved by the Trustee (such approval not to be unreasonably withheld or delayed);

“**Bondholder**” or, in respect of a Bond, “**holder**” means a person in whose name a Bond is registered in the register of Bondholders save that, for the purposes of enforcement of the provisions of this Trust Deed against the Trustee, the persons named in a certificate of the holder of the Bonds in respect of which the Global Certificate is issued shall be recognised as the beneficiaries of the trusts set out in this Trust Deed to the extent of the principal amount of the interest in the Bonds set out in the certificate of the holder as if they are themselves the holders of Bonds in such principal amounts (and the holder of the Bonds in respect of which the Global Certificate is issued shall not be so recognised to the same extent);

“**Bonds**” means the bonds, in the denomination of RMB100,000 each, in registered form comprising the RMB928,700,000 USD Settled 1.00 per cent. Convertible Bonds due 2012 constituted by this Trust Deed and for the time being outstanding or, as the context may require, a specific number or principal amount of them and includes any replacement Certificates issued pursuant to the Conditions and (except for the purposes of Clause 3.1) the Global Certificate;

“**Certificate**” means a certificate, in or substantially in the form set out in Schedule 1, issued in the name of the holder of one or more Bonds and includes any replacement Certificates issued pursuant to the Conditions; and, except in Clause 3, includes the Global Certificate in or substantially in the form set out in Schedule 2;

“**Change of Control**” has the meaning set out in Condition 6(E);

“**Clearstream**” means Clearstream Banking, société anonyme, incorporated under the laws of the Grand Duchy of Luxembourg or any successor securities clearing agency;

“**Closing Price**” has the meaning set out in Condition 6(C);

“**Conditions**” means the terms and conditions set out in Schedule 1 as from time to time modified in accordance with this Trust Deed, and as modified, in their application to the Bonds in respect of which the Global Certificate is issued, by the provisions of the Global Certificate, and any reference to a particularly numbered Condition shall be construed accordingly;

“**Conversion Date**” has the meaning set out in Condition 6(B)(i);

“**Conversion Notice**” means the written notice from time to time in a form approved by the Trustee required to accompany Certificates deposited for the purposes of conversion of Bonds, the initial form of which is set out in Exhibit A to the Agency Agreement;

“**Conversion Period**” has the meaning set out in Condition 6(A)(i);

“**Conversion Price**” has the meaning set out in Condition 6(A)(iii);

“**Conversion Right**” has the meaning set out in Condition 6(A)(i);

“**Current Market Price**” has the meaning set out in Condition 6(C);

“**definitive Certificate**” has the meaning ascribed to it in the Global Certificate;

“**Distribution**” has the meaning set out in Condition 6(C);

“**Early Redemption Amount**” has the meaning set out in Condition 8(B);

“**Equivalent Amount**” has the meaning set out in Condition 6(B)(iii);

“**Euroclear**” means Euroclear Bank S.A./N.V. or any successor securities clearing agency;

“**Event of Default**” means any of the events described in Condition 10;

“**Extraordinary Resolution**” has the meaning set out in Schedule 3;

“**Fair Market Value**” has the meaning set out in Condition 6(C);

“**Fiscal Period**” means, as the context may require, a period (i) commencing on 1 January and ending on the succeeding 31 December, or (ii) commencing on 1 January and ending on the succeeding 30 June provided that if the Company shall change its financial year so as to end on a date other than 31 December, the foregoing shall be amended as necessary;

“**Global Certificate**” means the global certificate which will represent the Bonds, substantially in the form set out in Schedule 2;

“**Independent Investment Bank**” has the meaning set out in Condition 6(C);

“**non-assessable**”, in relation to securities, including the Shares, means that, when issued, those securities are not subject to any further calls by the Company for, or any other provisions which could require, further payments or contributions from their holders;

“**outstanding**” means, in relation to the Bonds, all the Bonds issued except (a) those which have been redeemed in accordance with the Conditions, (b) those in respect of which the date for redemption has occurred and the redemption moneys (including all interest accrued on such Bonds to the date for such redemption and any interest payable under the Conditions after such date) have been duly paid to or to the order of the Trustee as provided in Clause 2, (c) those in respect of which claims have become prescribed under Condition 11, (d) those which have been purchased and cancelled by the Company or any of its Subsidiaries as provided in the Conditions, (e) those in respect of which the Conversion Right has been duly exercised and discharged (and, for the avoidance of doubt, a Bond in respect of which a Conversion Date has occurred shall be deemed to remain outstanding until the Conversion Right has been satisfied and discharged even if the holder is removed from the register of Bondholders during the conversion process); (f) those mutilated or defaced Bonds which have been surrendered and cancelled and in respect of which replacements have been issued pursuant to Condition 15, (g) the Global Certificate to the extent that it shall have been exchanged for Bonds in definitive form pursuant to its provisions; and provided that for the purposes of (1) ascertaining the right to attend and vote at any meeting of the Bondholders, (2) determining how many Bonds are outstanding for the purposes of Conditions 10, 12 and 13 and Schedule 3, (3) the exercise of any discretion, power or authority which the Trustee is required, expressly or impliedly, to exercise in or by reference to the interests of the Bondholders, and (4) the certification or determination (where relevant) by the Trustee as to whether a Potential Event of Default is in its opinion materially prejudicial to the interests of the Bondholders, those Bonds which are beneficially held by or on behalf of the Company or any of its Subsidiaries and not yet cancelled shall be deemed not to remain outstanding;

“**Potential Event of Default**” means an event or circumstance which would with the giving of notice and/or the lapse of time and/or the issuing of a certificate become an Event of Default;

“**Principal Agent**” means Deutsche Bank AG, Hong Kong Branch at its specified office at 55<sup>th</sup> Floor, Cheung Kong Center, 2 Queen’s Road Central, Hong Kong or any Successor Principal Agent appointed under the Agency Agreement, at its specified office;

“**record date**” means a date fixed by or pursuant to the Articles of Association of the Company or otherwise specified for the purpose of determining entitlements to dividends or other distributions to, or rights of, holders of Shares;

“**Registrar**” means Deutsche Bank Luxembourg S.A. at its specified office at 2 Boulevard Konrad Adenauer, L-1115 Luxembourg or any Successor Registrar appointed under the Agency Agreement, at its specified office;

“**Relevant Cash Dividend**” has the meaning set out in Condition 6(C);

“**Relevant Stock Exchange**” means at any time, in respect of the Shares, AIM or the Alternative Stock Exchange;

“**Scrip Dividend**” has the meaning set out in Condition 6(C);

“**Shares**” means the ordinary shares of no par value of the Company;

“**Shareholder**” means the person in whose name a Share is registered;

“**specified office**” means, in relation to an Agent or the Registrar the office identified with its name at the end of the Conditions or any other office approved by the Trustee and notified to the Bondholders pursuant to Clause 9.11;

“**Subsidiary**” has the meaning set out in Condition 4;

“**Successor**” means, in relation to the Agents or the Registrar, such other or further person as may from time to time be appointed by the Company as an Agent or the Registrar with the written approval of, and on terms approved in writing by, the Trustee and notice of whose appointment is given to Bondholders pursuant to Clause 9.11;

“**Trading Day**” has the meaning set out in Condition 6(C);

“**trust corporation**” means a trust corporation (as defined in the Law of Property Act 1925) or a corporation entitled to act as a trustee pursuant to applicable foreign legislation relating to trustees; and

“**Trust Deed**” means this Trust Deed (as from time to time altered in accordance with this Trust Deed) and any other document executed in accordance with this Trust Deed (as from time to time so altered) and expressed to be supplemental to this Trust Deed; and

“**US Dollar Equivalent**” has the meaning set out in Condition 7(A).

- 1.2 **Construction of Certain References:** References to:
- 1.2.1 costs, charges, remuneration or expenses include any withholding, value added, turnover or similar tax charged in respect thereof;
  - 1.2.2 “Renminbi”, “Yuan” and “RMB” are to the lawful currency for the time being of the People’s Republic of China;
  - 1.2.3 “US dollars” and “USD” are to the lawful currency for the time being of the United States;
  - 1.2.4 a Schedule or a Clause or a sub-clause, paragraph or sub-paragraph is, unless otherwise stated, to a schedule hereto or a clause or sub-clause, paragraph or sub-paragraph hereof respectively;
  - 1.2.5 an action, remedy or method of judicial proceedings for the enforcement of rights of creditors shall include references to the action, remedy or method of judicial proceedings in jurisdictions other than England as shall most nearly approximate thereto; and
  - 1.2.6 references in this Trust Deed and the Conditions to the consent or approval of the Trustee not being unreasonably withheld or delayed shall be construed giving due regard to the fact that the Trustee in giving any such consent or approval is acting as Trustee for the Bondholders and is obliged to act in their interests.
- 1.3 **Enforceability:** If at any time any provision of this Trust Deed is or becomes illegal, invalid or unenforceable in any respect under the law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions of this Trust Deed nor the legality, validity or enforceability of such provision under the law of any other jurisdiction shall in any way be affected or impaired thereby.
- 1.4 **Headings:** Headings shall be ignored in construing this Trust Deed.
- 1.5 **Schedules:** The Schedules are part of this Trust Deed and have effect accordingly.
- 1.6 **Definitions in Conditions:** Terms defined in the Conditions shall, unless otherwise defined herein, have the same meaning when used in the main body of this Trust Deed.

2 **Amount of the Bonds and Covenant to Pay**

- 2.1 **Amount of the Bonds:** The aggregate principal amount of the Bonds is limited to RMB928,700,000 subject to the increase by the principal amount of any bonds issued pursuant to Condition 16.
- 2.2 **Covenant to pay:** The Company will not later than two business days (as defined in Condition 7(G)) last preceding each date when the Bonds or any of them become due to be redeemed in accordance with the Conditions unconditionally pay to or to the order of the Trustee in New York City in US dollars in immediately available funds the US Dollar Equivalent of the principal amount of the Bonds becoming due for redemption on that date (to be received by 10:00 a.m. New York time), calculated in accordance with the Conditions, together with any applicable premium and will (subject to the Conditions) until such payment (both before and after judgment) unconditionally so pay to or to the order of the Trustee interest in US dollars on the principal amount of the Bonds outstanding as set out in the Conditions provided that:
- (a) every payment of any sum due in respect of the Bonds made to the Principal Agent as provided in the Agency Agreement shall, to that extent, satisfy such obligation except to the extent that there is failure in its subsequent payment to the relevant Bondholders under the Conditions; and

- (b) a payment made after the due date or pursuant to Condition 10 will be deemed to have been made when the full amount due (including default interest accrued, if any) has been received by the Principal Agent or the Trustee and notice to that effect has been given to the Bondholders (if required under Clause 9.10) except to the extent that there is failure in the subsequent payment to the relevant Bondholders under the Conditions.

The Trustee will hold the benefit of this covenant on trust for the Bondholders.

**2.3 Discharge:** Subject to Clause 2.4, any payment to be made in respect of the Bonds by the Company or the Trustee may be made as provided in the Conditions and any payment so made will (subject to Clause 2.4) to such extent be a good discharge to the Company or the Trustee, as the case may be.

**2.4 Payment after a Default:** At any time after an Event of Default or a Potential Event of Default has occurred the Trustee may:

- 2.4.1** by notice in writing to the Company, the Agents and the Registrar, require the Agents and the Registrar, until notified by the Trustee to the contrary, so far as permitted by applicable law:
- (i) to act as agents of the Trustee under this Trust Deed and the Bonds on the terms of the Agency Agreement *mutatis mutandis* (with consequential amendments as necessary and except that the Trustee's liability for the indemnification, remuneration and all other expenses of the Agents and the Registrar will be limited to the amounts for the time being held by the Trustee in respect of the Bonds on the terms of this Trust Deed) and thereafter to hold all Certificates and all moneys, documents and records held by them in respect of the Bonds to the order of the Trustee; and/or
  - (ii) to deliver all Certificates and all moneys, documents and records held by them in respect of the Bonds to the Trustee or as the Trustee shall direct in such notice or subsequently, provided that this Clause 2.4.1(ii) shall not apply to any documents or records which the Principal Agent, the Registrar or the relevant Agent is obliged not to release by any law or regulation to which it is subject; and
- 2.4.2** by notice in writing to the Company require it to make all subsequent payments in respect of the Bonds to or to the order of the Trustee and not to the Principal Agent with effect from the issue of any such notice to the Company; and from then until such notice is withdrawn, Clause 2.2(a) above shall cease to have effect.

3 **Form of the Bonds and Certificates; Issue of the Bonds**

- 3.1 **The Global Certificate:** The Bonds will initially be represented by the Global Certificate substantially in the form of Schedule 2 will be issued in respect of the aggregate principal amount of the Bonds and the Company shall procure the Registrar to make such entries of Bonds in the register of Bondholders as appropriate. The Global Certificate will be registered in the name of a nominee of, and deposited with a common depository for Euroclear and Clearstream. The Global Certificate need not be security printed. The Bonds evidenced by the Global Certificate shall be subject to its terms in all respects and entitled to the same benefits under this Trust Deed as Bonds evidenced by individual definitive Certificates.
- 3.2 **The definitive Certificates:** The definitive Certificates, if issued, will be security printed in accordance with all applicable legal and stock exchange requirements and will be substantially in the form set out in Schedule 1 and endorsed with the Conditions.
- 3.3 **Signature:** The Global Certificate (and the definitive Certificates, if issued) will be signed manually or in facsimile by one or more directors or officers duly authorised for the purpose, or signed manually or in facsimile by any duly authorised attorney of the Company, and authenticated manually by or on behalf of the Registrar. The Company may use the signature of any person who at the date of this Trust Deed is an authorised officer or attorney, as the case may be, of the Company even if at the time of issue of any definitive Certificate or the Global Certificate he no longer holds such office and the Bonds in respect of which the Global Certificate or a definitive Certificate is so executed and authenticated will be binding and valid obligations of the Company.
- 3.4 **Issue:** Issue and delivery of the Bonds shall be completed on the issue and delivery of the Global Certificate to the common depository referred to in Clause 3.1 (or its representative) by, or by the order of, the Company and completion of the register of Bondholders by or on behalf of the Registrar.
- 3.5 **Entitlement to treat holder as owner:** A Bondholder will (save as otherwise required by law) be treated as the absolute owner of a Bond registered in its name for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on or the theft or loss of the Certificate issued in respect of it) and no person will be liable for so treating the holder.
- 3.6 Payments made to such holder in accordance with the Conditions will be valid and effective to satisfy and discharge the liability for relevant moneys payable on the Bonds to such holder.

4 **Stamp Duties and Taxes**

- 4.1 **Stamp Duties:** The Company will pay any stamp, issue, registration, documentary, transfer or other similar taxes and duties, including interest and penalties, payable in respect of the creation, issue and offering of the Bonds, the execution or delivery of this Trust Deed and the deposit of Certificates and Conversion Notices for the conversion of Bonds and the issue and delivery of Shares following such deposit,

except for the taxes and duties required to be paid by Bondholders or the Trustee under Condition 6(B)(ii). The Company will also indemnify the Trustee and the Bondholders from and against all stamp, issue, registration, documentary, transfer or other taxes and duties paid by any of them in any jurisdiction in connection with any action taken by or on behalf of the Trustee or, as the case may be, (where entitled under Condition 12 to do so) the Bondholders to enforce the obligations of the Company under this Trust Deed or the Bonds. The Trustee shall not be responsible for determining whether any such taxes or duties are payable or for determining the amount of such taxes or duties and it shall not be responsible or liable for any failure by the Company to pay such taxes or duties.

- 4.2 **Change of Taxing Jurisdiction:** If the Company becomes subject generally to the taxing jurisdiction of any territory or any authority of or in that territory having power to tax other than or in addition to the British Virgin Islands or the United Kingdom, or any such authority of or in such territory which imposes taxes, duties, assessments or governmental charges of whatever nature with respect to this Trust Deed or the Bonds then (i) the Company will give to the Trustee an undertaking satisfactory to the Trustee in terms corresponding to the terms of Condition 9 and (ii) Condition 8(C) shall be deemed amended (without any further action being taken), in each case with the substitution for, or (as the case may require) the addition to, the references in Condition 9 and Condition 8(C) to the British Virgin Islands or the United Kingdom of references to that other or additional territory or authority to whose taxing jurisdiction the Company has become so subject. In such event, this Trust Deed and the Bonds will be read accordingly.

## 5 Covenants Relating to the Conversion Rights

So long as any Bond remains outstanding, save with the approval of an Extraordinary Resolution of the Bondholders, the Company will, unless otherwise required by applicable laws and regulations:

- 5.1 **Availability of Shares:** keep available, free from pre-emptive or other rights, out of its authorised but unissued Shares such number of Shares as would be required to be issued on conversion of all the Bonds from time to time remaining outstanding and to satisfy in full all other rights of conversion into or exchange or subscription for Shares and shall ensure that all Shares delivered on conversion of Bonds will be duly and validly issued as fully-paid and non-assessable;
- 5.2 **Limited Issues of Shares:** not issue or pay up any securities, by way of capitalisation of profits or reserves unless, in any such case, it gives rise (or would, if the adjustment would be one per cent. or more of the Conversion Price then in effect, otherwise give rise) to an adjustment of the Conversion Price, provided that the Company may issue or pay up any security by way of capitalisation of profits or reserves (i) by the issue of fully paid Shares to the Shareholders and other persons entitled to them or (ii) by the issue of Shares paid up in full out of profits or reserves in accordance with applicable law and issued in lieu of a cash dividend;
- 5.3 **Limited Modification of Rights:** not modify the rights attaching to the Shares with respect to voting, dividends or liquidation nor issue any other class of Shares carrying any rights which are more favourable than the rights attaching to Shares but so that nothing in this Clause 5.3 shall prevent (i) a consolidation or subdivision of



the Shares or the conversion of any Shares into stock or vice versa, (ii) a modification to the rights attaching to the Shares which is not, in the opinion of an Independent Investment Bank, materially prejudicial to the interests of the Bondholders, (iii) the conversion of Shares into, or the issue of any Shares in, uncertificated form (or the conversion of Shares in uncertificated form to certificated form) or the amendment of the Articles of Association of the Company to enable title to securities of the Company (including Shares) to be evidenced and transferred without a written instrument or any other alteration to the Articles of Association of the Company made in connection with the matters described in this Clause 5.3 or which are supplemental or incidental to any of the foregoing (including amendments made to enable or facilitate procedures relating to such matters and amendments dealing with the rights and obligations of holders of securities (including Shares) dealt with under such procedures) or (iv) any issue of Shares which results (or would, if the adjustment would be one per cent. or more of the Conversion Price then in effect, otherwise result) in an adjustment of the Conversion Price;

- 5.4 **Limited Grant of Rights:** procure that no securities (whether issued by the Company or any of its Subsidiaries) issued without rights to convert into or exchange or subscribe for Shares shall subsequently be granted such rights at a consideration per Share which is less than the Current Market Price per Share at close of business on the Trading Day last preceding the date of the announcement of the proposed inclusion of such rights unless the same gives rise (or would, if the adjustment would be one per cent. or more of the Conversion Price then in effect, give rise) to an adjustment of the Conversion Price and that at no time shall there be in issue Shares of differing par values;
- 5.5 **Restricted Action:** not make any issue, grant or distribution or take any other action the effect of which would be to reduce the Conversion Price below the par value of the Shares;
- 5.6 **Notice:** simultaneously with the announcement of the terms of any issue pursuant to Condition 6(C)(6) or 6(C)(7) and the announcement of any proposed modification pursuant to Condition 6(C)(8) give notice to the Bondholders and the Trustee in accordance with Condition 17 (such notice to be signed by an authorised officer of the Company) advising them of the date on which the relevant adjustment of the Conversion Price is likely to become effective and of the effect of exercising their rights of conversion before then;
- 5.7 **Directors' Certificate:** if an event happens as a result of which the Conversion Price may be adjusted pursuant to this Trust Deed, subject to Condition 6(C)(2), as soon as practicable send the Trustee a certificate signed by two directors of the Company on behalf of the Company setting out particulars of the event, whether an adjustment to the Conversion Price falls to be made and, if so, the adjusted Conversion Price and the date on which such adjustment takes effect, whether an amount falls to be carried forward pursuant to Condition 6(C)(15) and if so the amount to be carried forward and in any case setting out such other information as the Trustee may reasonably require;
- 5.8 **Extend Offer:** if an offer is made to all (or as nearly as may be practicable all) Shareholders, or all (or as nearly as may be practicable all) such Shareholders other than the offeror and/or any associate or associates of the offeror to acquire all or a majority of the issued Shares of the Company, or if any person proposes a scheme

with regard to such acquisition, give notice of such offer or scheme to the Trustee and the Bondholders at the same time as any notice thereof is sent to its Shareholders (or as soon as practicable thereafter) stating that details concerning such offer or scheme may be obtained from the specified offices of the Agents and the Registrar and provide the Agents and Registrar with such details and, where such an offer or scheme has been recommended by the Board of Directors of the Company or where such an offer has become or been declared unconditional in all respects, use its best endeavours to procure that a like offer or scheme is extended to the Bondholders and the holders of any Shares issued during the period of the offer or scheme arising out of the Conversion Rights;

- 5.9 **No Reduction of Issued Shares:** not make any reduction of its issued Shares or any uncalled liability in respect thereof or of any relevant redemption reserve fund (except, in each case, as permitted by law or by means of a purchase or reduction of the issued Shares of the Company permitted by Clause 7.1 or where the reduction has resulted in an adjustment to the Conversion Price under Clause 7.1);
- 5.10 **Closing of Register of Members:** unless so required by applicable law or regulation or in order to establish a dividend or other rights attaching to the Shares or entitlements of the Shareholders, not close its register of Shareholders or take any other action which prevents the transfer of its Shares generally and ensure that the Bonds may be converted legally and the Shares issued on conversion may (subject to any limitation imposed by law) be transferred (as between transferor and transferee although not as against the Company) at all times while the register is closed or such other action is effective, nor take any action which prevents the conversion of the Bonds or the issue of Shares in respect of them;
- 5.11 **Listing of Shares:** use best efforts to (a) maintain a listing for all the issued Shares on AIM, (b) obtain and maintain a listing for all the Shares issued on exercise of the Conversion Rights attached to the Bonds on AIM and (c) if the Company is unable to obtain or maintain such listing, to obtain and maintain a listing for all the issued Shares on an Alternative Stock Exchange as the Company may from time to time select and will forthwith give notice to the Trustee and the Bondholders in accordance with Condition 17 of any such listing or delisting of Shares (as a class) by any such stock exchange;
- 5.12 **Expenses:** pay the expenses of the issue of, and all expenses of obtaining and maintaining a listing for, Shares arising on conversion of the Bonds.

## 6 Notices Relating to the Conversion Rights

- 6.1 **Requirement to give notice:** If after the date of this Trust Deed:
  - 6.1.1 the Company authorises the grant, issue or offer to the holders of Shares of options, rights or warrants to subscribe for or purchase either any Shares or any securities convertible into, or exchangeable for or which confer rights to purchase, Shares; or
  - 6.1.2 the Company declares, or pays or makes a Distribution, or authorises the grant, issue or offer to the holders of Shares of rights or warrants to subscribe for or purchase any shares or securities other than Shares or any securities convertible into or exchangeable for or which confer rights to purchase Shares; or

- 6.1.3** there is a re-classification of the Shares (including a sub-division or consolidation of the Company's outstanding Shares) or a consolidation, merger or amalgamation to which the Company is a party or any sale or transfer of all or substantially all of the assets or business of the Company; or
- 6.1.4** the Company authorises the issue of any securities convertible into or exchangeable for Shares or rights or warrants to subscribe for or purchase Shares or securities (other than those referred to in Clause 6.1.1 or 6.1.2 above) which will, or authorises the issue of any Shares which will, (or, if in any such case a relevant consideration or offering price fixed by the Board of Directors of the Company to be recommended at a relevant general meeting of shareholders is adopted, will) upon issue give rise to an adjustment to the Conversion Price pursuant to Clause 7; or
- 6.1.5** there is a voluntary or involuntary dissolution, liquidation or winding-up of the Company,

the Company shall forthwith give written notice thereof to the Trustee and the Principal Agent and, in addition, it will at least 14 days before the applicable (in the case of paragraph (a) below) record date or (in the case of paragraph (b) below) record date or date of submission, whichever is earlier, or (in the case of paragraph (c) below) date of submission, or (in the case of paragraph (d) below) date of issue or (in the case of paragraph (e) below) record date or effective date, whichever is earlier, give notice to the Bondholders in accordance with Condition 17 stating, as the case may require:

- (a) the record date in the British Virgin Islands for such grant, issue or offer of options, rights or warrants, dividend, distribution or payment or such re-classification (and, in the case of the grant, issue or offer of options, rights or warrants, the period during which such options, rights or warrants may be exercised); or
- (b) the date in the British Virgin Islands (1) on which such re-classification, consolidation, merger, amalgamation, sale, transfer, dissolution, liquidation or winding-up is to be submitted to a general meeting of Shareholders of the Company for approval, and (2) which is the record date for the same (if applicable), and (3) on which such re-classification, consolidation, merger, amalgamation, sale, transfer, dissolution, liquidation or winding-up is expected to become effective, and (4) as of which it is expected that holders of Shares will be entitled, if at all, to exchange their Shares for securities or other property deliverable upon such re-classification, consolidation, merger, amalgamation, sale, transfer, dissolution, liquidation or winding-up; or
- (c) (in the event of the declaration of a Distribution referred to in paragraph 6.1.2 above, the payment of which must be submitted for approval to a general meeting of Shareholders or to a meeting of the Board of Directors of the Company before such Distribution may be paid or made) the date of such submission; or

- (d) (in the event of an issue referred to in Clause 6.1.4 above) the date of such issue; or
- (e) (in the event of such re-classification, consolidation, merger, amalgamation, sale, transfer, dissolution, liquidation or winding-up not being submitted to a general meeting of shareholders of the Company for approval) (1) the record date for the same (if applicable), and (2) the date when the same becomes effective;

provided that if the exact date of any such submission referred to in paragraph (b) or (c) above is not known at the time of such notice in writing to the Trustee and the Principal Agent, such notice shall indicate the approximate date thereof and the Company shall give a second notice in writing to the Trustee and the Principal Agent as soon as practicable, specifying the exact date of submission, and provided further that if the period referred to in paragraph (a) above or the effective date or exchange date referred to in paragraph (b) above or the date of issue or effective date referred to in paragraph (d) or (e) above is not known at the time of such first notice to the Trustee and the Principal Agent, the Company shall give a second notice (which shall be in writing) to the Trustee and the Principal Agent, at least 14 days before the commencement of such period or (as the case may be) before such date specifying such period (and the date of its commencement) and/or such date and shall also (in a case within paragraph (a), (b) or (e) above) cause such second notice to be given to Bondholders in accordance with Condition 17 at least 14 days before the commencement of the applicable period or (as the case may be) before the effective date or exchange date except where such period or date has already been specified in the first notice to the Bondholders. However, in the case of any issue referred to in Clause 6.1.4 above, the Company need not give any notice mentioned above before the date on which the relevant consideration per Share for such issue is fixed by the Company but in any such case the Company shall promptly upon the fixing of such consideration give notice in accordance with this Clause 6.1.

**6.2 Where Adjustment to Conversion Price Required:** If the event referred to in the notice required pursuant to Clause 6.1 would result in an adjustment to the Conversion Price, such notice shall also state the Conversion Price in effect at the time such notice is required to be given and the Conversion Price which will result after giving effect to such event or, if such adjusted Conversion Price is not then determinable, the fact that an adjustment in the Conversion Price may result. Without prejudice to Clause 6.3, if, after giving effect to the event covered by any such notice and to any adjustment in the Conversion Price, the Shares could not or might not, under applicable law then in effect, be legally issued upon conversion of Bonds as fully-paid and non-assessable, any such notice shall also state such fact and the extent to which, by reason of such provisions, effect will not be given to such adjustment.

**6.3 Notice of Adjustment:** If, while any Conversion Right is or is capable of being or becoming exercisable, there shall be any adjustment to the Conversion Price, the Company shall (i) as soon as practicable notify the Trustee and the Agents of particulars of the event giving rise to the adjustment, the Conversion Price prior to such adjustment, the adjusted Conversion Price, the date on which the adjustment takes effect and such other information as the Trustee may require, and (ii) promptly after the adjustment takes effect, give notice to the Bondholders stating that the

Conversion Price has been adjusted and setting out the event giving rise to the adjustment, the Conversion Price in effect before the adjustment, the adjusted Conversion Price and the effective date of the adjustment. However, a notice pursuant to Clause 6.1 correctly stating any information required to be given pursuant to this Clause 6.3 shall, as to such information, satisfy the requirements of this Clause 6.3.

- 6.4 **Notification of Closed Periods:** The Company shall give not less than 15 days' nor more than 60 days' written notice to the Trustee and the Agents of (i) any days during the Conversion Period on which the Company's register of shareholders is to be closed by reason of the United Kingdom or the British Virgin Islands law or regulation or for the purpose of establishing any dividend or other rights attaching to the Shares, and (ii) any other day during the Conversion Period on which it is aware that its register of shareholders is to be closed. The notice shall state the reason for such closure and whether the Company intends to give notice to Bondholders of the closure.
- 6.5 **Notification of end of Conversion Period:** The Company shall give not less than 28 days' nor more than 42 days' notice to the Bondholders in writing prior to the end of the Conversion Period, which notice shall specify the Conversion Rights of the Bondholders and the Conversion Price then in effect (as adjusted pursuant to Clause 7 of this Trust Deed, if applicable).

7 **Adjustments to the Conversion Price**

- 7.1 The Conversion Price shall be adjusted in accordance with Condition 6(C).
- 7.2 **Investment Bank's Certificate Conclusive:** If any doubt shall arise as to the appropriate adjustment to the Conversion Price a certificate or report of an Independent Investment Bank shall be conclusive and binding on all concerned save in the case of manifest error.
- 7.3 **Rounding and Minor Adjustments:** On any adjustment, the resultant Conversion Price, if not an integral multiple of one Hong Kong cent, shall be rounded down to the nearest Hong Kong cent. No adjustment shall be made to the Conversion Price if such adjustment (rounded down if applicable) would be less than one per cent. of the Conversion Price then in effect. Any adjustment not required to be made, and any amount by which the Conversion Price has not been rounded down, shall be carried forward and taken into account in any subsequent adjustment. Notice of any adjustments shall be given to Bondholders in accordance with Condition 16 as soon as practicable after their determination.
- 7.4 **Post-Record Date Adjustments:** If the Conversion Date in relation to any Bond shall be after the record date for any such issue, distribution or grant as is mentioned in Condition 6(C)(2) to Condition 6(C)(5) and Condition 6(C)(9), or any such issue as is mentioned in Condition 6(C)(6) and Condition 6(C)(7) which is made to the Shareholders or any of them, but before the relevant adjustment becomes effective under Clause 7.1, the Company shall (conditional on such adjustment becoming effective) procure that there be issued to the converting Bondholder or in accordance with the instructions contained in the Conversion Notice (subject to applicable exchange control or other laws or other regulations) such additional number of Shares as, together with the Shares issued or to be

issued on conversion of the relevant Bond, is equal to the number of Shares which would have been required to be issued on conversion of such Bond if the relevant adjustment (more particularly referred to in the said Clauses above) to the Conversion Price had in fact been made and become effective immediately after the relevant record date. Such additional Shares will be allotted as at, and within one month after, the relevant Conversion Date or, if the adjustment results from the issue of Shares, the date of issue of Shares. Certificates for such Shares will be despatched within such period of one month.

- 7.5 **Upward Adjustment in the Conversion Price:** No adjustment involving an increase in the Conversion Price will be made, except in the case of a consolidation of the Shares as referred to in Condition 6(C)(1).
- 7.6 **No Duty to Monitor:** The Trustee shall not be under any duty or obligation to monitor whether any event or circumstance has happened or exists which may require an adjustment to be made to the Conversion Price and will not be responsible to Bondholders for any loss arising from any failure by it to do so.

8 **Application of Moneys Received by the Trustee**

8.1 **Declaration of Trust:** All moneys received by the Trustee in respect of the Bonds or amounts payable under this Trust Deed will, despite any appropriation of all or part of them by the Company be held by the Trustee upon trust to apply them (subject to Clause 8.2):

- 8.1.1 firstly, in payment of all costs, charges, expenses and liabilities properly incurred by the Trustee and the Agents (including remuneration payable to the Trustee and the Agents) in carrying out their functions under this Trust Deed and the Agency Agreement *pari passu* and rateably;
- 8.1.2 secondly, in payment of any amounts of principal, default interest (if any) and premium (if any) owing in respect of the Bonds *pari passu* and rateably;
- 8.1.3 thirdly, in payment of any other amounts owing in respect of the Bonds; and
- 8.1.4 fourthly, in payment of any balance (if any) to the Company for itself or, if any moneys were received from the Company and to the extent of such moneys, the Company.

If the Trustee holds any moneys which represent principal, default interest (if any) and premium (if any) in respect of Bonds in respect of which claims have become prescribed under Condition 11, the Trustee will hold them on trust and apply them as set out in this Clause 8.1.

8.2 **Accumulation:** If the amount of the moneys at any time available for payment in respect of the Bonds under Clause 8.1 is less than 10 per cent. of the principal amount of the Bonds then outstanding, the Trustee may, at its absolute discretion, invest such moneys. The Trustee may retain such investments and accumulate the resulting income until the investments and the accumulations, together with any other funds for the time being under its control and available for such payment, amount to at least 10 per cent. of the principal amount of the Bonds then outstanding and then such investments, accumulations and funds (after deduction of, or provision for, any applicable taxes) will be applied as specified in Clause 8.1.

8.3 **Investment:** Moneys held by the Trustee may, in its absolute discretion, be invested in its name or under its control in any investments or other assets anywhere whether or not they produce income or deposited in its name or under its control at such bank or other financial institution in such currency as the Trustee may, in its absolute discretion, think fit. If they are deposited at a bank or financial institution that is the Trustee or a subsidiary, holding or associated company of the Trustee, it need only account for an amount of interest calculated at the rate per annum equal to the standard amount of interest payable by it on a deposit of like amount to an independent customer. The Trustee may at any time vary or transpose any such investments or assets or convert any moneys so deposited into any other currency, and will not be responsible for any resulting loss, whether by depreciation in value, change in exchange rates or otherwise and shall not be liable for obtaining a return thereon which is less than the return which may have been obtained if the relevant investment was made in another form or with another institution.

9

#### General Covenants

So long as any Bond is outstanding, the Company will:

- 9.1 **Books of Account:** keep, and procure that its Subsidiaries keep, proper books of account and, at any time, so far as permitted by applicable law and to the extent it does not result in any additional disclosure obligations on the Company under the AIM Rules or if applicable, the listing rules of the Alternative Stock Exchange, allow, and procure that each of its Subsidiaries will allow, the Trustee and anyone appointed by it, access to the books of account of the Company and/or the relevant Subsidiary respectively at all reasonable times during normal business hours;
- 9.2 **Notice of Events of Default:** notify the Trustee in writing immediately on becoming aware of the occurrence of any Event of Default or Potential Event of Default;
- 9.3 **Information:** so far as permitted by applicable law, give the Trustee such information, opinions, certificates and evidence as it requires to perform its functions;
- 9.4 **Financial Statements etc.:** send to the Trustee, as promptly as practicable (and, in the case of each annual Fiscal Period, in any event within six months) after the close of each Fiscal Period, three copies or translations, in each case in English, of the following:
- 9.4.1 in the case of the first semi-annual Fiscal Period falling within each of the annual Fiscal Periods, the semi-annual interim report containing unaudited consolidated Accounts of the Company in respect of such Fiscal Period which Accounts are prepared on a basis substantially consistent with the most recent audited Accounts, or which indicate the way in which their basis of preparation is different; and
- 9.4.2 in the case of each annual Fiscal Period, the annual report containing audited Accounts of the Company as at the end of, and for, such Fiscal Period, reported on by the Auditors and prepared in accordance with International Financial Reporting Standards;

provided that if and to the extent that the Accounts are not prepared or adjusted on a basis consistent with that used for the preceding corresponding Fiscal Period, that fact shall be stated;

- 9.5 Information Material to Bondholders:** send to the Trustee three copies or translations, in each case in English, of all notices, statements and documents which are issued to the holders of its shares or its creditors generally as soon as practicable (but not later than 30 days) after the date of issue and make available to the Agents (without cost to the Agents) as many further copies or translations as they may request in order to satisfy requests from Bondholders for them;
- 9.6 Other Information:** send to the Trustee together with the Accounts referred to in Clause 9.4 a list in English of all documents issued, during or in respect of the relevant annual Fiscal Period, by the Company to its Shareholders, which list shall indicate the principal subject of each of such documents, and (if the Trustee so requires at any time) provide a certified copy or translation, in each case in English, of any document described in such list within 30 days after being requested so to do;
- 9.7 Certificate of Directors:** send to the Trustee, within 14 days of its annual audited Accounts being made available to its members, and also within 14 days after any request by the Trustee a certificate of the Company signed by two directors on behalf of the Company to the effect that, having made all reasonable enquiries, to the best of the knowledge, information and belief of the Company as at a date (the "**Certification Date**") being not more than five days before the date of the certificate
- 9.7.1** no Event of Default or Potential Event of Default had occurred since the date of this Trust Deed or the Certification Date of the last such certificate (if any) or, if such an event had occurred, giving details of it; and
- 9.7.2** the Company has complied with all its obligations under this Trust Deed.
- Such certificates shall be accompanied in each case by an up-to-date list of the directors and authorised officers of the Company and each of their specimen signatures. The Trustee shall be entitled to conclusively rely upon certificates of the Company and shall not be liable to any person for relying on such certificates;
- 9.8 Notices to Bondholders:** send to the Trustee at least seven days prior to the date of publication, a copy of each notice in the English language to be given to Bondholders and once given, two copies of each such notice, (if applicable) complying with the requirements of AIM or, if applicable, an Alternative Stock Exchange;
- 9.9 Further Acts:** so far as permitted by applicable law, do such further things as may be necessary in the opinion of the Trustee to give effect to this Trust Deed and the Bonds;
- 9.10 Notice of late payment:** forthwith upon request by the Trustee give notice to the Bondholders of any unconditional payment to the Principal Agent or the Trustee of any sum due in respect of the Bonds made after the due date for such payment;
- 9.11 Change in Agents:** give at least 14 days' prior notice to the Bondholders of any future appointment, resignation or removal of any Agent or of the Registrar or of any change by any Agent or by the Registrar of its specified office and not make any such appointment or removal without the Trustee's prior written approval;



- 9.12 **Early Redemption:** give prior notice to the Trustee of any proposed early redemption pursuant to Condition 8(B) or 8(C);
- 9.13 **Change of Control or Delisting:** give notice (which shall be in writing) to the Trustee and the Bondholders in accordance with Condition 17 by not later than the fourteenth day following the first day on which it becomes aware of the occurrence of a Relevant Event (as defined in Condition 8(D));
- 9.14 **Subsidiaries:** give to the Trustee the following:
- 9.14.1 at the same time as sending the report referred to in Clause 9.5 above and, in any event, not later than 180 days after the end of the relevant financial year a certificate signed by two directors of the Company setting out a list of the names of the Subsidiaries of the Company as at the last day of the last financial year of the Company;
- 9.14.2 within 14 days of a request by the Trustee a certificate signed by two directors of the Company setting out a list of the names of the Subsidiaries of the Company as at the date specified in such request; and
- 9.14.3 give to the Trustee, as soon as reasonably practicable, after the acquisition or disposal of any company which thereby becomes or ceases to be a Subsidiary, a certificate to such effect signed by two directors of the Company,
- and any report delivered to the Trustee under Clauses 9.14.1, 9.14.2 and 9.14.3 shall, in the absence of manifest error be conclusive and binding on the Company, the Trustee and the Bondholders;
- 9.15 **Bonds held by Company etc.:** send to the Trustee as soon as practicable after being so requested by the Trustee a certificate of the Company signed by any two of its directors stating the number of Bonds held at the date of such certificate by or on behalf of the Company or its Subsidiaries;
- 9.16 **Trust Deed:** comply with and perform and observe all the provisions of this Trust Deed which are expressed to be binding on it. The Conditions shall be binding on the Company and the Bondholders. The Trustee shall be entitled to enforce the obligations of the Company under the Bonds and the Conditions as if the same were set out and contained in this Trust Deed which shall be read and construed as one document with the Bonds. The provisions contained in Schedule 3 shall have effect in the same manner as if herein set forth;
- 9.17 **Filing, Registration and Reporting:** duly and punctually comply with or procure that there is complied with all filing, registration, reporting and similar requirements required in accordance with applicable law and regulations from time to time relating in any manner whatsoever to this Trust Deed and the Bonds;
- 9.18 **Consents, Approvals and Authorisations:** obtain, comply with and do all that is necessary to maintain in full force and effect any governmental or regulatory consents, approval, authorisation, resolution, license or exemption required by the Company relating in any manner whatsoever to this Trust Deed and the Bonds;
- 9.19 **PRC Approvals:** use its best endeavours to obtain and maintain all necessary consents, clearances, permits, licences, approvals, authorisations, orders, filings, registrations or qualifications of or with any governmental agency or regulatory body

in the People's Republic of China (the "PRC") (the "PRC approvals"), including but not limited to, the relevant approvals from, and registrations with, the relevant bodies of the State Administration of Foreign Exchange in the PRC and the Ministry of Commerce in the PRC, in order that it is legally permitted under applicable PRC laws and regulations to (i) remit all or part of the proceeds of the Offering into the PRC and (ii) expatriate the required funds from the PRC to the extent required to fulfil its obligations under the Bonds, including the payment of interest and any redemption amount under the Bonds; and

**9.20 Remitting funds into the PRC:** not, and will procure that its subsidiaries will not, (i) remit any part of the proceeds from the Offering into the PRC nor (ii) remit any related amount out of the PRC, until it has obtained all the necessary PRC approvals required in order to legally remit such funds under applicable PRC laws and regulations.

## **10 Remuneration and Indemnification of the Trustee**

**10.1 Normal Remuneration:** So long as any Bond remains outstanding the Company will pay the Trustee as remuneration for its services as Trustee such sum on such dates in each case as they may from time to time agree in writing. Such remuneration will accrue from day to day from the date of this Trust Deed. However, if any payment to a Bondholder of moneys due in respect of any Bond or delivery of Shares on conversion of a Bond is improperly withheld or refused, such remuneration will again accrue as from the date of such withholding or refusal until payment or delivery to such Bondholder is duly made.

**10.2 Extra Remuneration:** If an Event of Default or a Potential Event of Default shall have occurred or if the Trustee (after consultation with the Company) finds it expedient or necessary or is requested by the Company to undertake duties which the Trustee and the Company agree to be of an exceptional nature or otherwise outside the scope of the Trustee's normal duties under this Trust Deed, the Company will pay such additional remuneration as they may agree or, failing agreement as to any of the matters in this Clause 10 (or as to such sums referred to in Clause 10.1), as determined to be properly incurred by an Independent Investment Bank. The determination of such Independent Investment Bank will be conclusive and binding on the Company, the Trustee and the Bondholders.

**10.3 Expenses:** The Company will also on demand by the Trustee pay or discharge all costs, charges, liabilities and expenses incurred by the Trustee in the preparation and execution of this Trust Deed and the Conditions and the performance of its functions under this Trust Deed including, but not limited to, legal and travelling expenses and any stamp, documentary or other taxes or duties paid by the Trustee in connection with any legal proceedings properly brought or contemplated by the Trustee against the Company to enforce any provision of this Trust Deed or the Bonds. Such costs, charges, liabilities and expenses will:

**10.3.1** in the case of payments made by the Trustee before such demand carry interest from the date of the demand at the rate of two per cent. per annum over the base rate of the National Westminster Bank plc on the date on which the Trustee made such payments; and

**10.3.2** in other cases carry interest at such rate from 30 days after the date of the demand or (where the demand specifies that payment is to be made on an earlier date) from such earlier date.

**10.4** **Indemnity:** The Company will, subject to Clause 12, indemnify the Trustee in respect of Amounts or Claims paid or incurred by it in acting as trustee under this Trust Deed (including (1) any Agent/Delegate Liabilities and (2) in respect of disputing or defending any Amounts or Claims made against the Trustee or any Agent/Delegate Liabilities). **"Amounts or Claims"** are losses, liabilities, costs, claims, actions, demands or expenses incurred by it in the exercise, performance and discharge of its powers, duties obligations and discretions pursuant to or in connection with this Trust Deed, the Agency Agreement and the Bonds and **"Agent/Delegate Liabilities"** are Amounts or Claims which the Trustee is or would be obliged to pay or reimburse to any of its agents or delegates appointed pursuant to this Trust Deed. The Contracts (Rights of Third Parties) Act 1999 applies to this Clause 10.4.

**10.5** **Continuing Effect:** Clauses 10.3 and 10.4 will continue in full force and effect as regards the Trustee even if it no longer is Trustee or the Bonds are no longer outstanding or this Trust Deed has been discharged.

**11 Provisions Supplemental to the Trustee Act 1925 and the Trustee Act 2000**

**11.1** **Advice:** The Trustee may act on the opinion or advice of, or information obtained from, any expert (including the Auditors), whether obtained by or addressed to the Company, the Trustee, the Principal Agent or otherwise, and notwithstanding any monetary or other limit on liability contained therein, will not be responsible to anyone for any loss occasioned by so acting. Any such opinion, advice or information may be sent or obtained by letter, fax or electronic mail and the Trustee will not be liable to anyone for acting in good faith on any opinion, advice or information purporting to be conveyed by such means, notwithstanding any limitation on liability (monetary or otherwise) in relation to such person's opinion or advice and even if it contains some error or is not authentic.

**11.2** **Trustee to Assume Due Performance:** The Trustee need not notify anyone of the execution of this Trust Deed or do anything to find out if an Event of Default or Potential Event of Default has occurred. Until it has actual knowledge or express notice in writing to the contrary, the Trustee may assume that no such event has occurred and that the Company is performing all its obligations under this Trust Deed, the Agency Agreement and the Bonds.

**11.3** **Resolutions of Bondholders:** The Trustee will not be responsible for having acted in good faith on a resolution in writing purporting to have been signed by the requisite Bondholders or on a resolution purporting to have been passed at a meeting of Bondholders in respect of which minutes have been made and signed even if it is later found that there was a defect in the constitution of the meeting or the passing of the resolution or that the resolution was not valid or binding on the Bondholders.

**11.4** **Illegality/Expenditure of Trustee Funds:** No provision of these presents shall require the Trustee to do anything which may: (i) be illegal or contrary to applicable law or regulation; (ii) cause it to expend or risk its own funds or otherwise incur any

financial liability in the performance of any of its duties or in the exercise of any of its own rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or satisfactory indemnity against such risk or the liability is not assured to it.

- 11.5 Certificate signed by Directors:** If the Trustee, in the exercise of its functions, requires to be satisfied or to have information as to any fact or the expediency of any act, it may call for and accept as sufficient evidence of that fact or the expediency of that act a certificate signed by any two directors of the Company as to that fact or to the effect that, in their opinion, that act is expedient and the Trustee need not call for further evidence and will not be responsible for any loss occasioned by acting on such a certificate.
- 11.6 Deposit of Documents:** The Trustee may appoint as custodian, on any terms, any bank or entity whose business includes the safe custody of documents or any lawyer or firm of lawyers believed by it to be of good repute and may deposit this Trust Deed and any other documents with such custodian and pay all sums due in respect thereof and the Trustee shall not be responsible for or required to issue against any loss in connection with such deposit.
- 11.7 Discretion:** The Trustee will have absolute and uncontrolled discretion as to the exercise of its functions and will not be responsible for any loss, liability, cost, claim, action, demand, expense or inconvenience which may result from their exercise or non-exercise. Whenever in this Trust Deed, the Agency Agreement or by law, the Trustee shall have discretion or permissive power it may decline to exercise the same in the absence of approval by the Bondholders.
- 11.8 Agents:** Subject to Clause 11.27, whenever it considers it expedient in the interests of the Bondholders, the Trustee may, in the conduct of its trust business, instead of acting personally, employ and pay an agent selected by it, whether or not a lawyer or other professional person, to transact or conduct, or concur in transacting or conducting, any business and to do or concur in doing all acts required to be done by the Trustee (including the receipt and payment of money).
- 11.9 Delegation:** Subject to Clause 11.27, whenever it considers it expedient in the interests of the Bondholders, the Trustee may delegate to any person on any terms (including power to sub-delegate) all or any of its functions.
- 11.10 Nominees:** Subject to Clause 11.27, in relation to any asset held by it under this Trust Deed, the Trustee may appoint any person to act as its nominee on any terms.
- 11.11 Forged Bonds:** The Trustee will not be liable to the Company or any Bondholder by reason of having accepted as valid or not having rejected any Bond purporting to be such and later found to be forged or not authentic.
- 11.12 Confidentiality:** Unless ordered to do so by a court of competent jurisdiction the Trustee shall not be required to disclose to any Bondholder any confidential financial or other information made available to the Trustee by the Company.
- 11.13 Determinations Conclusive:** As between itself and the Bondholders the Trustee may determine all questions and doubts arising in relation to any of the provisions of this Trust Deed. Such determinations, whether made upon such a question actually raised or implied in the acts or proceedings of the Trustee, will be conclusive and shall bind the Trustee and the Bondholders.

- 11.14 Currency Conversion:** Where it is necessary or desirable to translate or convert any sum from one currency to another, it will (unless otherwise provided hereby or required by law) be converted or translated at such rate or rates, in accordance with such method and as at such date as may be specified by the Trustee in its absolute discretion but having regard to current rates of exchange, if available. Any rate, method and date so specified will be binding on the Company and the Bondholders.
- 11.15 Events of Default:** The Trustee may determine in its absolute discretion whether or not an Event of Default or a Potential Event of Default is in its opinion capable of remedy and/or materially prejudicial to the interests of the Bondholders. Any such determination will be conclusive and binding on the Company and the Bondholders. If the Trustee is unable in its sole discretion to determine whether an Event of Default or Potential Event of Default is capable or incapable of remedy and/or an event is materially prejudicial to the interests of the Bondholders, it may call for and rely on an Extraordinary Resolution of the Bondholders to make such determination in accordance with such Extraordinary Resolution and the Trustee shall not be obliged to make any determination unless it has been indemnified and/or secured to its satisfaction by the Bondholders.
- 11.16 Payment for and Delivery of Bonds:** The Trustee will not be responsible for the receipt or application by the Company of the proceeds of the issue of the Bonds, any exchange of Bonds or the delivery of Bonds to the persons entitled to them and shall incur no liability for any failure to do so.
- 11.17 Conversion Price:** The Trustee shall have no duty or responsibility to determine whether facts exist which may require an adjustment of the Conversion Price or to determine the nature or extent of any such adjustment when made or the method used or to be used in making it and shall incur no liability for any failure to do so.
- 11.18 The Shares:** The Trustee shall have no duty or responsibility at any time in respect of the validity or value (or the kind or amount) of the Shares or any other property which may at any time be issued or delivered on the conversion of any Bonds or the sale or other disposal of any Shares. The Trustee shall not be responsible for any failure of the Company to make available or deliver any Shares, share certificates or any other securities or property or make any payment on the exercise of any Conversion Right.
- 11.19 Responsibility:** The Trustee assumes no responsibility for the correctness of Recital (A) to this Trust Deed which shall be taken as a statement by the Company, nor shall the Trustee by the execution of this Trust Deed be deemed to make any representation as to the validity, sufficiency or enforceability of the Bonds.
- 11.20 Enforcement:** The Trustee shall not be under any obligation to take proceedings against the Company to enforce payment of the Bonds after the Bonds have become due and payable nor to declare the Bonds due and payable unless it shall have been indemnified and/or secured to its satisfaction.
- 11.21 Satisfaction of Trustee in Condition 8(C):** For the purposes of Condition 8(C) the Trustee shall be satisfied by the Company that the Company will be obliged to pay additional amounts as provided in that Condition by the delivery to it of (a) a certificate signed by two directors of the Company and (b) an opinion of independent legal or tax advisors of recognised standing to the effect that the amendment or change giving rise to the payment of additional amounts have occurred.

- 11.22 Consolidation, amalgamation etc.:** The Trustee shall not be responsible for any consolidation, amalgamation, merger, reconstruction or scheme of the Company or any sale or transfer of all or substantially all of the assets of the Company or the form or substance of any plan relating thereto or the consequences thereof to any Bondholder.
- 11.23 Documents:** The Trustee shall not be liable to the Company or any Bondholder if it has accepted as valid or has not rejected any Bonds purporting to be such and subsequently found to be forged or not authentic nor shall it be liable for any action taken or omitted to be taken in reliance on any document, certificate or communication believed by it to be genuine and to have been presented or signed by the proper parties.
- 11.24 Consent:** Any consent to be given by the Trustee for the purposes of this Trust Deed may be given on such terms and subject to such conditions (if any) as the Trustee thinks fit.
- 11.25 Acceleration:** The Trustee shall not be obliged to declare the Bonds immediately due and payable under Condition 10 unless it has been indemnified and/or secured to its satisfaction in respect of all costs, claims and liabilities which it has incurred to that date and to which it may thereby and as a consequence thereof in its opinion render itself, or have rendered itself, liable.
- 11.26 Bonds held by the Company etc.:** In the absence of actual knowledge or express notice in writing to the contrary, the Trustee may assume without enquiry (other than requesting a certificate under Clause 9.16) that no Bonds are for the time being held by or on behalf of the Company or its Subsidiaries.
- 11.27 Responsibility for agents etc.:** If the Trustee exercises reasonable care in selecting any custodian, agent, delegate or nominee appointed under this clause (an "Appointee") (in each case, after notice have been given to the Company to the extent reasonably practicable), it will not have any obligation to supervise the Appointee or be responsible for any loss, liability, cost, claim, action, demand or expense incurred by reason of the Appointee's misconduct or default or the misconduct or default of any substitute appointed by the Appointee.
- 11.28 Reliance on Certificates:** The Trustee may rely without liability to Bondholders on any certificate prepared by the directors of the Company and accompanied by a certificate or report prepared by an internationally recognised firm of accountants (including the Auditors) pursuant to the Conditions and/or this Trust Deed, whether or not addressed to the Trustee and whether or not the internationally recognised firm of accountants' liability in respect thereof is limited by a monetary cap or otherwise limited or excluded and shall be obliged to do so where the certificate or report is delivered pursuant to the obligation of the Company to procure such delivery under the Conditions; any such certificate or report shall be conclusive and binding on the Company, the Trustee and the Bondholders.
- 11.29 Compliance:** The Conditions shall be binding on the Company and the Bondholders. The Trustee shall be entitled to enforce the obligations of the Company under the Bonds and the Conditions as if the same were set out and contained in this Trust Deed which shall be read and construed as one document with the Bonds. The provisions contained in Schedule 3 shall have effect in the same manner as if herein set forth.

- 11.30 Notice of Event of Default:** The Trustee shall not be bound to give notice to any person of the execution hereof or to take any steps to ascertain whether any Event of Default or any condition event or act which with the giving of notice and/or the lapse of time would constitute an Event of Default has happened and until it shall have actual knowledge or express notice to the contrary the Trustee shall be entitled to assume that no such event has happened and the Company is observing and performing all its obligations under this Trust Deed, the Agency Agreement and the Bonds.
- 11.31 Legal Opinions:** The Trustee shall have no responsibility to Bondholders or any other person in the event that it fails to request, require or receive any legal opinion relating to the Bonds.
- 11.32 Freedom to Refrain:** Notwithstanding anything else herein contained, the Trustee may refrain from doing anything which would or might in its opinion be contrary to any law of any jurisdiction, any court order or arbitral award or any directive or regulation of any agency or any state or which would or might otherwise render it liable to any person or which it would not have the power to do in that jurisdiction and may do anything which is, in its opinion, necessary to comply with any such law, court order, arbitral award, directive or regulation.
- 11.33 Bond Certificate:** The Trustee may call for any certificate or other document to be issued by Euroclear or Clearstream as to the principal amount of Bonds represented by a Global Certificate standing to the account of any person. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream's Cedcom system) in accordance with its usual procedures and in which the holder of a particular principal amount of Bonds is clearly identified together with the amount of such holding. The Trustee shall not be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by Euroclear or Clearstream and subsequently found to be forged or not authentic.
- 11.34 Claims:** The Trustee shall not be liable or responsible for any loss, damage, cost, charge, claim, demand, expense, judgment, action, proceeding or other liability whatsoever or inconvenience which may result from anything done or omitted to be done by it in accordance with the provisions of this Trust Deed.
- 11.35 Reliance on Expert Certificates:** Any certificate or report of any expert or other person called for by or provided to the Trustee (whether or not addressed to the Trustee) in accordance with or for the purposes of the Conditions or this Trust Deed may be relied upon by the Trustee as sufficient evidence of the facts therein and shall, in the absence of manifest error, be conclusive and binding on all parties notwithstanding that such certificate or report and/or engagement letter or other document entered into by the Trustee and/or the Company in connection therewith contains a monetary or other limit on the liability of the relevant expert or person in respect thereof and the Trustee shall not be responsible for any loss occasioned by acting on any such certificate or report. The Trustee shall be obliged to accept and entitled to rely on any report of accountants, financial advisers or investment banks where the Company procures the delivery of the same pursuant to its obligations to do so under the Conditions and such report shall be binding on the Company, the Trustee and the holders in the absence of manifest or proven error.

**12 Liability of the Trustee**

Section 1 of the Trustee Act 2000 shall not apply to any function of the Trustee in relation to the trust constituted under this Trust Deed, provided that if the Trustee fails to show the degree of care and diligence required of it as trustee having regard to the provisions hereof, nothing in this Trust Deed shall relieve or indemnify it from or against any liability which would otherwise attach to it in respect of any gross negligence, wilful default or breach of trust of which it may be guilty.

**13 Waiver and Proof of Default**

**13.1 Waiver:** The Trustee may (but shall not be obliged to), without the consent of the Bondholders and without prejudice to its rights in respect of any subsequent breach, from time to time and at any time, if in its opinion the interests of the Bondholders will not be materially prejudiced thereby, waive or authorise, on such terms as seem expedient to it, any breach or proposed breach by the Company of the Bonds, the Agency Agreement or this Trust Deed or the Conditions or determine that an Event of Default or Potential Event of Default will not be treated as such provided that the Trustee will not do so in contravention of an express direction given by an Extraordinary Resolution or a request made pursuant to Condition 10. No such direction or request will affect a previous waiver, authorisation or determination. Any such waiver, authorisation or determination will be binding on the Bondholders and, if the Trustee so requires, will be notified to the Bondholders as soon as practicable.

**13.2 Proof of Default:** Proof that the Company has failed to pay a sum due to the holder of any one Bond will (unless the contrary be proved) be sufficient evidence that it has made the same default as regards all other Bonds which are then payable.

**13.3 Consents:** Where under this Trust Deed provision is made for the giving of any consent or approval or the exercise of any discretion by the Trustee, any such consent or approval may be given and any such discretion may be exercised on such terms and conditions (if any) as the Trustee may think fit and may be given or exercised with retrospective effect. The Company shall observe and perform any such terms and conditions and the Trustee may at any time waive or agree a variation of such terms and conditions.

**14 Trustee not Precluded from Entering into Contracts**

The Trustee and any other person, whether or not acting for itself, may acquire, hold or dispose of any Bond or other security (or any interest therein) of the Company, or any other person, may enter into or be interested in any contract or transaction with any such person and may act on, or as depositary or agent for, any committee or body of holders of any securities of any such person in each case with the same rights as it would have had if the Trustee were not acting as Trustee and need not account for any profit.



15 **Modification**

The Trustee may agree without the consent of the Bondholders to any modification to the Bonds or to this Trust Deed which, in the Trustee's opinion, is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of law. The Trustee may also so agree to any modification to this Trust Deed which is in its opinion not materially prejudicial to the interests of the Bondholders or is otherwise generally in the interests of the Bondholders, but such power does not extend to any such modification as is mentioned in the proviso to paragraph 16 of Schedule 3. Any such modification as is permitted by this Clause 15 shall be binding on the Bondholders. The Company shall, upon a modification pursuant to this Clause 15, give notice to the Bondholders in accordance with Condition 17.

16 **Currency Indemnity**

- 16.1 **Currency of Account and Payment:** US dollars (the "Contractual Currency") is the sole currency of account and payment for all sums payable by the Company under or in connection with the Bonds and this Trust Deed, including damages.
- 16.2 **Extent of discharge:** An amount received or recovered in a currency other than the Contractual Currency (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Company or otherwise), by the Trustee or any Bondholder in respect of any sum expressed to be due to it from the Company will only discharge the Company to the extent of the Contractual Currency amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).
- 16.3 **Indemnity:** If that Contractual Currency amount is less than the Contractual Currency amount expressed to be due to the recipient under the Bonds or this Trust Deed, the Company will indemnify the recipient against any loss sustained by it as a result. In any event, the Company will indemnify the recipient against the cost of making any such purchase.
- 16.4 **Indemnity separate:** The indemnities in this Clause 16 and in sub-Clause 10.4 constitute separate and independent obligations from the other obligations in this Trust Deed, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted by the Trustee and/or any Bondholder and will continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due under this Trust Deed and/or the Bonds or any other judgment or order.

17 **Appointment, Retirement and Removal of the Trustee**

- 17.1 **Appointment:** The Company has the power of appointing new trustees but no one may be so appointed unless previously approved by an Extraordinary Resolution. A trustee will at all times be a trust corporation and it may be the sole Trustee. Any appointment of a new Trustee will be notified by the Company to the Bondholders as soon as practicable.

- 17.2 Retirement and Removal:** Any Trustee may retire at any time on giving at least 90 days' written notice to the Company without giving any reason and without being responsible for any costs occasioned by such retirement and the Bondholders may by Extraordinary Resolution remove any Trustee provided that the retirement or removal of a sole trust corporation will not become effective until a trust corporation is appointed as successor Trustee. If a sole trust corporation gives notice of retirement or an Extraordinary Resolution is passed for its removal, the Company will use its best endeavours to procure that another trust corporation be appointed as Trustee as soon as practicable and if, after 30 days' of such notice having been given the Company has failed to do so, the Trustee shall be entitled (at the expense of the Company) but not obliged to appoint another trust corporation selected by the Trustee as its successor.
- 17.3 Co-Trustees:** The Trustee may, despite sub-Clause 17.1, by written notice to the Company appoint anyone to act as an additional Trustee jointly with the Trustee:
- 17.3.1** if the Trustee considers such appointment to be in the interests of the Bondholders;
- 17.3.2** to conform with any legal requirement, restriction or condition in a jurisdiction in which a particular act is to be performed; or
- 17.3.3** to obtain a judgment or to enforce a judgment or any provision of this Trust Deed in any jurisdiction.
- Subject to the provisions of this Trust Deed the Trustee may confer on any person so appointed such functions as it thinks fit. The Trustee may by written notice to the Company and that person remove that person. At the Trustee's request, the Company will forthwith do all things as may be required to perfect such appointment or removal and it irrevocably appoints the Trustee to be its attorney in its name and on its behalf to do so.
- 17.4 Competence of a Majority of Trustees:** If there are more than two Trustees the majority of them will be competent to perform the Trustee's functions provided the majority includes a trust corporation.
- 17.5 Successor:** Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all the corporate trust business of the Trustee, shall be the successor to the Trustee hereunder (provided it is a trust corporation) without the execution or filing of any papers or any further act on the part of any of the parties hereto.

**18 Communications**

Any notice required to be given under this Trust Deed to any of the parties shall be made in the English language or shall be accompanied by a certified English translation and shall be by letter sent by registered post or courier or by fax:

in the case of the Company, to it at:

Renesola Ltd  
8 Baoquan Road  
Jiashan City Zhejiang 314117  
PRC

Fax no.: (86) 573 477 3063  
Attention: Chief Financial Officer

and in the case of the Trustee, to it at:

DB Trustees (Hong Kong) Limited  
55<sup>th</sup> Floor  
Cheung Kong Center  
2 Queen's Road Central  
Hong Kong

Fax no.: (852) 2203 7320  
Attention: The Managing Director

with a copy to:

Deutsche Trustee Company Limited  
Winchester House  
1 Great Winchester Street  
London EC2N 2DB

Fax no.: (44 20) 7547 6149  
Attention: The Managing Director

Communications will take effect, in the case of a letter sent by registered post, on the seventh business day in the place of receipt after posting; in the case of a letter sent by courier, at the time of delivery; in the case of fax, at the time of despatch if the correct error-free transmission report is received; provided that if such communication would take effect outside business hours then it shall be deemed to be received on the next business day in the place of receipt.

**19 Further Issues**

**19.1 Supplemental Trust Deed:** If the Company issues further securities as provided in Condition 16, it shall, before their issue, execute and deliver to the Trustee a deed supplemental to this Trust Deed containing such provisions (corresponding to any of the provisions of this Trust Deed) as the Trustee may require.

**19.2 Meetings of Bondholders:** If the Trustee so directs, Schedule 3 shall apply equally to Bondholders and to holders of any securities issued pursuant to the Conditions as if references in it to "Bonds" and "Bondholders" were also to such securities and their holders respectively.

**20 Governing Law, Third Party Rights and Jurisdiction**

**20.1 Governing Law:** This Trust Deed shall be governed by and construed in accordance with English law.

**20.2 Third Party Rights:** A person who is not a party to this Trust Deed has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Trust Deed except and to the extent (if any) that this Trust Deed expressly provides for such Act to apply to any of its terms.

**20.3** **Jurisdiction:** The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with this Trust Deed or the Bonds and accordingly any legal action or proceedings arising out of or in connection with this Trust Deed or the Bonds ("**Proceedings**") may be brought in such courts. The Company irrevocably submits to the jurisdiction of such courts and waives any objections to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is for the benefit of the Trustee and each of the Bondholders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in any one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

**20.4** **Service of Process:** The Company irrevocably appoints Law Debenture Corporate Services Limited, currently of Fifth Floor, 100 Wood Street, London EC2V 7EX to receive, for it and on its behalf, service of process in any Proceedings in England. Such service shall be deemed completed on delivery to such process agent (whether or not it is forwarded to and received by the Company. If such process agent ceases to be able to act as such or no longer has an address in England, the Company will appoint a substitute process agent acceptable to the Trustee and will immediately notify the Trustee of such appointment. Nothing shall affect the right to serve process in any other manner permitted by law.

**21** **Counterparts**

This Trust Deed (and any supplemental trust deed thereto) may be executed in counterparts, which when taken together shall constitute one and the same instrument.

**SCHEDULE 1**  
**Form of Certificate**

On the front:

Amount	ISIN	Common Code	Certificate Number
	XS0293410873	029341087	

**RENESOLA LTD**  
**(incorporated with limited liability in the British Virgin Islands)**  
**RMB928,700,000**  
**USD Settled 1.00 per cent. Convertible Bonds due 2012**

The Bond or Bonds in respect of which this Certificate is issued, the identifying numbers of which are noted above, are in registered form and form part of a series designated as specified in the title (the “**Bonds**”) of Renesola Ltd (the “**Company**”) and constituted by the Trust Deed referred to on the reverse hereof. The Bonds are subject to, and have the benefit of, that Trust Deed and the terms and conditions (the “**Conditions**”) set out on the reverse hereof.

The Company hereby certifies that [-] of [-] is, at the date hereof, entered in the register of Bondholders as the holder of Bonds in the principal amount of RMB[-] ([-] Renminbi). For value received, the Company promises to pay the person who appears at the relevant time on the register of Bondholders as holder of the Bonds in respect of which this Certificate is issued such amount or amounts as shall become due in respect of such Bonds and otherwise to comply with the Conditions.

The Bonds in respect of which this Certificate is issued are convertible into fully-paid ordinary shares with no par value of the Company subject to and in accordance with the Conditions and the Trust Deed.

This Certificate is evidence of entitlement only. Title to the Bonds passes only on due registration on the register of Bondholders and only the duly registered holder is entitled to payments on Bonds in respect of which this Certificate is issued.

This Certificate shall not be valid for any purpose until authenticated by or on behalf of the Registrar.

The Certificate is governed by, and shall be construed in accordance with, the laws of England.

IN WITNESS whereof the Company has caused this Certificate to be signed on its behalf.

Dated [-]

**RENESOLA LTD**

By: \_\_\_\_\_  
Director/Authorised Signatory

**Certificate of Authentication**

Certified that the above-named holder is at the date hereof entered in the register of Bondholders as holder of the above-mentioned principal amount of Bonds with identifying numbers:

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**DEUTSCHE BANK LUXEMBOURG S.A. as Registrar**  
(without warranty, recourse or liability)

By: \_\_\_\_\_  
Authorised Signatory

Dated:

On the back:

#### TERMS AND CONDITIONS OF THE BONDS

*The following (subject to amendment, and other than the words in italics) is the text of the Terms and Conditions of the Bonds which will appear on the reverse of each of the definitive certificates evidencing the Bonds:*

The issue of the RMB928,700,000 aggregate principal amount of USD settled 1.00 per cent. Convertible Bonds due 2012 (the "Bonds", which term shall include, unless the context requires otherwise, any further Bonds issued in accordance with Condition 16 and consolidated and forming a single series therewith) of ReneSola Ltd. (the "Issuer") and the right of conversion into Shares (as defined in Condition 6(A)(v)) of the Issuer were authorised by a resolution of the Board of Directors of the Issuer passed on 20 March 2007. All amounts due under, and all claims arising out of or pursuant to, the Bonds and/or the Trust Deed (as defined below) from or against the Issuer shall be payable and settled in US dollars only in accordance with the provisions of these Conditions and of the Trust Deed. The Bonds are constituted by a trust deed (as amended or supplemented from time to time, the "Trust Deed") to be dated on or about 26 March 2007 (the "Issue Date") made between the Issuer and DB Trustees (Hong Kong) Limited as trustee for the holders of the Bonds (the "Trustee", which term shall, where the context so permits, include all other persons or companies for the time being acting as trustee or trustees under the Trust Deed) and are subject to the paying and conversion agency agreement to be dated on or about 26 March 2007 (as amended or supplemented from time to time, the "Agency Agreement") with the Trustee, Deutsche Bank AG, Hong Kong Branch as principal paying and conversion agent (the "Principal Agent"), Deutsche Bank Luxembourg S.A. as transfer agent and registrar (the "Registrar") and the other paying, conversion and transfer agents appointed under it (each a "Paying Agent", "Conversion Agent", "Transfer Agent" and together with the Registrar and the Principal Agent, the "Agents") relating to the Bonds. References to the "Principal Agent", "Registrar" and "Agents" below are references to the principal agent, registrar and agents for the time being for the Bonds. The statements in these terms and conditions (these "Conditions") include summaries of, and are subject to, the detailed provisions of the Trust Deed. Unless otherwise defined, terms used in these Conditions have the meaning specified in the Trust Deed. Copies of the Trust Deed and of the Agency Agreement are available for inspection at the registered office of the Trustee being at the date hereof at 55th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong and at the specified offices of each of the Agents. The Bondholders are entitled to the benefit of the Trust Deed and are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them.

#### Status and Form

##### A. Status

The Bonds constitute direct, unsubordinated, unconditional and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and the Bonds shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at all times rank at least equally with all of its other present and future unsecured and unsubordinated obligations.

**B. Form and Denomination**

The Bonds are issued in registered form in the denomination of RMB100,000 or higher multiple integrals thereof, without coupons attached. A Bond certificate (each a "Certificate") will be issued to each Bondholder in respect of its registered holding of Bonds. Each Bond and each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Bondholders which the Issuer will procure to be kept by the Registrar.

*Upon issue, the Bonds will be represented by a Global Certificate deposited with a common depositary for, and representing Bonds registered in the name of a common nominee of, Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme. The Conditions are modified by certain provisions contained in the Global Certificate. Except in the limited circumstances described in the Global Certificate, owners of interests in Bonds represented by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of Bonds. The Bonds are not issuable in bearer form.*

**Title**

Title to the Bonds passes only by transfer and registration in the register of Bondholders as described in Condition 3. The holder of any Bond will (except as otherwise required by law) be treated as its absolute legal and beneficial owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder. In these Terms and Conditions "Bondholder" and (in relation to a Bond) "holder" means the person in whose name a Bond is registered.

**Transfers of Bonds; Issue of Certificates**

**A. Register**

The Issuer will cause to be kept at the specified office outside the United Kingdom of the Registrar and in accordance with the terms of the Agency Agreement a register on which shall be entered the names and addresses of the holders of the Bonds and the particulars of the Bonds held by them and of all transfers of the Bonds (the "Register"). Each Bondholder shall be entitled to receive only one Certificate in respect of its entire holding of Bonds.

**B. Transfer**

Subject to Condition 3(E) and the terms of the Agency Agreement, a Bond may be transferred by delivery of the Certificate issued in respect of that Bond, with the form of transfer on the back duly completed and signed by the holder or his attorney duly authorised in writing, to the specified office of the Registrar or any of the Agents. No transfer of title to a Bond will be valid or effective unless and until entered on the Register.

*Transfers of interests in the Bonds evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems.*

**C. Delivery of New Certificates**

Each new Certificate to be issued upon a transfer of Bonds will, within five business days (at the place of the relevant specified office) of receipt by the Registrar or, as the case may be, any other relevant Agent of the original certificate and the form of transfer duly completed and signed, be made available for collection at the specified office of the Registrar or such other relevant Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder entitled to the Bonds (free of charge to the holder and at the Company's expenses) to the address specified in the form of transfer.



Except in the limited circumstances described herein (see "The Global Certificate"), owners of interests in the Bonds will not be entitled to receive physical delivery of Certificates.

Where only part of a principal amount of the Bonds (being that of one or more Bonds) in respect of which a Certificate is issued is to be transferred, exchanged or converted, a new Certificate in respect of the Bonds not so transferred, exchanged or converted will, within five business days (at the place of the relevant specified office) of delivery of the original Certificate to the Registrar or other relevant Agent, be made available for collection at the specified office of the Registrar or such other relevant Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder of the Bonds not so transferred, exchanged or converted (but free of charge to the holder) to the address of such holder appearing on the Register.

For the purposes of Condition 3, "business day" shall mean a day other than a Saturday or Sunday on which banks are open for business in the city in which the specified office of the Registrar (if a Certificate is deposited with it in connection with a transfer or conversion) or the Agent with whom a Certificate is deposited in connection with a transfer or conversion, is located.

**D. Formalities Free of Charge**

Registration of a transfer of Bonds and issuance of new Certificates will be effected without charge by or on behalf of the Issuer or any of the Agents, but upon payment (or the giving of such indemnity as the Issuer or any of the Agents may require) in respect of any tax or other governmental charges which may be imposed in relation to such transfer and (ii) the Company or the relevant Agent being satisfied that the regulations concerning the transfer of Bonds have been complied with.

**E. Closed Periods**

No Bondholder may require the transfer of a Bond to be registered (i) during the period of seven days ending on (and including) the dates for payment of any principal pursuant to the Conditions; (ii) after a Conversion Notice (as defined in Condition 6(B)) has been delivered with respect to a Bond; (iii) after, a Relevant Event Redemption Notice (as defined in Condition 8(D)) or a Put Exercise Notice (as defined in Condition 8(E)) has been deposited in respect of such Bond; (iv) during the period of 15 days ending on (and including) any Interest Record Date (as defined in Condition 7(B)), each such period being a "Closed Period".

**F. Regulations**

All transfers of Bonds and entries on the register of Bondholders ("Register") will be made subject to the detailed regulations concerning transfer of Bonds scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be mailed (free of charge to the holder and at the Company's expenses) by the Registrar to any Bondholder who asks for one.

**Negative Pledge**

(a) *Negative Pledge*

The Issuer undertakes that, so long as any of the Bonds remains outstanding (as defined in the Trust Deed) or any amount is due under or in respect of any Bond or otherwise under the Trust Deed, it will not, and will procure that none of its subsidiaries will, create or permit to subsist or arise any Encumbrance upon the whole or any part of their respective present or future assets or revenues to secure any Relevant Indebtedness of the Issuer or any subsidiary of the Issuer or to secure any guarantee of or indemnity in respect of any Relevant Indebtedness of the Issuer or any subsidiary of the Issuer unless the outstanding

Bonds are forthwith secured by the same Encumbrance or, at the option of the Issuer, by such other security, guarantee, indemnity or other arrangement as shall be approved by an Extraordinary Resolution of the Bondholders.

(b) *Interpretation*

In these Conditions

- (i) any reference to an "Encumbrance" is to a mortgage, charge, pledge, lien or other encumbrance or security interest securing any obligation of any person;
- (ii) any reference to "Relevant Indebtedness" is to any indebtedness in the form of or represented by debentures, loan stock, bonds, notes, or other similar securities which are, or are issued with the intention on the part of the issuer thereof that they should be, quoted, listed, ordinarily dealt in or traded on any stock exchange or over the counter or on any other securities market (whether or not initially distributed by way of private placement); and
- (iii) any reference to a "subsidiary" or "Subsidiary" of the Issuer is to a company the financial statements of which, in accordance with applicable law and generally accepted accounting principles, are or should be consolidated with those of the Issuer.

**Interest**

- A.** The Bonds bear interest from 26 March 2007 at the rate of 1.00 per cent. per annum (the "Rate of Interest") of the principal amount of the Bonds. Interest is payable semi-annually in arrear on 26 March and 26 September in each year (each an "Interest Payment Date") commencing 26 September 2007. Each Bond will cease to bear interest (a) (subject to Condition 6(B)(iv)) from and including the Interest Payment Date last preceding its Conversion Date (as defined below) (or if such Conversion Date falls on or before the first Interest Payment Date, 26 March 2007) subject to conversion of the relevant Bond in accordance with the provisions of Condition 6(B), or (b) from the due date for redemption thereof unless, upon surrender in accordance with Condition 8, payment of the full amount due is improperly withheld or refused or default is otherwise made in respect of any such payment. In such event, interest will continue to accrue at the rate aforesaid (after as well as before any judgment) up to but excluding the date on which all sums due in respect of any Bond are received by or on behalf of the relevant holder. If interest is required to be calculated for a period of less than a complete Interest Period (as defined below), the relevant day-count fraction will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

The period beginning on 26 March 2007 and ending on the first Interest Payment Date and each successive period beginning on an Interest Payment Date and ending on the next succeeding Interest Payment Date is called an "Interest Period".

The amount of interest payable for any period shall be the US Dollar Equivalent of an amount equal to the product of the Rate of Interest, the principal amount of the Bonds and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

- B.** Save as provided in Condition 6(B)(iv), no payment or adjustment will be made on conversion for any interest accrued on converted Bonds since the Interest Payment Date last preceding the relevant Conversion Date, or, if the Bonds are converted on or before the first Interest Payment Date, since 26 March 2007.

## Conversion

### A. Conversion Right

(i) *Conversion Period:* Subject as hereinafter provided, Bondholders have the right to convert their Bonds into Shares at any time during the Conversion Period referred to below.

The right of a Bondholder to convert any Bond into Shares is called the "Conversion Right" Subject to and upon compliance with, the provisions of this Condition, the Conversion Right attaching to any Bond may be exercised, at the option of the holder thereof, at any time on and after 10 April 2007 up to the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on 11 March 2012 (but, except as provided in Condition 6(A)(iv), in no event thereafter) or if such Bond shall have been called for redemption before the Maturity Date, then up to the close of business (at the place aforesaid) on a date no later than seven business days (in the place aforesaid) prior to the date fixed for redemption thereof (the "Conversion Period").

The number of Shares to be issued on conversion of a Bond will be determined by dividing the RMB principal amount of the Bond to be converted (translated into Sterling at the fixed exchange rate of RMB15.0633 to £1.00) by the Conversion Price in effect at the Conversion Date (both as hereinafter defined). A Conversion Right may only be exercised in respect of one or more Bonds. If more than one Bond held by the same holder is converted at any one time by the same holder, the number of Shares to be issued upon such conversion will be calculated on the basis of the aggregate RMB principal amount of the Bonds to be converted.

(ii) *Fractions of Shares:* Fractions of Shares will not be issued on conversion and no cash adjustments will be made in respect thereof. Notwithstanding the foregoing, in the event of a consolidation or re-classification of Shares by operation of law or otherwise occurring after 21 March 2007 which reduces the number of shares outstanding, the Issuer will upon conversion of Bonds pay in cash (in US dollar by means of a US dollar cheque drawn on a bank in New York City) the US Dollar Equivalent of a sum equal to such portion of the RMB principal amount of the Bond or Bonds evidenced by the Certificate deposited in connection with the exercise of Conversion Rights as corresponds to any fraction of a Share not issued as a result of such consolidation or re-classification aforesaid if such sum exceeds US\$10.00.

(iii) *Conversion Price:* The price at which Shares will be issued upon conversion (the "Conversion Price") will initially be £5.88 per Share but will be subject to adjustment in the manner provided in Condition 6(C).

(iv) *Revival and/or survival after Default:* Notwithstanding the provisions of Condition 6(A)(i), if (a) the Issuer shall default in making payment in full in respect of any Bond which shall have been called for redemption on the date fixed for redemption thereof, (b) any Bond has become due and payable prior to the Maturity Date by reason of the occurrence of any of the events under Condition 10 or (c) any Bond is not redeemed on the Maturity Date in accordance with Condition 8(A), the Conversion Right attaching to such Bond will revive and/or will continue to be exercisable up to, and including, the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on the date upon which the full amount of the moneys payable in respect of such Bond has been duly

received by the Principal Agent or the Trustee and notice of such receipt has been duly given to the Bondholders and, notwithstanding the provisions of Condition 6(A)(i), any Bond in respect of which the Certificate and Conversion Notice are deposited for conversion prior to such date shall be converted on the relevant Conversion Date (as defined below) notwithstanding that the full amount of the moneys payable in respect of such Bond shall have been received by the Principal Agent or the Trustee before such Conversion Date or that the Conversion Period may have expired before such Conversion Date.

- (v) *Meaning of "Shares"*: As used in these Conditions, the expression "Shares" means ordinary shares of no par value of the Issuer or shares of any class or classes resulting from any subdivision, consolidation or re-classification of those shares, which as between themselves have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation or dissolution of the Issuer.

#### **B. Conversion Procedure**

- (i) *Conversion Notice*: To exercise the Conversion Right attaching to any Bond, the holder thereof must complete, execute and deposit at his own expense during normal business hours at the specified office of any Conversion Agent a notice of conversion (a "Conversion Notice") in duplicate in the form (for the time being current) obtainable from the specified office of each Agent, together with the relevant Certificate and any amounts required to be paid by the Bondholder under Condition 6(B)(ii).

The conversion date in respect of a Bond (the "Conversion Date") must fall at a time when the Conversion Right attaching to that Bond is expressed in these Conditions to be exercisable (subject to the provisions of Condition 6(A)(iv) above) and will be deemed to be the Stock Exchange Business Day (as defined below) immediately following the date of the surrender of the Certificate in respect of such Bond and delivery of such Conversion Notice and, if applicable, any payment to be made or indemnity given under these Conditions in connection with the exercise of such Conversion Right. A Conversion Notice once delivered shall be irrevocable and may not be withdrawn unless the Issuer consents to such withdrawal. "Stock Exchange Business Day" means any day (other than a Saturday or Sunday) on which the AIM Market of the London Stock Exchange plc ("AIM") or the Alternative Stock Exchange (as defined in Condition 6(C) below), as the case may be, is open for business.

- (ii) *Stamp Duty etc.*: A Bondholder delivering a Certificate in respect of a Bond for conversion must pay to the relevant Conversion Agent any taxes and capital, stamp, issue and registration duties arising on conversion (other than any taxes or capital or stamp duties payable in the British Virgin Islands, the United Kingdom and, if relevant, in the place of the Alternative Stock Exchange, by the Issuer in respect of the allotment and issue of Shares and listing of the Shares on AIM on conversion) (the "Taxes") and such Bondholder must pay all, if any, taxes arising by reference to any disposal or deemed disposal of a Bond in connection with such conversion. The Issuer will pay all other expenses arising on the issue of Shares on conversion of Bonds. The Bondholder (and, if applicable, the person other than the Bondholder to whom the Shares are to be issued) must provide the Agent with details of the relevant tax authorities to which the Agent must pay monies received in settlement of Taxes payable pursuant to this Condition 6(B)(ii). The Agent is under no obligation to determine whether a Bondholder is liable to pay any Taxes including capital, stamp, issue, registration or similar taxes and duties or the amounts payable (if any) in connection with this Condition 6(B)(ii).

(iii) *Issue of Shares*: Shares to be issued on conversion of the Bonds (including any Additional Shares (as defined below)) will be issued in uncertificated form through the dematerialised securities trading system operated by CRESTCo Limited ("CREST") provided the Bondholder has specified an account for this purpose, unless the relevant Bondholder elects to receive the Shares in certificated registered form or, at the time of issue, the Shares are not a participating security in CREST. Where Shares are to be issued through CREST, they will be delivered to the account specified by the relevant Bondholder in the relevant Conversion Notice by not later than seven Stock Exchange Business Days following the relevant Conversion Date (or, in the case of any Additional Shares, not later than seven Stock Exchange Business Days following the Reference Date (as defined below)). Where Shares are to be issued in certificated form, a certificate in respect thereof will be dispatched by mail free of charge (but uninsured and at the risk of the recipient) to the relevant Bondholder or as it may direct in the relevant Conversion Notice within 28 days following the relevant Conversion Date or, as the case may be, the Reference Date.

If the Conversion Date in relation to any Bond shall be on or after a date with effect from which an adjustment to the Conversion Price takes retroactive effect pursuant to any of the provisions referred to in Condition 6(C) and the relevant Registration Date (as defined below) falls on a date when the relevant adjustment has not yet been reflected in the then current Conversion Price, the provisions of this sub-paragraph (iii) shall be applied *mutatis mutandis* to such number of Shares as is equal to the excess of the number of Shares ("Additional Share") which would have been required to be issued on conversion of such Bond if the relevant retroactive adjustment had been given effect as at the said Registration Date over the number of Shares previously issued (or which the Issuer was previously bound to issue) pursuant to such conversion. Any Additional Shares to be issued pursuant to this Condition 6(B)(iii) will be deemed to be issued as of the date the relevant retroactive adjustment takes effect or as at the date of issue of Shares if the adjustment results from the issue of Shares (each such date, the "Reference Date").

The person or persons specified for that purpose will become the holder of record of the number of Shares issuable upon conversion with effect from the date he is or they are registered as such in the Issuer's register of members (the "Registration Date"). The Shares issued upon conversion of the Bonds will in all respects rank *pari passu* with the Shares in issue on the relevant Registration Date. Save as set out in these Conditions, a holder of Shares issued on conversion of Bonds shall not be entitled to any rights the record date for which precedes the relevant Registration Date.

If the record date for the payment of any dividend or other distribution in respect of the Shares is on or after the Conversion Date in respect of any Bond, but before the Registration Date (disregarding any retroactive adjustment of the Conversion Price referred to in this sub-paragraph (iii) prior to the time such retroactive adjustment shall have become effective), the Issuer will pay to the converting Bondholder or his designee an amount (the "Equivalent Amount") equal to the US Dollar Equivalent of any such dividend or other distribution to which he would have been entitled had he on that record date been such a shareholder of record and will make the payment at the same time as it makes payment of the dividend or other distribution, or as soon as practicable thereafter, but, in any event, not later than seven days thereafter. The Equivalent Amount shall be paid by means of a US dollar cheque drawn on a bank in New York City and sent to the address specified in the relevant Conversion Notice.

(iv) *Interest Accrual:* If any notice requiring the redemption of any Bonds is given pursuant to Condition 8(B) or Condition 8(C) during the period beginning on the 15th day prior to the record date in respect of any dividend payable in respect of the Shares and ending on the Interest Payment Date next following such record date, where such notice specifies a date for redemption falling on or prior to the date which is 14 days after such next following Interest Payment Date, where Certificates have been delivered for conversion and in respect of which the Conversion Date falls after such record date and on or prior to the Interest Payment Date next following such record date, interest shall accrue on the Bonds from the preceding Interest Payment Date (or, if the relevant Conversion Date falls on or before the first Interest Payment Date, from, and including, 26 March 2007) to, but excluding, the relevant Conversion Date; provided that no such interest shall accrue on any Bond in the event that the Shares issued on conversion thereof shall carry an entitlement to receive such dividend or in the event the Bond carries an entitlement to receive an Equivalent Amount (as defined herein). Any such interest shall be paid not later than 14 days after the relevant Conversion Date by US dollar cheque drawn on, or by transfer to a US dollar account maintained by the payee with, a bank in New York City, in accordance with instructions given by the relevant Bondholder.

**C. Adjustments to Conversion Price**

The Conversion Price will be subject to adjustment in the following events:

1 *Consolidation, Subdivision or Reclassification:* If the Issuer shall (a) divide its outstanding Shares, (b) consolidate its outstanding Shares into a smaller number of Shares, or (c) re-classify any of its Shares into other securities of the Issuer, then the Conversion Price shall be appropriately adjusted so that the holder of any Bond, the Conversion Date in respect of which occurs after the coming into effect of the adjustment described in this Condition 6(C)(1) shall be entitled to receive the number of Shares and/or other securities of the Issuer which such holder would have held or have been entitled to receive after the happening of any of the events described above had such Bond been converted immediately prior to the happening of such event, but without prejudice to the effect of any other adjustment to the Conversion Price made with effect from the date of the happening of such event or any time thereafter.

Such adjustment shall become effective on the date the alteration takes effect.

2 *Capitalisation of Profits or Reserves:*

(i) If and whenever the Issuer shall issue any Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves including, Shares paid up out of distributable profits or reserves, issued (except any Scrip Dividend) and which would not have constituted a Distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A}{B}$$

Where:

A is the aggregate number of issued Shares outstanding immediately before such issue; and

B is the aggregate number of issued Shares immediately after such issue.

- (ii) In the case of an issue of Shares by way of a Scrip Dividend where the Current Market Price of such Shares exceeds the amount of the Relevant Cash Dividend or the relevant part thereof and which would not have constituted a Distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the issue of such Shares by the following fraction:

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

Where:

A is the aggregate number of issued Shares immediately before such issue;

B is the aggregate number of Shares issued by way of such Scrip Dividend multiplied by a fraction of which (i) the numerator is the amount of the whole, or the relevant part, of the Relevant Cash Dividend and (ii) the denominator is the Current Market Price of the Shares issued by way of Scrip Dividend in respect of each existing Share in lieu of the whole, or the relevant part, of the Relevant Cash Dividend; and

C is the aggregate number of Shares issued by way of such Scrip Dividend;

or by making such other adjustment as an Independent Investment Bank shall certify to the Trustee as fair and reasonable.

Such adjustment shall become effective on the date of issue of such Shares or if a record date is fixed therefor, immediately after such record date.

**3** *Distributions:*

- (i) Subject to Condition 6(C)(3)(ii), if and whenever the Issuer shall pay or make any Distribution to the Shareholders (except to the extent that the Conversion Price falls to be adjusted under Condition 6(C)(2) above), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such Distribution by the following fraction:

$$\frac{A - B}{A}$$

Where:

A is the Current Market Price of one Share on the last Trading Day preceding the date on which the Distribution is publicly announced; and

B is the Fair Market Value on the date of such announcement of the portion of the Distribution attributable to one Share.

Such adjustment shall become effective on the date that such Distribution is actually made.

- (ii) If and whenever the Issuer shall pay or make any Distribution in cash only to the Shareholders, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such Distribution by the following fraction:

$$\frac{A - B}{A}$$

Where:

A is the Current Market Price of one Share on the record date for the determination of Shareholders entitled to receive such Distribution in cash; and

B is the amount of cash so distributed attributable to one Share.

Such adjustment shall become effective on the record date for the determination of Shareholders entitled to receive such Distribution in cash.

- 4 *Rights Issues of Shares or Options over Shares:* If and whenever the Issuer shall issue Shares to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class by way of rights, of options, warrants or other rights to subscribe for or purchase any Shares, in each case at less than 95 per cent. of the Current Market Price per Share on the last Trading Day preceding the date of the announcement of the terms of the issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

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

Where:

A is the number of Shares in issue immediately before such announcement;

B is the number of Shares which the aggregate amount (if any) payable for the Shares issued by way of rights or for the options or warrants or other rights issued by way of rights and for the total number of Shares comprised therein would purchase at such Current Market Price per Share; and

C is the aggregate number of Shares issued or, as the case may be, comprised in the grant.



Such adjustment shall become effective on the date of issue of such Shares or issue or grant of such options, warrants or other rights (as the case may be).

- 5 *Rights Issues of Other Securities:* If and whenever the Issuer shall issue any securities (other than Shares or options, warrants or other rights to subscribe or purchase Shares) to all or substantially all Shareholders as a class by way of rights or grant to all or substantially all Shareholders as a class by way of rights, of options, warrants or other rights to subscribe for or purchase any securities (other than Shares or options, warrants or other rights to subscribe or purchase Shares), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A - B}{A}$$

Where:

A is the Current Market Price of one Share on the last Trading Day preceding the date on which such issue or grant is publicly announced; and

B is the Fair Market Value on the date of such announcement of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue of the securities or grant of such rights, options or warrants (as the case may be).

- 6 *Issues at less than Current Market Price:* If and whenever the Issuer shall issue any Shares (other than Shares issued on the exercise of Conversion Rights or on the exercise of any other rights of conversion into, or exchange or subscription for, Shares) or the issue or grant of options, warrants or other rights to subscribe or purchase Shares in each case at a price per Share which is less than 95 per cent. of the Current Market Price on the last Trading Day preceding the date of announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

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

Where:

A is the number of Shares in issue immediately before the issue of such additional Shares or the grant of such options, warrants or other rights to subscribe for or purchase any Shares;

B is the number of Shares which the aggregate consideration receivable for the issue of such additional Shares would purchase at such Current Market Price per Share; and

C is the number of Shares in issue immediately after the issue of such additional Shares.

References to additional Shares in the above formula shall, in the case of an issue by the Issuer of options, warrants or other rights to subscribe or purchase Shares, mean such Shares to be issued assuming that such options, warrants or other rights are exercised in full at the initial exercise price on the date of issue of such options, warrants or other rights.

Such adjustment shall become effective on the date of issue of such additional Shares or, as the case may be, the issue of such options, warrants or other rights.

7 *Other Issues at less than Current Market Price:* Save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves falling within this Condition 6(C)(7), if and whenever the Issuer or any of its Subsidiaries (otherwise than as mentioned in Conditions 6(C)(4), 6(C)(5) or 6(C)(6)), or (at the direction or request of or pursuant to any arrangements with the Issuer or any of its Subsidiaries) any other company, person or entity shall issue any securities (other than the Bonds) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares to be issued by the Issuer on conversion, exchange or subscription at a consideration per Share which is less than 95 per cent. of the Current Market Price on the last Trading Day preceding the date of announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

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

Where:

A is the number of Shares in issue immediately before such issue;

B is the number of Shares which the aggregate consideration receivable by the Issuer for the Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to such securities would purchase at such Current Market Price per Share; and

C is the maximum number of Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate.

Such adjustment shall become effective on the date of issue of such securities

8 *Modification of Rights of Conversion etc.:* If and whenever there shall be any modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in Condition 6(C)(7) (other than in accordance with the terms of such securities) so that the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) is less than 95 per cent. of the Current Market Price on the last Trading Day preceding the date of announcement of the proposals for such modification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such modification by the following fraction:

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

Where:

- A is the number of Shares in issue immediately before such modification;
- B is the number of Shares which the aggregate consideration receivable by the Issuer for the Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to the securities so modified would purchase at such Current Market Price per Share or, if lower, the existing conversion, exchange or subscription price; and
- C is the maximum number of Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the modified conversion, exchange or subscription price or rate but giving credit in such manner as an Independent Investment Bank considers appropriate (if at all) for any previous adjustment under this Condition 6(C)(8) or Condition 6(C)(7).

Such adjustment shall become effective on the date of modification of the rights of conversion, exchange or subscription attaching to such securities.

- 9 *Other Offers to Shareholders:* If and whenever the Issuer or any of its Subsidiaries or (at the direction or request of or pursuant to any arrangements with the Issuer or any of its Subsidiaries) any other company, person or entity issues, sells or distributes any securities in connection with which an offer to which the Shareholders generally (meaning for these purposes the holders of at least 60 per cent. of the Shares outstanding at the time such offer is made) are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Conversion Price falls to be adjusted under Condition 6(C)(4), Condition 6(C)(5) or Condition 6(C)(6)), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A - B}{A}$$

Where:

- A is the Current Market Price of one Share on the last Trading Day preceding the date on which such issue is publicly announced; and
- B is the Fair Market Value on the date of such announcement of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue of the securities.

**10** *Other Events:* If the Issuer determines that an adjustment should be made to the Conversion Price as a result of one or more events or circumstances not referred to in this Condition 6, the Issuer shall, at its own expense, consult an Independent Investment Bank, to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof, if the adjustment would result in a reduction in the Conversion Price, and the date on which such adjustment should take effect and upon such determination by the Independent Investment Bank such adjustment (if any) shall be made and shall take effect in accordance with such determination, provided that where the circumstances giving rise to any adjustment pursuant to this Condition 6 have already resulted or will result in an adjustment to the Conversion Price or where the circumstances giving rise to any adjustment arise by virtue of circumstances which have already given rise or will give rise to an adjustment to the Conversion Price, such modification (if any) shall be made to the operation of the provisions of this Condition 6 as may be advised by the Independent Investment Bank to be in its opinion appropriate to give the intended result.

**11** *Calculation of Consideration Receivable:* For the purpose of any calculation of the consideration receivable pursuant to Conditions 6(C)(6), 6(C)(7) and 6(C)(8):

- (a) *Issue of Shares for Cash:* the aggregate consideration receivable for Shares issued for cash shall be the amount of such cash provided that in no case shall any deduction be made for any commission or any expenses paid or incurred by the Issuer for any underwriting of the issue or otherwise in connection therewith;
- (b) *Issue of Shares on Conversion or Exercise of Securities:* (1) the aggregate consideration receivable for the Shares to be issued on the conversion or exchange of any securities shall be deemed to be the consideration received or receivable by the Issuer for any such securities and (2) the aggregate consideration receivable for the Shares to be issued on the exercise of rights of subscription attached to any securities shall be deemed to be that part (which may be the whole) of the consideration received or receivable by the Issuer for such securities which is attributed by the Issuer to such rights of subscription or, if no part of such consideration is so attributed, the Fair Market Value of such rights of subscription as at the date of the announcement of the terms of issue of such securities as determined in good faith by an Independent Investment Bank, plus in the case of each of (1) and (2) above, the additional minimum consideration (if any) to be received by the Issuer on the conversion or exchange of such securities, or on the exercise of such rights of subscription (the consideration in all such cases to be determined subject to the proviso in Conditions 6(C)(11)(a)) and (3) the consideration per Share receivable by the Issuer on the conversion or exchange of, or on the exercise of such rights of subscription attached to, such securities shall be the aggregate consideration referred to in (1) or (2) above (as the case may be) converted into Sterling if such consideration is expressed in a currency other than Sterling at such rate of exchange as may be determined in good faith by an Independent Investment Bank to be the spot rate ruling at the close of business on the date of announcement of the terms of issue of such securities, divided by the number of Shares to be issued on such conversion or exchange or exercise at the initial conversion, exchange or subscription price or rate.

- 12 *More than One Event in Quick Succession:* Where more than one event which gives or may give rise to an adjustment to the Conversion Price occurs within such a short period of time that in the opinion of an Independent Investment Bank, the foregoing provisions would need to be operated subject to some modification in order to give the intended result, such modification shall be made to the operation of the foregoing provisions as may be advised by such independent investment bank to be in its opinion appropriate for that purpose to give such intended result.
- 13 *Increases in Conversion Price:* No adjustment involving an increase in the Conversion Price will be made, except in the case of a consolidation of the Shares as referred to in Condition 6(C)(1) above.
- 14 *Investment Banks' Certificate Conclusive:* If any doubt shall arise as to the appropriate adjustment to the Conversion Price a certificate or report of an Independent Investment Bank shall be conclusive and binding on all concerned save in the case of manifest error.
- 15 *Rounding and Minor Adjustments:* On any adjustment, the resultant Conversion Price, if not an integral multiple of £0.01, shall be rounded down to the nearest £0.01. No adjustment shall be made to the Conversion Price if such adjustment (rounded down if applicable) would be less than one per cent. of the Conversion Price then in effect. Any adjustment not required to be made, and any amount by which the Conversion Price has not been rounded down, shall be carried forward and taken into account in any subsequent adjustment.
- 16 *Selection of Investment Bank:* If the Issuer fails to select an Independent Investment Bank when required for the purposes of this Condition 6, the Bondholders may select such bank (as the case may require) at the expense of the Issuer.
- 17 *Notice to Bondholders:* Notice of any adjustments shall be given to Bondholders in accordance with Condition 17, the Trustee and the Agents as soon as practicable after their determination. Any such notice relating to a change in the Conversion Price shall set forth the event giving rise to the adjustment, the Conversion Price prior to such adjustment, the adjusted Conversion Price and the effective date of such adjustment. The Trustee and the Agents shall not be under any duty to monitor whether any event or circumstance has happened or exists which may require an adjustment to be made to the Conversion Price and will not be responsible to Bondholders for any loss arising from any failure by it to do so. Neither the Trustee nor the Agents shall be under any duty to determine, calculate or verify the adjusted Conversion Price and will not be responsible to Bondholders for any loss arising from any failure by it to do so.

For the purposes of these Conditions:

“Alternative Stock Exchange” means at any time, in the case of the Shares, if they are not at that time listed and traded on AIM, the principal stock exchange or securities market on which the Shares are then listed or quoted or dealt in.

“Average Closing Price” is the arithmetic average of the Closing Price per Share for each Trading Day during the Relevant Period.

In making any such calculation, such adjustments (if any) shall be made as an Independent Investment Bank may consider appropriate to reflect (a) any consolidation or subdivision of the Shares, (b) issues of Shares by way of capitalisation of profits or reserves, or any like or similar event or (c) the modification of any rights to dividends of Shares.

“Closing Price” for the Shares for any Trading Day shall be the price derived from AIM or, as the case may be, the Alternative Stock Exchange for such day.

“Current Market Price” means, in respect of a Share at a particular date, the average of the closing prices derived from AIM or the Alternative Stock Exchange for one Share (being a Share carrying full entitlement to dividend) for the five consecutive Trading Days ending on the Trading Day immediately preceding such date, provided that if at any time during the said five Trading Day period the Shares shall have been quoted ex-dividend and during some other part of that period the Shares shall have been quoted cum-dividend then:

- (i) if the Shares to be issued in such circumstances do not rank for the dividend in question, the quotations on the dates on which the Shares shall have been quoted cum-dividend shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the amount of that dividend per Share; or
- (ii) if the Shares to be issued in such circumstances rank for the dividend in question, the quotations on the dates on which the Shares shall have been quoted ex-dividend shall for the purpose of this definition be deemed to be the amount thereof increased by such similar amount;

and provided further that if the Shares on each of the said five Trading Days have been quoted cum-dividend in respect of a dividend which has been declared or announced but the Shares to be issued do not rank for that dividend, the quotations on each of such dates shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the amount of that dividend per Share.

“Distribution” means (a) any dividend or distribution (whether of cash or assets in specie) by the Issuer for any financial period (whenever paid or made and however described) (and for these purposes a distribution of assets in specie includes without limitation an issue of shares or other securities credited as fully or partly paid (other than Shares credited as fully paid to the extent an adjustment to the Conversion Price is made in respect thereof under Condition 6(C)(2) (i) by way of capitalisation of reserves and including any Scrip Dividend to the extent of the Relevant Cash Dividend) unless it comprises a purchase or redemption of Shares by or on behalf of the Issuer (or a purchase of Shares by or on behalf of a Subsidiary of the Issuer), where the weighted average price (before expenses) on any one day in respect of such purchases does not exceed the Current Market Price of the Shares as derived from AIM or the Alternative Stock Exchange, as the case may be, by more than five per cent, either (1) on that date, or (2) where an announcement has been made of the intention to purchase Shares at some future date at a specified price, on the Trading Day immediately preceding the date of such announcement and, if in the case of either (1) or (2), the relevant day is not a Trading Day, the immediately preceding Trading Day.

“Fair Market Value” means, with respect to any assets, security, option, warrants or other right on any date, the fair market value of that asset, security, option, warrant or other right as determined by an Independent Investment Bank, provided that (i) the fair market value of a cash dividend paid or to be paid per Share shall be the amount of such cash dividend per Share determined as at the date of announcement of such dividend; (ii) where options, warrants or other rights are publicly traded in a market of adequate liquidity (as determined by such investment banks) the fair market value of such options, warrants or other rights shall equal the arithmetic mean of the daily closing prices of such options, warrants or other rights during the period of five trading days on the relevant market commencing on the first such trading day such options, warrants or other rights are publicly traded.

“Independent Investment Bank” means an independent investment bank of international repute (acting as expert) selected by the Issuer and notified to the Trustee.

“Relevant Cash Dividend” means any cash dividend specifically declared by the Issuer.

“Relevant Period” means the period beginning on the 30th Trading Day prior to the Trading Day (the “relevant Trading Day”) immediately preceding the date on which the Shares are quoted ex-dividend on AIM (or any relevant Alternative Stock Exchange) in respect the cash dividend which caused the adjustment to the Conversion Price pursuant to Condition 6(C)(3), and ending on the relevant Trading Day.

“Scrip Dividend” means any Shares issued in lieu of the whole or any part of any Relevant Cash Dividend being a dividend which the Shareholders concerned would or could otherwise have received and which would not have constituted a Distribution (and for the avoidance of doubt to the extent that no adjustment is to be made under Condition 6(C)(3) in respect of the amount by which the Current Market Price of the Shares exceeds the Relevant Cash Dividend or part thereof).

“Trading Day” means a day when AIM or, as the case may be an Alternative Stock Exchange, is open for dealing business, provided that if no closing price is reported in respect of the relevant Shares on AIM or, as the case may be the Alternative Stock Exchange for one or more consecutive dealing days such day or days will be disregarded in any relevant calculation and shall be deemed not have existed when ascertaining any period of dealing days.

**D. Covenants relating to the Conversion Rights**

The Issuer has undertaken in the Trust Deed, inter alia, that so long as any Bond remains outstanding, save with the approval of an Extraordinary Resolution (as defined in the Trust Deed), it will:

- (i) **Listing of Shares:** use its best efforts to (a) maintain a listing for all the issued Shares on AIM, (b) obtain and maintain a listing for all the Shares issued on exercise of the Conversion Rights attached to the Bonds on AIM and (c) if the Issuer is unable to obtain or maintain such listing, to obtain and maintain a listing for all the issued Shares on an Alternative Stock Exchange as the Issuer may from time to time determine and will forthwith give notice to Bondholders in accordance with Condition 17 of any such listing or delisting of Shares (as a class) by any such stock exchange;
- (ii) **Expenses:** pay the expenses of the issue of, and all expenses of obtaining and maintaining a listing for, Shares arising on conversion of the Bonds;
- (iii) **No Reduction of Issued Share Capital:** it will not make any reduction of its issued ordinary shares or any uncalled liability in respect thereof or of any relevant redemption reserve fund (except, in each case, as permitted by law).

In the Trust Deed, the Issuer has also undertaken with the Trustee that so long as any Bond remains outstanding it will reserve, free from any other pre-emptive or other similar rights, out of its authorised but unissued Shares the full number of Shares liable to be issued on conversion of the Bonds from time to time remaining outstanding and shall ensure that all Shares delivered on conversion of the Bonds will be duly and validly issued as fully-paid; provided always that the Issuer shall not be prohibited from purchasing its Shares to the extent permitted by law.

The Issuer has also given certain other undertakings in the Trust Deed for the protection of the Conversion Rights.

**E. Conversion upon Change of Control**

If a Change of Control (as defined below) shall have occurred, the Issuer shall give notice of that fact to the Bondholders (the "Change of Control Notice") in accordance with Condition 17 within seven days after it becomes aware of such Change of Control. Following the giving of a Change of Control Notice, upon any exercise of Conversion Rights such that the relevant Conversion Date falls within 30 days following a Change of Control, or, if later, 30 days following the date on which the Change of Control Notice is given to Bondholders (such period, the "Change of Control Conversion Period"), the Conversion Price shall be adjusted by multiplying the Conversion Price on the relevant Conversion Date by the following formula:

$$\frac{\text{OCP}}{1 + (\text{CP} \times c/t)}$$

where:

OCP for the purposes of this Condition 6(E) shall be the Conversion Price applicable on the relevant Conversion Date in respect of any conversion pursuant to this Condition 6(E);

Conversion Premium ("CP") = 22.5 per cent. expressed as a fraction;

c = the number of days from and including the first day of the Change of Control Conversion Period to but excluding 26 March 2012; and

t = the number of days from and including 26 March 2007 to but excluding 26 March 2012.

If the last day of a Change of Control Conversion Period shall fall during a Closed Period, the Change of Control Conversion Period shall be extended such that its last day will be the fifteenth day following the last day of a Closed Period.

For the purposes of this Condition 6(E),

"Control" means the right to appoint and/or remove all or the majority of the members of the Issuer's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of Shares, the possession of voting rights, contract or otherwise;

a "Change of Control" occurs when:

- (i) any Person or Persons acting together acquires Control of the Issuer if such Person or Persons does not or do not have, and would not be deemed to have, Control of the Issuer on the Issue Date;
- (ii) the Issuer consolidates with or merges into or sells or transfers all or substantially all of the Issuer's assets to any other Person, unless the consolidation, merger, sale or transfer will not result in the other Person or Persons acquiring Control over the Issuer or the successor entity; or
- (iii) one or more Persons (other than any Person referred to in sub-paragraph (i) above) acquires the legal or beneficial ownership of all or substantially all of the Issuer's issued Shares;

a "Person" includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity) but does not include the Issuer's Board of Directors or any other governing board and does not include the Issuer's wholly-owned direct or indirect subsidiaries; and



"Voting Rights" means the right generally to vote at a general meeting of Shareholders of the Issuer (irrespective of whether or not, at the time, stock of any other class or classes shall have, or might have, voting power by reason of the happening of any contingency).

The Trustee and the Agents shall not be required to take any steps to ascertain whether a Change of Control or any event which would lead to a Change of Control has occurred or may occur and shall be entitled to assume that no such event has occurred until they have received written notice to the contrary from the Issuer.

#### **Payments**

##### **A. US Dollar Settlement**

All amounts due under, and all claims arising out of or pursuant to, the Bonds and/or the Trust Deed from or against the Issuer shall be payable and settled in US dollars only.

For the purposes of these Conditions, "US Dollar Equivalent" means:

- (i) in respect of a Renminbi-denominated amount that, but for this Condition 7(A), would be due under the Bonds, in Renminbi, the Renminbi amount converted into US dollars using the Spot Rate for the relevant Rate Calculation Date; and
- (ii) in respect of a Sterling-denominated amount, that, but for this Condition 7(A), would be due under the Bonds, in Sterling, the Sterling amount converted into US dollars using the Spot Rate for the relevant Rate Calculation Date.

For this purpose:

"Business Day" means, in relation to Beijing (for determining the US Dollar Equivalent of a Renminbi-denominated amount) or London (for determining the US Dollar Equivalent of a Sterling-denominated amount), a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange) in such place and in New York City;

"Rate Calculation Date" means the day which is two Business Days before the due date of the relevant amount under these Conditions;

"Reference Dealers" means four leading dealers engaged in the foreign exchange market of the relevant currency selected by the Principal Agent; and

"Spot Rate", for each Rate Calculation Date, means a rate determined by the Issuer in good faith as follows:

- (a) in respect of the US Dollar Equivalent of a Renminbi-denominated amount, the RMB/US dollar official fixing rate, expressed as the amount of Renminbi per one US dollar, reported by the People's Bank of China which appears on the Reuters Screen "SAEC" Page opposite the symbol "USDCNY" page at or about 9:15 am (Beijing time) on the Rate Calculation Date;
- (b) in respect of the US Dollar Equivalent of a Sterling-denominated amount, the bid exchange rate, expressed as the amount of Sterling per one US dollar, which appears on the relevant Reuters "FXBENCH" page at 12 p.m. (London time) on the Rate Calculation Date;
- (c) if no such rate is available under sub-paragraph (a) or (b), the spot rate determined by the Issuer in good faith on the basis of quotations provided by the Reference Dealers of the specified exchange rate for the Rate Calculation Date as obtained in accordance with the provisions below; and

(d) if fewer than two quotations are provided under sub-paragraph (c), the exchange rate for the Rate Calculation Date as shall be determined by an Independent Investment Bank in good faith.

In determining the spot rate under sub-paragraph (c), the Issuer will request the Beijing (for determining the US Dollar Equivalent of a Renminbi-denominated amount) or London (for determining the US Dollar Equivalent of a Sterling-denominated amount) office of each of the Reference Dealers to provide a quotation of what the specified screen rate would have been had it been published, reported or available for the Rate Calculation Date, based upon each Reference Dealer's experience in the foreign exchange market for Renminbi or Sterling (as applicable) and general activity in such market on the Rate Calculation Date. The quotations used to determine the Spot Rate for a Rate Calculation Date will be determined in each case for such Rate Calculation Date, and will be requested at 9:15 a.m. (Beijing time) or 12 p.m. (London time), as applicable, on such Rate Calculation Date or as soon as practicable after it is determined that the specified screen rate was not available.

If four quotations are provided, the rate for a Rate Calculation Date will be the arithmetic mean of the rates, without regard to the rates having the highest and lowest value. For this purpose, if more than one quotation has the same highest value or lowest value, then the rate of only one of such quotations shall be disregarded. If two or three quotations are provided, the rate for a Rate Calculation Date will be the arithmetic mean of the rates provided.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 7, whether by the Reference Dealers (or any of them), the Issuer or the Independent Investment Bank, will (in the absence of willful default, bad faith or manifest error) be binding on the Issuer, the Trustee, the Agents and all Bondholders.

**B. Principal, premium and interest**

Payment of principal, premium and interest due other than on an Interest Payment Date, will be made by transfer to the registered account of the Bondholder or by US dollar cheque drawn on a bank in New York City mailed to the registered address of the Bondholder in accordance with Condition 17 if it does not have a registered account. Payment of principal and premium will only be made after surrender of the relevant Certificate at the specified office of any of the Agents.

Interest on Bonds due on an Interest Payment Date will be paid on the due date for the payment of interest to the holder shown on the Register at the close of business on the day before the due date for the payment of interest (the "**Interest Record Date**"). Payments of interest on each Bond will be made by transfer to the registered account of the Bondholder or by US dollar cheque drawn on a bank in New York City mailed to the registered address of the Bondholder in accordance with Condition 17 if it does not have a registered account.

References in these Conditions, the Trust Deed and the Agency Agreement to principal in respect of any Bond shall, where the context so permits, be deemed to include a reference to any premium payable thereon.

**C. Registered Accounts**

For the purposes of this Condition, a Bondholder's registered account means the US dollar account maintained by or on behalf of it with a bank in New York City, details of which appear on the Register at the close of business on the second business day (as defined below) before the due date for payment, and a Bondholder's registered address means its address appearing on the Register at that time.

**D. Fiscal Laws**

All payments are subject in all cases to any applicable laws and regulations in the place of payment, but without prejudice to the provisions of Condition 9. No commissions or expenses shall be charged to the Bondholders in respect of such payments.

**E. Payment Initiation**

Where payment is to be made by transfer to a registered account, payment instructions (for value on the due date or, if that is not a business day (as defined below), for value on the first following day which is a business day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (at the risk and, if mailed at the request of the holder otherwise than by ordinary mail, expense of the holder) on the due date for payment (or, if it is not a business day, the immediately following business day) or, in the case of a payment of principal, if later, on the business day on which the relevant Certificate is surrendered at the specified office of an Agent.

**F. Default Interest and Delay In Payment**

If the Issuer fails to pay any sum in respect of the Bonds when the same becomes due and payable under these Conditions, interest shall accrue on the overdue sum at the rate of 5.0 per cent. per annum from the due date. Such default interest shall accrue on the basis of the actual number of days elapsed and a 360-day year.

Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a business day, if the Bondholder is late in surrendering its Certificate (if required to do so) or if a cheque mailed in accordance with this Condition arrives after the due date for payment.

**G. Business Day**

In this Condition, "business day" means a day other than a Saturday or Sunday on which commercial banks are open for business in Hong Kong, London and New York and, in the case of the surrender of a Certificate, in the place where the Certificate is surrendered. If an amount which is due on the Bonds is not paid in full, the Registrar will annotate the Register with a record of the amount (if any) in fact paid.

**Redemption, Purchase and Cancellation**

**A. Maturity**

Unless previously redeemed, converted or purchased and cancelled as provided herein, the Issuer will redeem each Bond at an amount equal to the US Dollar Equivalent of its RMB principal amount multiplied by 105.90 per cent. together with accrued interest, on 26 March 2012 (the "Maturity Date"). The Issuer may not redeem the Bonds at its option prior to that date except as provided in Condition 8(B) or Condition 8(C) below (but without prejudice to Condition 9).

**B. Redemption at the Option of the Issuer**

On or at any time after 26 March 2009 and prior to the Maturity Date, the Issuer may, having given not less than 30 nor more than 60 days' notice to the Bondholders, the Trustee and the Principal Paying Agent (which notice will be irrevocable), redeem all and not some only of the Bonds at a redemption price equal to the US Dollar Equivalent of their Early Redemption Amount on the redemption date, together with accrued interest, to but excluding the redemption date, provided, however, that no such redemption may be made unless the closing price of the Shares (as derived from AIM or, as the case may be, the Alternative Stock Exchange) translated into Renminbi at the Prevailing Rate applicable to the relevant Trading Day, for each of the 30 consecutive Trading

Days, the last day of such 30-Trading Day period falls within five Trading Days prior to the date upon which notice of such redemption is given was at least 130 per cent. of the applicable Early Redemption Amount in effect on such Trading Day divided by the Conversion Ratio.

The Issuer may, having given not less than 30 nor more than 60 days' notice to the Bondholders, the Trustee and the Principal Agent (which notice will be irrevocable), redeem all and not some only of the Bonds at a redemption price equal to the US Dollar Equivalent of their Early Redemption Amount on the redemption date, together with accrued interest, to but excluding the redemption date, if at any time at least 90 per cent. in principal amount of the Bonds has already been converted, redeemed or purchased and cancelled.

"Conversion Ratio" is determined by dividing the RMB principal amount of each Bond (translated into Sterling at the fixed exchange rate of RMB15.0633 to £1.00) by the applicable Conversion Price.

The "Early Redemption Amount" of a Bond, for each RMB100,000 principal amount of the Bonds, is determined so that it represents for the Bondholder a gross yield of 2.125 per cent. per annum, calculated on a semi-annual basis. The applicable Early Redemption Amount for each RMB100,000 principal amount of Bonds is calculated in accordance with the following formula, rounded (if necessary) to two decimal places with 0.005 being rounded upwards (provided that if the date fixed for redemption is the Semi-Annual Date (as set out below), such Early Redemption Amount shall be as set out in the table below in respect of such Semi-Annual Date):

$$\text{Early Redemption Amount} = (\text{Previous Redemption Amount} \times (1 + r/2)^{dp}) - AI$$

Previous Redemption Amount = the Early Redemption Amount for each RMB100,000 principal amount of the Bonds on the Semi-Annual Date immediately preceding the date fixed for redemption as set out below (or if the Bonds are to be redeemed prior to 26 September 2007, RMB100,000):

<b>Semi-Annual Date</b>	<b>Early Redemption Amount (RMB)</b>
26 September 2007	100,562.50
26 March 2008	101,130.98
26 September 2008	101,705.49
26 March 2009	102,286.11
26 September 2009	102,872.90
26 March 2010	103,465.93
26 September 2010	104,065.25
26 March 2011	104,670.95
26 September 2011	105,283.08
26 March 2012	105,901.71

r = 2.125 per cent. expressed as a fraction.

d = number of days from and including the immediately preceding Semi-Annual Date (or if the Bonds are to be redeemed on or before 26 September 2007, from and including 26 March 2007) to, but excluding, the date fixed for redemption, calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

AI = the accrued and unpaid interest on the principal amount of the Bonds from and including the immediately preceding Semi-Annual Date (or if the Bonds are to be redeemed on or before 26 September 2007, from and including 26 March 2007) to but excluding the date fixed for redemption, calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

For the purposes of these Conditions, "Prevailing Rate" means a rate for exchanging Sterling and Renminbi; the "Prevailing Rate" applicable to any Trading Day shall be the Renminbi/Sterling official fixing rate, expressed as the amount of Renminbi per one Sterling, reported by the People's Bank of China which appears on the Reuters Screen "SAEC" Page opposite the symbol "GBPCNY" page at or about 9:15 am (Beijing time) on the on the relevant Trading Date; and if such rate is unavailable on a particular Trading Day, the Prevailing Rate in effect for the last preceding Trading Day shall be deemed to be the Prevailing Rate for such Trading Day.

**C. Redemption for Taxation Reasons**

1. At any time the Issuer may, having given not less than 30 nor more than 60 days' notice (a "Tax Redemption Notice") to the Bondholders in accordance with Condition 17 (which notice shall be irrevocable) redeem all, and not some only, of the Bonds at a redemption price equal to the US Dollar Equivalent of their Early Redemption Amount on the redemption date (the "Tax Redemption Date"), together with accrued interest, to but excluding the redemption date if (i) the Issuer has or will become obliged to pay additional amounts as referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands or, as the case may be, the United Kingdom or any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 21 March 2007, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Bonds then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee (a) certificate signed by two directors of the Issuer stating that the obligation referred to in (i) above cannot be avoided by the Issuer taking reasonable measures available to it and (b) an opinion of independent legal or tax advisors of recognised standing to the effect that such change or amendment has occurred (irrespective of whether such amendment or change is then effective) and the Trustee shall be entitled to accept such certificate and opinion as sufficient evidence thereof in which event it shall be conclusive and binding on the Bondholders. Upon the expiry of any such notice, the Issuer will be bound to redeem the Bonds at a redemption price equal to the US Dollar Equivalent of their Early Redemption Amount plus interest accrued to the date of redemption.
2. If the Issuer gives a Tax Redemption Notice pursuant to Condition 8(C)(1), each Bondholder will have the right to elect that his Bond(s) shall not be redeemed and that the provisions of Condition 9 shall not apply in respect of any payment of principal, premium or interest to be made in respect of such Bond(s) which falls due after the relevant Tax Redemption Date whereupon no additional amounts shall be payable in respect thereof pursuant to Condition 9 and payment of all amounts shall be made subject to the deduction or withholding of any tax required to be deducted or withheld. To exercise a right pursuant to this Condition 8(C)(2), the holder of the relevant Bond must complete, sign and deposit

at the specified office of any Paying Agent a duly completed and signed notice of exercise, in the form for the time being current, obtainable from the specified office of any Paying Agent (the "Tax Option Exercise Notice") together with the Certificate evidencing the Bonds on or before the day falling 10 days prior to the Tax Redemption Date.

**D. Redemption for Delisting or Change of Control**

Following the occurrence of a Relevant Event (as defined below), the holder of each Bond will have the right at such holder's option, to require the Issuer to redeem all or some only of that holder's Bonds on the Relevant Event Redemption Date (as defined below) at a redemption price equal to the US Dollar Equivalent of their Early Redemption Amount, together with accrued interest to but excluding the redemption date. To exercise such right, the holder of the relevant Bond must complete, sign and deposit at the specified office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent (the "Relevant Event Redemption Notice") together with the Certificate evidencing the Bonds to be redeemed by not later than 60 days following a Relevant Event, or, if later, 60 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 17. The "Relevant Event Redemption Date" shall be the 14<sup>th</sup> day after the expiry of such period of 60 days as referred to above.

A Relevant Event Redemption Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Bonds the subject of Relevant Event Redemption Notices delivered as aforesaid on the Relevant Event Redemption Date.

The Trustee and the Agents shall not be required to take any steps to ascertain whether a Relevant Event or any event that could lead to the occurrence of a Relevant Event has occurred and shall be entitled to assume that no such event has occurred until they have received written notice to the contrary from the Issuer. The Trustee and the Agents shall not be required to take any steps to ascertain whether the condition for the exercise of the rights in accordance with this Condition 6(D) has occurred. None of the Trustee or the Agents shall be responsible for determining or verifying whether a Bond is to be accepted for redemption under this Condition 6(D) and will not be responsible to Bondholders for any loss arising from any failure by it to do so. Neither the Trustee nor the Agents shall be under any duty to determine, calculate or verify the redemption amount payable under this Condition 6(D) and will not be responsible to Bondholders for any loss arising from any failure by it to do so.

The Issuer shall give notice to the Bondholders, the Trustee and the Agents in accordance with Condition 17 by not later than 14 days following the first day on which it becomes aware of the occurrence of a Relevant Event, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Bonds pursuant to this Condition and shall give brief details of the Relevant Event.

A "Relevant Event" occurs:

- (i) when the Shares cease to be listed or admitted to trading on AIM or any Alternative Stock Exchange (as relevant); or
- (ii) when there is a Change of Control (as defined in Condition 6(E)).

**E. Redemption at the Option of the Bondholders**

On 26 March 2010 (the "Put Option Date"), the holder of each Bond will have the right at such holder's option, to require the Issuer to redeem all or some only of the Bonds of such holder on the Put Option Date at a redemption price equal to the US Dollar Equivalent of its RMB principal

amount multiplied by 103.47 per cent., together with accrued interest to but excluding the redemption date. To exercise such right, the holder of the relevant Bond must complete, sign and deposit at the specified office of any Paying Agent during usual business hours a duly completed and signed notice of redemption, in the then current form obtainable from the specified office of any Paying Agent (“**Put Exercise Notice**”) together with the Certificate evidencing the Bonds to be redeemed not earlier than 60 days and not later than 30 days prior to the Put Option Date.

A Put Exercise Notice, once delivered, shall be irrevocable (and may not be withdrawn unless the Issuer consents to such withdrawal) and the Issuer shall redeem the Bonds the subject of Put Exercise Notices delivered as aforesaid on the Put Option Date.

**F. Purchases**

The Issuer or any of its Subsidiaries may at any time and from time to time purchase Bonds at any price in the open market or otherwise.

**G. Cancellation**

All Bonds which are redeemed, converted or purchased by the Issuer or any of its Subsidiaries, will forthwith be cancelled. Certificates in respect of all Bonds cancelled will be forwarded to or to the order of the Registrar and such Bonds may not be reissued or resold.

**H. Redemption Notices**

All notices to Bondholders given by or on behalf of the Issuer pursuant to Condition 8(B) or (C) will specify the Conversion Price as at the date of the relevant notice, the Conversion Period, the closing price of the Shares (as derived from AIM or, as the case may be, the Alternative Stock Exchange) as at the latest practicable date prior to the publication of the notice, the applicable Early Redemption Amount and the US Dollar Equivalent thereof the date for redemption, the manner in which redemption will be effected and the aggregate principal amount of the Bonds outstanding as at the latest practicable date prior to the publication of the notice.

**Taxation**

All payments made by the Issuer under or in respect of the Bonds, the Trust Deed or the Agency Agreement will be made free from any restriction or condition and will be made without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the British Virgin Islands or the United Kingdom or any authority thereof or therein having power to tax, unless deduction or withholding of such taxes, duties, assessments or governmental charges is compelled by law. In such event, the Issuer will pay such additional amounts as will result in the receipt by the Bondholders of the net amounts after such deduction or withholding equal to the amounts which would otherwise have been receivable by them had no such deduction or withholding been required except that no such additional amount shall be payable in respect of any Bond:

- (i) to a holder (or to a third party on behalf of a holder) who is subject to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with the British Virgin Islands (or, as the case may be, the United Kingdom) otherwise than merely by holding the Bond or by the receipt of amounts in respect of the Bond;
- (ii) (in the case of a payment of principal) if the Certificate in respect of such Bond is surrendered more than 30 days after the relevant date except to the extent that the holder would have been entitled to such additional amount on surrendering the relevant Certificate for payment on the last day of such period of 30 days.

- (iii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Union Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of 26th-27th November 2000 on the taxation of savings or any law implementing or complying with, or introduced in order to conform to, any such Directive; or
- (iv) by or on behalf of a Bondholder who would have been able to avoid such withholding or deduction by presenting the relevant Bond to another Paying Agent in a Member State of the European Union.

For the purposes hereof, "relevant date" means whichever is the later of (a) the date on which such payment first becomes due and (b) if the full amount payable has not been received by the Trustee or the Principal Agent on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Bondholders and cheques dispatched or payment made.

References in these Conditions to principal, premium and/or interest shall be deemed also to refer to any additional amounts which may be payable under this Condition or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed.

#### Events of Default

##### A. Events of Default

The Trustee at its sole discretion may, and if so requested in writing by the holders of not less than 25 per cent. in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution of the Bondholders shall (subject to being indemnified and/or secured by the Bondholders to its satisfaction), give notice to the Issuer that the Bonds are, and they shall accordingly thereby become, immediately due and repayable at the US Dollar Equivalent of their Early Redemption Amount (subject as provided below and without prejudice to the right of Bondholders to exercise the Conversion Right in respect of their Bonds in accordance with Condition 6) if any of the following occurs and is continuing:

- (i) a default is made in the payment of any principal or Early Redemption Amount due in respect of the Bonds or a default is made for more than seven days in the payment of any interest due in respect of the Bonds;
- (ii) any failure by the Issuer to deliver Shares as and when the Shares are required to be delivered following conversion of Bonds;
- (iii) the Issuer does not perform or comply with one or more of its other obligations in the Bonds, the Trust Deed or the Agency Agreement which default is incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not in the opinion of the Trustee remedied within 30 days after written notice of such default shall have been given to the Issuer by the Trustee;
- (iv) the Issuer or any of its Principal Subsidiary is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or of any part which it will or might otherwise be unable to pay when due), proposes or makes a



general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer or any of its Principal Subsidiaries; an administrator or liquidator of the Issuer or any of its Principal Subsidiaries or the whole or a material part of the assets and turnover of the Issuer or any of its Principal Subsidiaries is appointed (or application for any such appointment is made);

- (v) (a) any other present or future indebtedness (whether actual or contingent) of the Issuer or any of its Subsidiaries for or in respect of moneys borrowed or raised becomes, or becomes capable of being declared, due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (b) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (c) the Issuer or any of its Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph (v) have occurred equals or exceeds US\$5,000,000 or its equivalent in any other currency on the day on which such indebtedness becomes due and payable or is not paid or any such amount becomes due and payable or is not paid under any such guarantees or indemnity;
- (vi) a distress, attachment, execution, seizure before judgment or other legal process is levied, enforced or sued out on or against any of the property, assets or turnover of the Issuer or any of its Principal Subsidiaries and is not discharged or stayed within 30 days;
- (vii) an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Issuer or any of its Principal Subsidiaries (except for a members' voluntary solvent winding-up), or the Issuer or any of its Principal Subsidiaries ceases or threatens to cease to carry on all or a material part of its business or operations and except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (a) on terms approved by an Extraordinary Resolution of the Bondholders, or (b) in the case of its Principal Subsidiary, whereby the undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Issuer or another of its Principal Subsidiaries;
- (viii) an encumbrancer takes possession or an administrative or other receiver, manager, administrator or other similar officer is appointed, of the whole or a material part of the property, assets or turnover of the Issuer or any of its Principal Subsidiaries (as the case may be) and is not discharged within 30 days;
- (ix) (a) any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Issuer or any of its Principal Subsidiaries; or (b) the Issuer or any of its Principal Subsidiaries is prevented from exercising control over all or a material part of its property, assets and turnover;
- (x) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or

registration) at any time required to be taken, fulfilled or done in order (a) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Bonds, the Trust Deed and the Agency Agreement, (b) to ensure that those obligations are legally binding and enforceable and (c) to make the Bonds, the Trust Deed and the Agency Agreement admissible in evidence in the courts of the British Virgin Islands or England, is not taken, fulfilled or done;

- (xi) it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Bonds, the Trust Deed or the Agency Agreement;
- (xii) any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs.

For this purpose, "Principal Subsidiary" means any Subsidiary of the Issuer:

- (a) whose gross profit or (in the case of a Subsidiary which itself has subsidiaries) consolidated gross profit, as shown by its latest audited income statement, is at least 3 per cent. of the consolidated gross profit as shown by the latest published audited consolidated income statement of the Issuer and its Subsidiaries; or
- (b) whose net profit or (in the case of a Subsidiary which itself has subsidiaries) consolidated net profit, as shown by its latest audited income statement, is at least 3 per cent. of the consolidated net profit as shown by the latest published audited consolidated income statement of the Issuer and its Subsidiaries; or
- (c) whose gross assets or (in the case of a Subsidiary which itself has subsidiaries) gross consolidated assets, as shown by its latest audited balance sheet, are at least 3 per cent. of the consolidated gross assets as shown by the latest published audited consolidated income statement of the Issuer and its Subsidiaries,  
provided that, in relation to paragraphs (a), (b) and (c) above:
  - (i) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Issuer relate, the reference to the then latest consolidated audited accounts of the Issuer for the purposes of the calculation above shall, until consolidated audited accounts of the Issuer for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are published, be deemed to be a reference to the then latest consolidated audited accounts of the Issuer adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiary) of such Subsidiary in such accounts;
  - (ii) if at any relevant time in relation to the Issuer or any Subsidiary which itself has Subsidiaries no consolidated accounts are prepared and audited, gross profit, net profit and gross assets of the Issuer and/or any such Subsidiary shall be determined on the basis of pro forma consolidated accounts prepared for this purpose by the Issuer and reviewed by the Auditors (as defined in the Trust Deed) for the purposes of preparing a certificate thereon to the Trustee;

- (iii) if at any relevant time in relation to any Subsidiary no accounts are audited, its gross profit, net profit and gross assets (in each case consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by the Issuer and reviewed by the Auditors for the purposes of preparing a certificate thereon to the Trustee; and
- (iv) if the accounts of any Subsidiary (not being a Subsidiary referred to in proviso (i) above) are not consolidated with those of the Issuer, then the determination of whether or not such Subsidiary is a Principal Subsidiary shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Issuer; or
- (d) any Subsidiary of the Issuer to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was Principal Subsidiary, provided that the Principal Subsidiary which so transfers its assets shall, forthwith upon such transfer, cease to be a Principal Subsidiary and the Subsidiary to which the assets are so transferred shall cease to become a Principal Subsidiary at the date on which the first published audited accounts (consolidated, if appropriate) of the Issuer prepared as of a date later than such transfer are issued unless such Subsidiary would continue to be a Principal Subsidiary on the basis of such accounts by virtue of the provisions of paragraph (a), (b) or (c) above.

In addition, any Subsidiary which is not itself a Principal Subsidiary shall nevertheless be treated as a Principal Subsidiary if the gross profit (or consolidated gross profit if the Subsidiary itself has subsidiaries) or net profit (or consolidated net profit if the Subsidiary itself has subsidiaries) or gross assets (or consolidated gross assets if the Subsidiary itself has subsidiaries) attributable to such Subsidiary when aggregated with the gross profit (or consolidated gross profit, if appropriate), net profit (or consolidated net profit, if appropriate) or gross assets (or consolidated gross assets, if appropriate) attributable to any other Subsidiary which is not itself a Principal Subsidiary and with respect to which any of the events referred to in this Condition 10 (disregarding the necessity for any opinion, approval or certificate of the Trustee of any requirement for the Trustee to be satisfied as to any matter) has occurred and is continuing, exceeds 3 per cent. of the consolidated gross profit, consolidated net profit or consolidated gross assets of the Issuer and its Subsidiaries.

**B. Default Cure Amount**

Notwithstanding receipt of any payment after the acceleration of the Bonds, a Bondholder may exercise its Conversion Right by depositing a Conversion Notice with a Conversion Agent or Paying Agent during the period from and including the date of a default notice with respect to an event specified in Condition 10(A)(ii) (at which time the Issuer will notify the Bondholders of the number of Shares per Bond to be delivered upon conversion, assuming all the then outstanding Bonds are converted) to and including the 30th business day after such payment.

If any converting Bondholder deposits a Conversion Notice pursuant to this Condition 10 on the business day prior to, or during, a Closed Period, the Bondholder's Conversion Right shall continue until the business day following the

last day of the Closed Period, which shall be deemed the Conversion Date, for the purposes of such Bondholder's exercise of its Conversion Right pursuant to this Condition 10.

If the Conversion Right attached to any Bond is exercised pursuant to this Condition 10, the Issuer will deliver Shares (which number will be disclosed to such Bondholder as soon as practicable after the Conversion Notice is given) in accordance with the Conditions, except that the Issuer shall have twelve business days before it is required to register the converting Bondholder (or its designee) in its register of members as the owner of the number of Shares to be delivered pursuant to this Condition and an additional five business days from such registration date to make payment in accordance with the following paragraph.

If the Conversion Right attached to any Bond is exercised pursuant to this Condition 10, or if the Bonds have become due and payable pursuant to Condition 10(A)(ii), the Issuer shall, at the request of the converting Bondholder, pay to such Bondholder within seven business days the US Dollar Equivalent of an amount (the "Default Cure Amount") equal to the product of (x) (i) the number of Shares that are required to be delivered by the Issuer to satisfy the Conversion Right in relation to such converting Bondholder minus (ii) the number of Shares that are actually delivered by the Issuer pursuant to such Bondholders' Conversion Notice and (y) the Share Price (as defined below) on the Conversion Date; provided that if such Bondholder has received any payment under the Bonds pursuant to this Condition 10, the amount of such payment shall be deducted from the Default Cure Amount.

In this Condition:

The "Share Price" means the closing price of the Shares as quoted by AIM or, as the case may be, Alternative Stock Exchange on the Conversion Date or, if no reported sales take place on such date, the average of the reported closing bid and offered prices, in either case as reported by AIM or other applicable securities exchange on which the Shares are listed for such day as furnished by a reputable and independent broker-dealer selected by the Issuer and at its expense for such purpose.

"business day" means a day other than a Saturday or Sunday on which commercial banks are open for business in Hong Kong, London and New York.

**Prescription**

Claims in respect of amounts due in respect of the Bonds will become prescribed unless made within 10 years (in the case of principal) and five years (in the case of interest or premium (if any)) from the relevant date (as defined in Condition 9) in respect thereof.

**Enforcement**

At any time after the Bonds have become due and repayable, the Trustee may, at its sole discretion and without further notice, take such proceedings against the Company as it may think fit to enforce repayment of the Bonds and to enforce the provisions of the Trust Deed, but it will not be bound to take any such proceedings unless (a) it shall have been so requested in writing by the holders of not less than 25 per cent. in principal amount of the Bonds then outstanding or shall have been so directed by an Extraordinary Resolution of the Bondholders and (b) it shall have been indemnified and/or provided with security to its satisfaction. No Bondholder will be entitled to proceed directly against the Company unless the Trustee, having become bound to do so, fails to do so within a reasonable period and such failure shall be continuing.

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**Meetings of Bondholders, Modification and Waiver****A. Meetings**

The Trust Deed contains provisions for convening meetings of Bondholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of the Bondholders of a modification of the Bonds or the provisions of the Trust Deed. The quorum at any such meeting for passing an Extraordinary Resolution of the Bondholders will be two or more persons holding or representing over 50 per cent. in principal amount of the Bonds for the time being outstanding or, at any adjourned such meeting, two or more persons being or representing Bondholders whatever the principal amount of the Bonds so held or represented unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the due date for any payment in respect of the Bonds, (ii) to reduce or cancel the amount of principal, interest, premium (if any) (including any Early Redemption Amount) or the Equivalent Amount payable in respect of the Bonds or changing the method of calculation of the Early Redemption Amount, (iii) to change the currency of payment of the Bonds, (iv) to modify (except for a unilateral and unconditional reduction in the Conversion Price by the Issuer) or cancel the Conversion Rights, or (v) to modify the provisions concerning the quorum required at any meeting of the Bondholders or the majority required to pass an Extraordinary Resolution of the Bondholders or sign a resolution in writing, in which case the necessary quorum for passing an Extraordinary Resolution of the Bondholders will be two or more persons holding or representing not less than 66 per cent., or at any adjourned such meeting not less than 33 per cent., in principal amount of the Bonds for the time being outstanding. An Extraordinary Resolution of the Bondholders passed at any meeting of Bondholders will be binding on all Bondholders, whether or not they are present at the meeting. The Trust Deed provides that a written resolution signed by or on behalf of the holders of not less than 90 per cent. of the aggregate principal amount of Bonds outstanding shall be as valid and effective as a duly passed Extraordinary Resolution of the Bondholders.

**B. Modification and Waiver**

The Trustee may agree, without the consent of the Bondholders, to (i) any modification (except as mentioned in Condition 13(A) above) to, or the waiver or authorisation of any breach or proposed breach of, the Bonds, the Trust Deed or the Agency Agreement which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Bondholders or (ii) any modification to the Bonds or the Trust Deed which, in the Trustee's opinion, is of a formal, minor or technical nature or to correct a manifest error or to comply with mandatory provisions of law. Any such modification, waiver or authorisation will be binding on the Bondholders and, unless the Trustee agrees otherwise, any such modifications will be notified by the Issuer to the Bondholders as soon as practicable thereafter.

**C. Interests of Bondholders**

In connection with the exercise of its functions (including but not limited to those in relation to any proposed modification, authorisation or waiver) the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Issuer or the Trustee, any indemnification or payment in respect of any tax consequences of any such exercise upon individual Bondholders except to the extent provided for in Condition 9 and/or any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

**D. Certificates/Reports**

Any certificate or report of any expert or other person called for by or provided to the Trustee (whether or not addressed to the Trustee) in accordance with or for the purposes of these Conditions or the Trust Deed may be relied upon by the Trustee as sufficient evidence of the facts therein (and shall, in absence of manifest error, be conclusive and binding on all parties) notwithstanding that such certificate or report and/or engagement letter or other document entered into by the Trustee and/or the Issuer in connection therewith contains a monetary or other limit on the liability of the relevant expert or person in respect thereof.

**Consolidation, Amalgamation or Merger**

The Issuer will not consolidate with, amalgamate with, merge with or into, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its property and assets (as an entirety or substantially an entirety in one transaction or a series of related transactions) to any entity unless:

- (i) the entity (if other than the Issuer) formed by such amalgamation or consolidation or into which the Issuer is merged or which acquired or leased such property and assets of the Issuer shall be a corporation organised and validly existing under the laws of its place of incorporation, and shall, by a trust deed supplemental to the Trust Deed and an agency agreement supplemental to the Agency Agreement and such other undertakings or documents as the Trustee may require, executed and delivered in form and content acceptable to the Trustee, expressly assume all of the obligations of the Issuer in respect of all of the Bonds and under the Trust Deed and the Agency Agreement and indemnify each Bondholder against any tax, assessment or governmental charge payable by withholding or deduction therefrom imposed on such holder solely as a consequence of such consolidation, amalgamation, merger, sale, conveyance, transfer, lease or other disposal with respect to the payment of principal, premium and interest on the Bonds;
- (ii) the supplemental Trust Deed referred to in paragraph (i) above will ensure that (a) the holder of each Bond then outstanding will have the right (during the period in which such Bond shall be convertible) to convert such Bond into the class and amount of shares and other securities and property receivable upon such consolidation, amalgamation, merger, sale, conveyance, transfer, lease or other disposal by a holder of the number of Shares which would have become liable to be issued upon conversion of such Bond immediately prior to such consolidation, amalgamation, merger, sale, conveyance, transfer, lease or other disposal (such supplemental Trust Deed will provide for adjustments which will be as nearly equivalent as may be practicable to the adjustments provided for in the provisions of Condition 6(C)), (b) the rights of Bondholders shall not be adversely affected as a result of such transaction and (c) that there shall be no right to exercise a redemption of the Bonds under Condition 8(C) as a result of any change in the domicile or place of incorporation of the Issuer or of the successor entity not being incorporated in the British Virgin Islands or the United Kingdom and the provisions of Condition 9 shall also be supplemented or modified as the Trustee deems appropriate; and
- (iii) immediately after giving effect to such transaction, no default or event of default (including an Event of Default) shall have occurred and be continuing.

The above provisions of this Condition 14 will apply, *mutatis mutandis*, to any subsequent consolidations, amalgamations, mergers, sales or transfers.

**Replacement of Certificates**

If any Certificate is mutilated, defaced, destroyed, stolen or lost, it may be replaced at the specified office of the Registrar or any Agent upon payment by the claimant of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer and such Agent may require mutilated or defaced Certificates must be surrendered before replacements will be issued.

**Further Issues**

The Issuer may from time to time, without the consent of the Bondholders, create and issue further Bonds having the same terms and conditions as the Bonds in all respects and so that such further issue shall be consolidated and form a single series with the Bonds. Such further Bonds may, with the consent of the Trustee, be constituted by a deed supplemental to the Trust Deed.

**Notices**

All notices to Bondholders shall be validly given if mailed to them at their respective addresses in the register of Bondholders maintained by the Registrar or published in a leading newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the later of the date of such publication or, if published more than once, on the first date on which publication is made.

*So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or the Alternative clearing System (as defined in the Global Certificate), notices to Bondholders may be given by delivery of the relevant notice to Euroclear or Clearstream or the Alternative clearing System, for communication by it to entitled accountholders in substitution for notification as required by the Conditions.*

**Currency Indemnity**

**A. Currency of Account and Payment**

US dollars (the "Contractual Currency") is the sole currency of account and payment for all sums payable by the Issuer under or in connection with the Bonds and the Trust Deed, including damages.

**B. Extent of Discharge**

An amount received or recovered in a currency other than the Contractual Currency (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer or otherwise), by the Trustee or any Bondholder in respect of any sum expressed to be due to it from the Issuer will only discharge the Issuer to the extent of the Contractual Currency amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

**C. Indemnity**

If that Contractual Currency amount is less than the Contractual Currency amount expressed to be due to the recipient under the Bonds or the Trust Deed, the Issuer will indemnify the recipient against any loss sustained by it as a result. In any event, the Issuer will indemnify the recipient against the cost of making any such purchase.

**D. Indemnity Separate**

The indemnity in this Condition 17 constitutes a separate and independent obligation from the other obligations under the Bonds and the Trust Deed, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted by the Trustee and/or any Bondholder and will continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due under the Bonds and/or the Trust Deed or any other judgment or order.

**Agents**

The names of the initial Agents and the Registrar and their specified offices are set out below. The Issuer reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Agent or the Registrar and to appoint additional or other Agents or a replacement Registrar. The Issuer will at all times maintain (a) a Principal Agent, (b) a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to any European Directive on the taxation of savings implementing the provisions of the ECOFIN Council Meeting of 26th-27th November 2000 or any law implementing or complying with, or introduced in order to conform, to such Directive, and (c) a Registrar which will maintain the Register outside the United Kingdom. Notice of any such termination or appointment, of any changes in the specified offices of any Agent or the Registrar and of any change in the identity of the Registrar or the Principal Agent will be given promptly by the Issuer to the Bondholders and in any event not less than 45 days' notice will be given.

**Indemnification of the Trustee**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings to enforce repayment unless indemnified to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit.

Whenever the Trustee is required or entitled by the terms of the Trust Deed or the Conditions to exercise any discretion or power, take any action, make any decision or give any direction, the Trustee is entitled, prior to their exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction, to seek directions from the Bondholders by way of an Extraordinary Resolution, and the Trustee is not responsible for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction where the Trustee is seeking such directions.

**Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

**Governing Law and Submission to Jurisdiction**

The Bonds, the Trust Deed and the Agency Agreement are governed by, and shall be construed in accordance with, the laws of England. In relation to any legal action or proceedings arising out of or in connection with the Trust Deed or the Bonds, the Issuer has in the Trust Deed irrevocably submitted to the jurisdiction of the courts of England and, in relation thereto, has appointed Law Debenture Corporate Services Limited, currently of Fifth Floor, 100 Wood Street, London EC2V 7EX, as its agent in England for service of process.



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**PRINCIPAL PAYING, CONVERSION AND TRANSFER AGENT**

**DEUTSCHE BANK AG, HONG KONG BRANCH**

55th Floor  
Cheung Kong Center  
2 Queen's Road Central  
Hong Kong

**REGISTRAR**

**DEUTSCHE BANK LUXEMBOURG S.A.**

2, Boulevard Konrad Adenauer  
L-1115 Luxembourg

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Form of Transfer

FOR VALUE RECEIVED the undersigned hereby transfers to

(Please Print or Typewrite Name and Address of Transferee)

RMB.....principal amount of the Bonds in respect of which this Certificate is issued, and all rights in respect thereof.

All payments in respect of the Bonds hereby transferred are to be made (unless otherwise instructed by the transferee) to the following account:

Name of bank: \_\_\_\_\_  
USD account number: \_\_\_\_\_  
For the account of: \_\_\_\_\_

Dated: \_\_\_\_\_

\_\_\_\_\_  
Certifying Signature

Name: \_\_\_\_\_

Notes:

- (i) A representative of the Bondholder should state the capacity in which he signs, e.g. executor.
- (ii) The signature of the person effecting a transfer shall conform to any list of duly authorised specimen signatures supplied by the registered holder or be certified by a recognised bank, notary public or in such other manner as the Agent or the Registrar may require.

SCHEDULE 2  
Form of Global Certificate

ISIN: XS0293410873  
Common Code: 029341087

RENESOLA LTD  
(incorporated with limited liability in the British Virgin Islands)  
RMB928,700,000  
USD Settled 1.00 per cent. Convertible Bonds due 2012

GLOBAL CERTIFICATE

The Bonds in respect of which this Global Certificate is issued are in registered form and form part of the series designated as specified in the title (the “**Bonds**”) of Renesola Ltd (the “**Company**”).

The Company hereby certifies that BT Globenet Nominees Limited is, at the date hereof, entered in the register of Bondholders as the holder of Bonds in the principal amount of RMB928,700,000 (Nine hundred, twenty eight million and seven hundred thousand Yuan) or such other amount as is shown on the register of Bondholders as being represented by this Global Certificate and is duly endorsed (for information purposes only) in the third column of Schedule A to this Global Certificate. For value received, the Company promises to pay the person who appears at the relevant time on the register of Bondholders as holder of the Bonds in respect of which this Global Certificate is issued such amount or amounts as shall become due in respect of such Bonds and otherwise to comply with the Trust Deed and the Conditions, as referred to below.

The Bonds are constituted by a Trust Deed dated 26 March 2007 and made between the Company and DB Trustees (Hong Kong) Limited as trustee (the “**Trustee**”) and are subject to, and have the benefit of, the Trust Deed and the terms and conditions (the “**Conditions**” or the “**Terms & Conditions**”) set out in Schedule 1 to the Trust Deed, as modified by the provisions of this Global Certificate. Terms defined in the Trust Deed have the same meanings when used herein.

The Bonds in respect of which this Global Certificate is issued are convertible into fully-paid ordinary shares of no par value of the Company subject to and in accordance with the Conditions and the Trust Deed.

Owners of interests in the Bonds in respect of which this Global Certificate is issued will be entitled to have title to the Bonds registered in their names and to receive individual definitive Certificates if either Euroclear or Clearstream (or any other clearing system (an “**Alternative Clearing System**”) as shall have been designated by the Company and approved by the Trustee on behalf of which the Bonds evidenced by this Global Certificate may be held) is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so.

In such circumstances, the Company will at its own expense cause sufficient individual definitive Certificates to be executed and delivered to the Registrar for completion, authentication and dispatch to all Bondholders. A person with an interest in the Bonds in respect of which this Global

Certificate is issued must provide the Registrar with a written order containing instructions and such other information as the Company and the Registrar may require to complete, execute and deliver such individual definitive Certificates.

This Global Certificate is evidence of entitlement only. Title to the Bonds passes only on due registration in the register of Bondholders and only the duly registered holder is entitled to payments on Bonds in respect of which this Global Certificate is issued.

The Conditions are modified as follows in so far as they apply to the Bonds in respect of which this Global Certificate is issued.

The Registrar will not register the exchange of interests in this Global Certificate for individual definitive Certificates for a period of 15 calendar days preceding the due date for any payment of principal and premium (if any) in respect of the Bonds.

#### **Meetings**

The registered holder of this Global Certificate will be treated as being two persons for the purposes of any quorum requirements of a meeting of Bondholders and, at any such meeting, as having one vote in respect of each RMB100,000 in principal amount of Bonds for which this Global Certificate is issued. The Trustee may allow a person with an interest in Bonds in respect of which this Global Certificate has been issued to attend and speak at a meeting of Bondholders on appropriate proof of his identity and interest.

#### **Cancellation**

Cancellation of any Bond by the Company following its redemption, conversion or purchase by the Company will be effected by a reduction in the principal amount of the Bonds in the register of Bondholders.

#### **Trustee's Powers**

In considering the interests of Bondholders while this Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances but without being obliged to do so, (a) have regard to any information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Bonds and (b) may consider such interests on the basis that such accountholders were the holders of the Bonds in respect of which this Global Certificate is issued.

#### **Conversion**

Subject to the requirements of Euroclear and Clearstream (or any Alternative Clearing System), the Conversion Right attaching to a Bond in respect of which this Global Certificate is issued may be exercised by the presentation (which may be by facsimile transmission) thereof to or to the order of the Principal Agent of one or more Conversion Notices duly completed by or on behalf of a holder of a book-entry interest in such Bond. Deposit of this Global Certificate with the Principal Agent together with the relevant Conversion Notice(s) shall not be required. The exercise of the Conversion Right shall be notified by the Principal Agent to the Registrar and the holder of this Global Certificate.

#### **Payment**

Payments of principal, interest and premium (if any) in respect of Bonds represented by this Global Certificate will be made without presentation or if no further payment falls to be made in respect of the Bonds, against presentation and surrender of this Global Certificate to or to the order of the Principal Agent or such other Paying Agent as shall have been notified to the Bondholders for such purpose.

**Notices**

So long as the Bonds are represented by this Global Certificate and this Global Certificate is held on behalf of Euroclear or Clearstream or the Alternative Clearing System, notices to Bondholders may be given by delivery of the relevant notice to Euroclear or Clearstream or the Alternative Clearing System, for communication by it to entitled accountholders in substitution for notification as required by the Conditions.

**Bondholder's Redemption or Non-Redemption**

The Bondholder's redemption options in Condition 8(D) and 8(E) or the non-redemption option in Condition 8(C)(2) may be exercised by the holder of this Global Certificate giving notice (which may be made by facsimile transmission) to the Principal Agent of the principal amount of Bonds in respect of which the option is exercised and presenting this Global Certificate for endorsement or exercise within the time limits specified in those Conditions.

**Registration of Title**

Certificates in definitive form for individual holdings of Bonds will not be issued in exchange for interests in Bonds in respect of which the Global Certificate is issued, except if either Euroclear or Clearstream (or any Alternative Clearing System on behalf of which the Bonds evidenced by the Global Certificate may be held) is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so.

**Transfers**

Transfers of interests in the Bonds will be effected through the records of Euroclear and Clearstream and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream and their respective direct and indirect participants.

**Enforcement**

For the purposes of enforcement of the provisions of the Trust Deed against the Trustee, the persons named in a certificate of the holder of the Bonds in respect of which this Global Certificate is issued shall be recognised as the beneficiaries of the trust set out in the Trust Deed, to the extent of the principal amount of their interest in the Bonds set out in the certificate of the holder, as if they were themselves the holders of Bonds in such principal amounts.

This Global Certificate shall not be valid for any purpose until authenticated by or on behalf of the Registrar.

This Global Certificate is governed by, and shall be construed in accordance with, English law.

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**In witness** whereof the Company has caused this Global Certificate to be signed on its behalf.

Dated 26 March 2007

**RENESOLA LTD**

By: \_\_\_\_\_  
Director/Authorised Signatory

**Certificate of Authentication**

Certified that the above-named holder is at the date hereof entered in the register of Bondholders as holder of the above-mentioned principal amount of Bonds.

**DEUTSCHE BANK LUXEMBOURG S.A. as Registrar**  
(without warranty, recourse or liability)

By: \_\_\_\_\_  
Authorised Signatory

Dated:

**Schedule A**

**Schedule of Reductions in Principal Amount of Bonds in respect of which this  
Global Certificate is Issued**

The following reductions in the principal amount of Bonds in respect of which this Global Certificate is issued have been made as a result of: (i) exercise of the Conversion Rights attaching to Bonds or (ii) redemption of Bonds or (iii) issue of definitive Certificates in respect of the Bonds or (iv) purchase and cancellation of the Bonds:

<b>Date of Conversion / Redemption / Issue of definitive Certificates / Purchase and cancellation of the Bonds (stating which)</b>	<b>Amount of decrease in principal amount of this Global Certificate</b>	<b>Principal Amount of this Global Certificate following such decrease</b>	<b>Notation made by or on behalf of the Registrar</b>
26 March 2007		RMB928,700,000	

**Schedule B**  
**Interest Payments in respect of this Global Certificate**

The following payments of interest in respect of this Global Certificate and the Bonds represented by this Global Certificate have been made:

<u>Date made</u>	<u>Amount of Interest due and payable</u>	<u>Amount of interest paid</u>	<u>Notation made by or on behalf of the Principal Agent</u>
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**PRINCIPAL PAYING, CONVERSION AND TRANSFER AGENT**

**DEUTSCHE BANK AG, HONG KONG BRANCH**

55th Floor  
Cheung Kong Center  
2 Queen's Road Central  
Hong Kong

**REGISTRAR**

**DEUTSCHE BANK LUXEMBOURG S.A.**

2, Boulevard Konrad Adenauer  
L-1115 Luxembourg

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**Form of Transfer**

FOR VALUE RECEIVED the undersigned hereby transfers the following principal amounts of Bonds in respect of which the Global Certificate is issued, and all rights in respect thereof, to the transferee(s) listed below:

Principal Amount transferred

Name, address and account for payments of transferee

Dated: \_\_\_\_\_

Certifying Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Notes:

- (i) A representative of the Bondholder should state the capacity in which he signs e.g. executor.
- (ii) The signature of the person effecting a transfer shall conform to any list of duly authorised specimen signatures supplied by the registered holder or be certified by a recognised bank, notary public or in such other manner as the Principal Agent or the Registrar may require.

**SCHEDULE 3**  
**Provisions for Meetings of Bondholders**

1

- 1.1 A holder of a Bond may by an instrument in writing (a "form of proxy") in the form available from the specified office of any Agent in English signed by the holder or, in the case of a corporation, executed under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation and delivered to the Agent not later than 24 hours before the time fixed for any meeting, appoint any person (a "proxy") to act on his or its behalf in connection with any meeting or proposed meeting of Bondholders.
- 1.2 A holder of a Bond which is a corporation may by delivering to any Agent not later than 24 hours before the time fixed for any meeting a resolution of its directors or other governing body in English authorise any person to act as its representative (a "representative") in connection with any meeting or proposed meeting of Bondholders.
- 1.3 A proxy or representative so appointed shall so long as such appointment remains in force be deemed, for all purposes in connection with any meeting or proposed meeting of Bondholders specified in such appointment, to be the holder of the Bonds to which such appointment relates and the holder of the Bond shall be deemed for such purposes not to be the holder.

2

Each of the Company and the Trustee may at any time convene a meeting of Bondholders. If the Trustee receives a written request by Bondholders holding at least 10 per cent. in principal amount of the Bonds for the time being outstanding and is indemnified to its satisfaction against all costs and expenses, the Trustee shall convene a meeting of Bondholders. Every meeting shall be held at a time and place approved by the Trustee.

3

At least 21 days' notice (exclusive of the day on which the notice is given and of the day of the meeting) shall be given to the Bondholders to convene a meeting of Bondholders. A copy of the notice shall be given by the party convening the meeting to the other parties. The notice shall specify the day, time and place of meeting, be given in the manner provided in the Conditions and shall specify, unless the Trustee otherwise agrees, the nature of the resolutions to be proposed and shall include a statement to the effect that the holders of Bonds may appoint proxies by executing and delivering a form of proxy in English to the specified office of an Agent not later than 24 hours before the time fixed for the meeting or, in the case of corporations, may appoint representatives by resolution in English of their directors or other governing body and by delivering an executed copy of such resolution to the Agent not later than 24 hours before the time fixed for the meeting.

4

A person (who may, but need not, be a Bondholder) nominated in writing by the Trustee may act as chairman of a meeting but if no such nomination is made or if the person nominated is not present within 15 minutes after the time fixed for the meeting the Bondholders present shall choose one of their number to be chairman, failing which, the Company, may appoint the chairman. The chairman of an adjourned meeting need not be the same person as was chairman of the original meeting.

5

At a meeting two or more persons present in person holding Bonds or being proxies or representatives and holding or representing in the aggregate not less than 10 per cent. in

principal amount of the Bonds for the time being outstanding shall (except for the purpose of passing an Extraordinary Resolution) form a quorum for the transaction of business and no business (other than the choosing of a chairman) shall be transacted unless the requisite quorum be present at the commencement of business. The quorum at a meeting for passing an Extraordinary Resolution shall (subject as provided below) be two or more persons present in person holding Bonds or being proxies or representatives and holding or representing in the aggregate over 50 per cent. in principal amount of the Bonds for the time being outstanding provided that the quorum at any meeting the business of which includes any of the matters specified in the proviso to paragraph 16 shall be two or more persons so present holding Bonds or being proxies or representatives and holding or representing in the aggregate not less than 66 per cent. in principal amount of the Bonds for the time being outstanding.

- 6 If within 15 minutes from the time fixed for a meeting a quorum is not present the meeting shall, if convened upon the requisition of Bondholders or if the Company and the Trustee agree, be dissolved. In any other case it shall stand adjourned to such date, not less than 14 nor more than 42 days later, and to such place as the chairman may decide. At such adjourned meeting two or more persons present in person holding Bonds or being proxies or representatives (whatever the principal amount of the Bonds so held or represented) shall form a quorum and may pass any resolution and decide upon all matters which could properly have been dealt with at the meeting from which the adjournment took place had a quorum been present at such meeting provided that at any adjourned meeting at which is to be proposed an Extraordinary Resolution for the purpose of effecting any of the modifications specified in the proviso to paragraph 16 the quorum shall be two or more persons so present holding Bonds or being proxies or representatives and holding or representing in the aggregate not less than 33 per cent. in principal amount of the Bonds for the time being outstanding.
- 7 The chairman may with the consent of (and shall if directed by) a meeting adjourn the meeting from time to time and from place to place but no business shall be transacted at an adjourned meeting which might not lawfully have been transacted at the meeting from which the adjournment took place.
- 8 At least 10 days' notice of any meeting adjourned through want of a quorum shall be given in the same manner as for an original meeting and such notice shall state the quorum required at the adjourned meeting. No notice need, however, otherwise be given of an adjourned meeting.
- 9 Each question submitted to a meeting shall be decided in the first instance by a show of hands and in case of equality of votes the chairman shall both on a show of hands and on a poll have a casting vote in addition to the vote or votes (if any) which he may have as a Bondholder or as a holder of a voting certificate or as a proxy or representative.
- 10 Unless a poll is (before or on the declaration of the result of the show of hands) demanded at a meeting by the chairman, the Company the Trustee or by one or more persons holding one or more Bonds or being proxies or representatives and holding or representing in the aggregate not less than two per cent. in principal amount of the Bonds for the time being outstanding, a declaration by the chairman that a resolution has been carried or carried by a particular majority or lost or not carried by a particular majority shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

- 11** If a poll is demanded, it shall be taken in such manner and (subject as provided below) either at once or after such an adjournment as the chairman directs and the result of such poll shall be deemed to be the resolution of the meeting at which the poll was demanded as at the date of the taking of the poll. The demand for a poll shall not prevent the continuation of the meeting for the transaction of any business other than the question on which the poll has been demanded.
- 12** A poll demanded on the election of a chairman or on any question of adjournment shall be taken at the meeting without adjournment.
- 13** The Company and the Trustee (through their respective representatives) and their respective financial and legal advisers may attend and speak at any meeting of Bondholders. No one else may attend or speak at a meeting of Bondholders unless he is the holder of a Bond or is a proxy or a representative.
- 14** On a show of hands every holder who is present in person or any person who is present and is a proxy or a representative shall have one vote and on a poll every person who is so present shall have one vote in respect of RMB100,000 principal amount of Bonds produced or in respect of which he is a proxy or a representative. Without prejudice to the obligations of proxies, a person entitled to more than one vote need not use them all or cast them all in the same way.
- 15** A proxy need not be a Bondholder.
- 16** A meeting of Bondholders shall, subject to the Conditions, in addition to the powers given above, but without prejudice to any powers conferred on other persons by this Trust Deed, have power exercisable by Extraordinary Resolution:
- 16.1** to sanction any proposal by the Company for any modification, abrogation, variation or compromise of, or arrangement in respect of, the rights of the Bondholders against the Company whether or not such rights arise under this Trust Deed;
- 16.2** to sanction the exchange or substitution for the Bonds of, or the conversion of the Bonds into, shares, bonds, or other obligations or securities of the Company or any other entity;
- 16.3** to assent to any modification of this Trust Deed or the Bonds which shall be proposed by the Company or the Trustee;
- 16.4** to authorise anyone to concur in and do anything necessary to carry out and give effect to an Extraordinary Resolution;
- 16.5** to give any authority, direction or sanction required to be given by Extraordinary Resolution;
- 16.6** to appoint any persons (whether Bondholders or not) as a committee or committees to represent the interests of the Bondholders and to confer on them any powers or discretions which the Bondholders could themselves exercise by Extraordinary Resolution;
- 16.7** to approve the substitution of any entity for the Company (or any previous substitute) as principal debtor under this Trust Deed;
- 16.8** to approve a proposed new Trustee and to remove a Trustee; and

- 16.9 to discharge or exonerate the Trustee from any liability in respect of any act or omission for which it may become responsible under this Trust Deed or the Bonds, provided that the special quorum provisions contained in the proviso to paragraph 5 and, in the case of an adjourned meeting, in the proviso to paragraph 6 shall apply for the purpose of making any modification to the provisions contained in this Trust Deed or the Bonds which would have the effect of:
- 16.9.1 modifying the due date for any payment in respect of the Bonds or the dates on which interest is payable on them; or
  - 16.9.2 reducing or cancelling the amount of principal, interest or premium (if any) (including any Early Redemption Amount) or Equivalent Amount payable in respect of the Bonds or changing the method of calculation of the Early Redemption Amount or the rate of interest in respect of the Bonds; or
  - 16.9.3 changing the currency of payment of the Bonds; or
  - 16.9.4 modifying (except for a unilateral and unconditional reduction in the Conversion Price) or cancelling the Conversion Rights or the options specified in Condition 8(D) or 8(E); or
  - 16.9.5 modifying the provisions contained in this Schedule concerning the quorum required at a meeting of Bondholders or the majority required to pass an Extraordinary Resolution or sign a resolution in writing; or
  - 16.9.6 amending this proviso.
- 17 An Extraordinary Resolution passed at a meeting of Bondholders duly convened and held in accordance with this Trust Deed shall be binding on all the Bondholders, whether or not present at the meeting, and each of them shall be bound to give effect to it accordingly. The passing of such a resolution shall be conclusive evidence that the circumstances of such resolution justify the passing of it.
- 18 The expression "**Extraordinary Resolution**" means a resolution passed at a meeting of Bondholders duly convened and held in accordance with these provisions by a majority consisting of not less than three-quarters of the votes cast at such meeting.
- 19 A resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in principal amount of the Bonds who for the time being are entitled to receive notice of a meeting in accordance with these provisions shall for all purposes be as valid as an Extraordinary Resolution passed at a meeting of Bondholders convened and held in accordance with these provisions. Such resolution in writing may be in one document or several documents in like form each signed by or on behalf of one or more of the Bondholders.
- 20 Minutes shall be made of all resolutions and proceedings at every meeting and, if purporting to be signed by the chairman of that meeting or of the next succeeding meeting of Bondholders, shall be conclusive evidence of the matters in them. Until the contrary is proved every meeting for which minutes have been so made and signed shall be deemed to have been duly convened and held and all resolutions passed or proceedings transacted at it to have been duly passed and transacted.
- 21 Subject to all other provisions contained in this Trust Deed the Trustee may without the consent of the Bondholders prescribe such further regulations regarding the holding of

meetings and attendance and voting at them or regarding the making of resolutions in writing as the Trustee may in its sole discretion determine including (without limitation) such regulations and requirements as the Trustee thinks reasonable to satisfy itself that persons who purport to make any requisition in accordance with this Trust Deed are entitled to do so and that those who purport to attend or vote at a meeting or to sign a written resolution are entitled to do so.

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EXECUTED as a DEED by

**DB TRUSTEES (HONG KONG) LIMITED**

in the presence of:

*/s/*  
\_\_\_\_\_  
Attorney

*/s/*  
\_\_\_\_\_  
Attorney

Dated 26 March 2007

RENESOLA LTD

and

DEUTSCHE BANK AG, HONG KONG BRANCH

and

DEUTSCHE BANK LUXEMBOURG S.A.

and

DB TRUSTEES (HONG KONG) LIMITED

PAYING AND CONVERSION AGENCY AGREEMENT

RMB928,700,000

USD settled 1.00 per cent. Convertible Bonds due 2012  
convertible into shares of  
RENESOLA LTD

**Linklaters**

10th Floor, Alexandra House  
Chater Road  
Hong Kong

Telephone (852) 2842 4888  
Facsimile (852) 2810 8133/2810 1695

**BETWEEN:**

- (1) **RENESOLA LTD** whose registered office is at 8 Baoquan Road, Jiashan City, Zhejiang 314117, PRC (the “**Company**”);
- (2) **DEUTSCHE BANK AG, HONG KONG BRANCH** at its specified office at 55th Floor, Cheung Kong Center, 2 Queen’s Road Central, Hong Kong as principal paying, conversion and transfer agent (the “**Paying Agent**”, “**Conversion Agent**”, “**Transfer Agent**”, as applicable, and collectively, the “**Principal Agent**” which expression shall, unless the context otherwise requires, include its successors as such principal paying, conversion and transfer agent, and which expression shall, unless the context otherwise requires, include any future agent appointed in accordance with this Agreement);
- (3) **DEUTSCHE BANK LUXEMBOURG S.A.** at its specified office at 2 Boulevard Konrad Adenauer, L-1115 Luxembourg as registrar (the “**Registrar**”, which expression shall, unless the context otherwise requires, include its successors as such registrar); and
- (4) **DB TRUSTEES (HONG KONG) LIMITED** at its specified office on 55th Floor, Cheung Kong Center, 2 Queen’s Road Central, Hong Kong as trustee for the persons for the time being holding the Bonds referred to below (the “**Trustee**”, which expression shall include its successors as such trustee or any joint trustee).

**WHEREAS:**

- (A) The Company has agreed to issue RMB928,700,000 USD settled 1.00 per cent. convertible bonds due 2012 (the “**Bonds**”) convertible into fully paid shares with no par value of the Company (the “**Shares**”).
- (B) The Bonds are to be constituted by a trust deed (the “**Trust Deed**”) dated 26 March 2007 and made between the Company and the Trustee.
- (C) The Bonds will be issued in registered form in the denomination of RMB100,000 each.

**IT IS AGREED** as follows:

**1 INTERPRETATION**

**1.1 Definitions:**

Terms defined or construed in the Bonds or the Trust Deed shall, unless the context otherwise requires, have the same meanings when used herein. In addition:

“**Agents**” means the Principal Agent, the Registrar and the other paying, conversion and transfer agents referred to above;

“**Alternative Clearing System**” means a clearing system as shall have been designated by the Company and approved by the Trustee (such approval not to be unreasonably withheld or delayed);

“**business day**” has the meaning set out in Condition 7(G);

“**Register**” has the meaning set out in Clause 11.1; and

any “**successor**” to an Agent means a successor to that Agent appointed at its specified office in accordance with the terms of this Agreement.

- 1.2 **Construction of Certain References:** References to:
- 1.2.1 costs, charges, remuneration or expenses include any withholding, value added, turnover or similar tax charged in respect thereof;
  - 1.2.2 “**Renminbi**”, “**Yuan**” and “**RMB**” are to the lawful currency for the time being of the People’s Republic of China;
  - 1.2.3 “**US dollars**” and “**USD**” are to the lawful currency for the time being of the United States;
  - 1.2.4 a Schedule or a Clause or a sub-clause, paragraph or sub-paragraph is, unless otherwise stated, to a schedule hereto or a clause or sub-clause, paragraph or sub-paragraph hereof respectively; and
  - 1.2.5 an action, remedy or method of judicial proceedings for the enforcement of rights of creditors include references to the action, remedy or method of judicial proceedings in jurisdictions other than England as shall most nearly approximate thereto.
- 1.3 **Headings:** Headings shall be ignored in construing this Agreement.

2 **APPOINTMENTS**

The Company appoints the Agents as its agents in respect of the Bonds in accordance with the provisions of the Conditions and this Agreement at their respective offices referred to in this Agreement and the Agents accept such appointments. Subject as provided in Clause 17, references to the Agents are to them acting solely through their respective specified offices. The obligations and duties of the Agents under this Agreement are several and not joint.

3 **AUTHENTICATION; TRANSFER OF GLOBAL CERTIFICATE**

3.1 **The Global Certificate:** Immediately before issue of the Bonds, the Company shall deliver to the Registrar a duly executed Global Certificate representing the Bonds. The Registrar (or its agent on its behalf) shall, after checking that the Global Certificate has been recorded on the Register correctly, authenticate the Global Certificate upon the written order of the Company and arrange for its delivery to a depositary common to Euroclear and Clearstream.

Title to the Bonds evidenced by the Global Certificate may be registered in the name of, and the Global Certificate be deposited with, such Alternative Clearing System other than Euroclear or Clearstream (or a nominee thereof) as the Company may from time to time designate with the prior written approval of the Trustee, and shall bear such legend as may be appropriate.

3.2 **Transfers of Interests in the Global Certificate:** Any transfer or exchange of an interest in the Bonds evidenced by the Global Certificate shall be effected in accordance with the rules and procedures of Euroclear or Clearstream or any relevant Alternative Clearing System, as applicable.

- 3.3 Exchange of Interests in the Global Certificate for Definitive Certificates:**
- 3.3.1** Definitive Certificates in respect of interests in any Bonds will not be issued in exchange for interests in the Bonds evidenced by the Global Certificate except in the circumstances provided in Clause 3.3.2, provided that, in the event that the Company designates an Alternative Clearing System and such designation is approved in writing by the Trustee, title to all or some of the Bonds may be transferred to an Alternative Clearing System or its nominee and definitive Certificates may be issued to evidence such transfer.
- 3.3.2** In the event that either Euroclear or Clearstream (or any Alternative Clearing System on behalf of which the Bonds evidenced by the Global Certificate may be held) is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, the Company will cause sufficient definitive Certificates to be executed and delivered to the Registrar in sufficient quantities as advised by the Registrar and the Registrar will authenticate the same for despatch to individual Bondholders in accordance with the Conditions, Clause 3.3.3 and Exhibit D hereto.
- 3.3.3** Upon one of the events set forth in Clause 3.3.2 occurring, a holder of Bonds represented by the Global Certificate will provide the Registrar with a written order containing instructions and such other information as the Company and the Registrar may require to complete, execute and deliver such definitive Certificates.
- 3.3.4** Upon receipt of the Certificates referred to in Clause 3.3.2 and the written order referred to in Clause 3.3.3, the Registrar shall arrange for the authentication and delivery to or upon the order of the person or persons named in such order of an individual definitive Certificate representing Bonds registered in the name or names requested by such person or persons and the Registrar shall alter the entries in the Register in respect of the Bonds accordingly. Payment will only be made to the person whose name appears on the Register.
- 3.4 Transfer or Exchange of Definitive Certificates:** Subject to the provisions of this Clause 3 and Exhibit D, the holder of Bonds represented by definitive Certificates may transfer or exchange such Bonds. Subject to compliance with such provisions, the relevant Transfer Agent and the Registrar shall register the transfer of Bonds represented by definitive Certificates in accordance with Clauses 10 and 11 below.
- 3.5 Proxies and Authorisations:** Subject to the provisions of this Agreement, the registered holder of Bonds represented by the Global Certificate may grant proxies and otherwise authorise any person, including participants and persons that may hold interests through participants, to take any action that a holder is entitled to take under this Agreement or the Bonds.
- 3.6 No Transfer Periods:** Notwithstanding anything herein to the contrary, no Bondholder may require the transfer of a Bond during the periods set forth in Condition 3(E).

**PAYMENT BY THE COMPANY**

**4.1 Payment to the Principal Agent:** In order to provide for the payment of the principal, premium and/or interest in respect of the Bonds as the same shall become due, the Company shall, by 10.00 a.m. (Hong Kong time), unconditionally pay or procure to be paid, to the Principal Agent:

- (i) on maturity or early redemption of any Bonds in an account specified by the Principal Agent for value at least two business days prior to the redemption date thereof (or, in the case of the Bonds becoming due and payable pursuant to Condition 10, forthwith upon being required by the Trustee so to make such payment), an amount (in US dollars, calculated in accordance with the Conditions) sufficient (together with any funds then held by the Principal Agent which are available for such purpose) to pay the amount due on redemption of all Bonds so to be redeemed (or the amount due pursuant to Condition 10); and
- (ii) for value at least two business days before each due date for the payment of interest or other sums payable in respect of the Bonds in accordance with the Conditions other than sums referred to in sub-Clause 4.1(i) above, an amount (in US dollars, calculated in accordance with the Conditions) sufficient (together with any funds then held by the Principal Agent which are available for such purpose) to pay the interest or other sums payable then becoming due on the outstanding Bonds.

All amounts deposited with the Trustee or any Paying Agent for the payment of Bonds to the Bondholders but which have not been so paid due to the subsequent conversion of such Bonds or otherwise shall be immediately returned to the Company upon the Company's written request, provided that no interest shall accrue on such amounts and be payable to the Company by the Trustee or any Paying Agent.

**4.2 Notification of payment:** The Company shall procure that on or before 10:00 a.m. (Hong Kong time) on the third business day prior to each due date for payment of principal, premium and/or interest in respect of the Bonds, the bank through which such payment is to be made will send to the Principal Agent confirmation that it has received from the Company an irrevocable instruction to make the relevant payment (by SWIFT).

In this Clause 4 and in Clause 5, the date on which a payment in respect of the Bonds becomes due means the first date on which the holder of a Bond could claim the relevant payment by transfer to an account under the Conditions, but disregarding the necessity for it to be a business day in any particular place of presentation.

**4.3 Notification in the event of non-payment:** The Principal Agent shall forthwith notify the Trustee, the other Agents and the Company if it has not, by the due date for payment of principal and/or interest on the Bonds or any of them, received unconditionally in the manner provided in this Clause 4 the full amount of the moneys payable on such due date on or in respect of all such Bonds, as the case may be.

- 4.4 **Late payment:** If any payment provided for by Clause 4.1 is made late but otherwise under the terms of this Agreement, the Agents shall nevertheless act as Agents. However, (i) unless and until the full amount of any payment has been made to the Principal Agent in accordance with Clause 4.1 or (ii) unless and until the Principal Agent is satisfied that such payment will be made, neither it nor any of the Agents shall be bound to make payments in respect of the Bonds as aforesaid.
- 4.5 **Tax:** All payments by the Company under this Agreement to be made free of any withholding, except as may be required by law in which case the Company will gross up.

5

**PAYMENT BY THE AGENTS**

- 5.1 **Payment:** Unless they receive a notification from the Principal Agent under Clause 4.3 the Paying Agents will, subject to and in accordance with the Conditions, pay or cause to be paid on behalf of the Company on and after each due date therefor the amounts due in respect of the Bonds and will be entitled to claim any amounts so paid from the Principal Agent. If any payment provided for in Clause 4.1 is made late but otherwise in accordance with this Agreement the Paying Agents will nevertheless make such payments in respect of the Bonds. However, unless and until the full amount of any such payment has been made to the Principal Agent none of the Paying Agents will be bound to make such payments until either the Principal Agent has received the full amount of moneys then due and payable in respect of the Bonds or other arrangements satisfactory to the Principal Agent have been made. If payment of any amount is made to the Principal Agent later than the due date for payment of such amount to the Bondholders, the Principal Agent shall as soon as practicable after receipt thereof give notice to the Bondholders in accordance with Condition 16 that such payment has been made. All payments to be made by the Paying Agents hereunder shall be made without charging any commission or fee to the Bondholders. The Company shall on demand by the Principal Agent reimburse the Principal Agent for the relevant amount and pay interest to the Principal Agent on such amount that is outstanding from the date on which it is paid out by that Paying Agent to the date of reimbursement by the Company at the rate per annum then prevailing at the date of such funding equal to the cost to the relevant Paying Agent of funding the amount paid out plus two per cent. per annum as certified by the Principal Agent. Nothing contained herein shall require a Paying Agent to make a payment unless and until the Paying Agent has received immediately available funds sufficient to make said payment.
- 5.2 **Reimbursements of Agents:** The Principal Agent will on demand promptly reimburse each Paying Agent for payments in respect of the Bonds made by it in accordance with the Conditions and this Agreement.
- 5.3 **Method of payment to Principal Agent:** All sums payable to the Principal Agent hereunder will be paid in US dollars and in immediately available or same day funds to such account, with such bank in Hong Kong as the Principal Agent may from time to time notify in advance to the Company in writing.
- 5.4 **Surrender of Certificates to Paying Agents:** The Paying Agents shall accept surrender of Certificates from Bondholders as a condition precedent to payment of principal and premium (if any) in accordance with the Conditions. At close of

business on the second business day before the due date for payment in respect of Bonds, and, if Certificates are surrendered later than that, on any business day thereafter on which Certificates are surrendered, each Paying Agent to whom Certificates have been surrendered will notify the Registrar and the Principal Agent of the identifying numbers of Certificates surrendered to it at that time. Each Paying Agent will cancel Certificates surrendered to it and forward the cancelled Certificates to the Principal Agent for destruction.

5.5 **Fees and expenses of the Agents:** The Principal Agent will account to each of the other Agents for their fees and expenses properly incurred in respect of the services performed by them under this Agreement promptly after receipt thereof from the Company and the Company shall have no responsibility for the apportionment of any such payments.

5.6 **Agents of the Trustee:**

The Principal Agent, the Registrar or the other Agents shall, on demand by the Trustee by notice in writing given to them at any time after any Event of Default or Potential Event of Default has occurred, until notified by the Trustee to the contrary, so far as permitted by applicable law:

5.6.1 act thereafter as agents of the Trustee under the Trust Deed and the Bonds on the terms of this Agreement (with consequential amendments as necessary and except that the Trustee's liability for the indemnification, remuneration and all other expenses of the Agents will be limited to the amounts for the time being held by the Trustee in respect of the Bonds on the terms of the Trust Deed) and thereafter hold all Certificates and all moneys, documents and records held by them in respect of the Bonds to the order of the Trustee; and/or

5.6.2 deliver up all Certificates and all moneys, documents and records held by them in respect of the Bonds to the Trustee or as the Trustee shall direct in such notice or subsequently, provided that this Clause 5.6.2 shall not apply to any documents or records which the Principal Agent, the Registrar or the relevant Agent is obliged not to release by any law or regulation to which it is subject.

5.7 **Notices of change of the Trustee:** The Company shall forthwith give notice to the Principal Agent of any change in the person or persons who act as the Trustee under the Trust Deed.

6 **CONVERSION**

6.1 **Conversion Duties of Conversion Agents:** Each Conversion Agent shall during normal business hours (local time in the place where the specified office of the relevant Conversion Agent is located) (i) accept deposit on behalf of the Company of (a) any Certificates in respect of Bonds which the holder(s) thereof or the Trustee desires to convert (and in respect of which Bond a Conversion Notice is deposited with that Conversion Agent prior to the Conversion Date) together with a Conversion Notice (in duplicate) duly completed and signed (where necessary) or (b) in the case of Bonds represented by the Global Certificate, a Conversion Notice only (which may, in such case, be delivered by facsimile transmission), together, in each case,



with any amount payable by the relevant holder under Condition 6(B)(ii); and (ii) accept payment from each converting Bondholder or the Trustee of any amount payable by it under Condition 6(B)(ii) and (iii) require the Company to pay all stamp, issue, documentary, transfer, registration, excise or other taxes or duties (if any) specified in the Trust Deed or the Bonds to be payable by the Company. Once deposited, a Conversion Notice may not be withdrawn without the written consent of the Company (with a copy of such consent together with the relevant Conversion Notice sent to the relevant Conversion Agent at the same time).

- 6.2 Global Certificate:** Conversion Rights attaching to the Bonds represented by the Global Certificate shall be exercised in the manner set out herein, provided that:
- 6.2.1** the Global Certificate need not be deposited with the Conversion Agent together with the relevant Conversion Notice;
  - 6.2.2** the Conversion Notice for Bonds represented by the Global Certificate may be completed and deposited by or on behalf of an account holder of Clearstream or Euroclear or an Alternative Clearing System (if any) in which the Bond to be converted is held at such time, which has an interest in such Bonds;
  - 6.2.3** Bonds which have been converted will be rendered void forthwith and the Global Certificate shall be annotated accordingly without cancellation of the Global Certificate; and
  - 6.2.4** the holding of an interest in Bonds by an account holder of Clearstream or Euroclear or an Alternative Clearing System (if any) in which the Bonds are held at such time in respect of which the Conversion Rights are exercised will be confirmed by the relevant clearing system with the Conversion Agent.
- 6.3 Certificates held by Conversion Agents:** On deposit of a Certificate and a Conversion Notice (in duplicate) (and payment of any required amount) in accordance with Clause 6.1, the Certificate and the Conversion Notice so deposited and any relevant sums shall be deemed to be held by the Conversion Agent as the agent of the Company. The Conversion Agent shall cancel forthwith upon the Conversion Date the Certificates representing the Bonds and (unless the Conversion Agent is also the Principal Agent) despatch such cancelled Certificates promptly to or to the order of the Principal Agent or its designated agent, together with a certificate stating the identifying numbers of the Bonds in respect of which the relevant Certificates have been delivered and the identifying numbers of the relevant Certificates.
- 6.4 Notification by Conversion Agents:**
- 6.4.1** Immediately following deposit of a Certificate (if applicable) and Conversion Notice and payment of any required amount in accordance with Clause 6.1, the Conversion Agent with which they were deposited shall verify that the Conversion Right is exercisable and that the Conversion Notice (in duplicate) has been duly completed in relation to the Bonds, which are the subject of the purported conversion, in accordance with its terms and purports to have been signed by or on behalf of the Bondholder named therein and that the Conversion Notice is accompanied by: (i) all

Certificates (if applicable) to which it relates, and (ii) all amounts payable by the Bondholder under Condition 6(B)(ii) and endorse the Conversion Notice to that effect. Following receipt of original Conversion Notices in accordance with this Clause 6.4, and notwithstanding the provisions of Clause 6.4.3(iii)(a) below, the Principal Agent will send by post to the Company the original Conversion Notice (if applicable) as soon as reasonably practicable following any such request by the Company.

**6.4.2** As soon as reasonably practicable following receipt of the Conversion Notice by a Conversion Agent other than the Principal Agent and the fulfilment of the conditions in Clause 6.4.1, such Conversion Agent shall:

- (i) send by facsimile transmission a copy of such Conversion Notice to the Principal Agent;
- (ii) cancel forthwith upon the Conversion Date all Certificates delivered with such Conversion Notice and despatch such cancelled Certificates promptly (together with a certificate stating the certificate numbers of the Bonds so delivered), to or to the order of the Principal Agent or its designated agent, who shall destroy such cancelled Certificates; and
- (iii) despatch as soon as practicable and in any event within five (5) days after the Conversion Date:
  - (a) by post, the original Conversion Notice (if applicable) to the Principal Agent; and
  - (b) to the relevant tax authorities, payment in respect of any taxes and duties payable in accordance with Condition 6(B)(ii) by the Bondholder on the exercise of his Conversion Right.

**6.4.3** Upon receipt of the Conversion Notice and in any event no later than five (5) business days following such receipt by the Principal Agent (either as a result of deposit of the original by a converting Bondholder with the Principal Agent in its capacity as Conversion Agent or as a result of receipt of the facsimile of such Conversion Notice pursuant to Clause 6.4.2(i) above) and fulfilment of the conditions in Clause 6.4.1, the Principal Agent in its capacity as Conversion Agent shall:

- (i) notify the Company in the manner specified in Exhibit B hereto (an “**Agent Conversion Notification**”), of the following (together with a copy of the Conversion Notice(s)):
  - (a) the total number, the aggregate principal amount and the certificate numbers of all Bonds deposited on the same occasion by the same Bondholder which are to be converted, the number of Shares issuable upon conversion and the name and address of such Bondholder;
  - (b) the name and address of the person in whose name the Shares issuable upon conversion are to be registered; and

- (c) the Conversion Date and the Conversion Price in respect of such conversion;
- (ii) (where the Conversion Agent with which the Certificate is deposited is itself the Principal Agent) cancel forthwith upon the Conversion Date all Certificates delivered with such Conversion Notice and procure the destruction of such cancelled Certificates;
- (iii) despatch as soon as practicable and in any event within five (5) days after the Conversion Date:
  - (a) the original Conversion Notice (if applicable) to the Company; and
  - (b) (where the Conversion Agent with which the Certificate is deposited is itself the Principal Agent) to the relevant tax authorities, payment in respect of any taxes and duties payable in accordance with Condition 6(B)(ii) by the Bondholder on the exercise of his Conversion Right; and
- (iv) without any further notice or confirmation from the Company, and in any event no later than the Conversion Date, instruct the Registrar to remove the name of the relevant Bondholder from the register or reduce the corresponding principal amount of Bonds registered as being represented by the Global Certificate, where appropriate.

**6.4.4** Where a Conversion Notice is received which requires the Shares (or other securities, property or cash) issuable on conversion of the Bonds to which it relates to be dealt with in different ways for specified principal amounts (which must be RMB100,000 or integral multiples thereof) of Bonds, the Principal Agent receiving the Conversion Notice may, and if requested by the Bondholder depositing the Conversion Notice, shall, treat each specified principal amount of Bonds as if it were subject to its own Conversion Notice and prepare and send the details referred to in Clause 6.4.3 separately for each such specified principal amount (and, for the avoidance of doubt so they are not aggregated for the purpose of calculating the number of Shares, or amount of other property, issuable on conversion).

**6.5 Delivery by the Company:**

**6.5.1** Upon receipt of the relevant Conversion Agent Notification, the Company will forthwith send notification (in the manner specified in Exhibit C hereto) by facsimile to the Conversion Agent which has initially received the relevant Conversion Notice (and will send a copy to the Principal Agent (if it is not the Agent which received the relevant Conversion Notice) and the Registrar), in the case of a Bond in respect of which the Conversion Right has been exercised and in respect of which a Conversion Notice was deposited, confirming that delivery, despatch or payment in accordance with such Conversion Notice (or otherwise in accordance with the converting Bondholder's instructions) of the certificate or certificates for the relevant Shares and/or securities, property or cash required to be delivered and/or paid upon conversion has been or will be made.

- 6.5.2 In addition, upon delivery and despatch of the certificate(s) for the relevant Shares issued on conversion or delivery of the relevant Shares through the Central Clearing and Settlement System of Hong Kong to the converting Bondholder, the Company shall send confirmation by facsimile to the Conversion Agent which has sent the relevant Conversion Notice (and will send a copy to the Principal Agent and the Registrar) that the converting Bondholder or other person nominated in the Conversion Notice has been registered as the owner of the relevant Shares issued on conversion.
- 6.5.3 Promptly upon receipt of the confirmation referred to in Clause 6.5.2 of registration in the register of shareholders or notification that cash has been paid upon conversion (but not before), the Registrar shall remove the name of the relevant Bondholder from the Register, or reduce the number of Bonds of which it is registered as owner, as appropriate.
- 6.6 **Company to provide Conversion Notice and Particulars of Adjustment to Conversion Price:** As soon as is practicable following a request from time to time, the Company will provide the Conversion Agents with copies of the form of Conversion Notice and shall, whenever the Conversion Price is adjusted pursuant to the Trust Deed, as soon as practicable notify each of the Trustee and the Conversion Agents of particulars of the event giving rise to the adjustment, the Conversion Price after such adjustment, the date on which such adjustment takes effect and such other particulars and information as the Trustee or the Agents may reasonably require. If required by any Bondholder, the Conversion Agents shall make Conversion Notices in the current form available to Bondholders.
- 6.7 **Notification of Closure of Register of Shareholders:** The Company shall as soon as is practicable after becoming aware of the same give notice to the Trustee and the Agents of any dates upon which the Company's register of shareholders is to be closed. Such notice shall give particulars of the reason for such closure and the expected date when the register will be re-opened.
- 6.8 **Identification Codes:** Each Conversion Notice deposited with a Conversion Agent and each facsimile transmission sent and letter delivered in respect of a Conversion Notice pursuant to the foregoing provisions of this Clause 6.8 by any Conversion Agent shall indicate the identification code designated below for that Conversion Agent, followed by the words "**Renesola Ltd RMB928,700,000 USD settled 1.00 per cent. Convertible Bonds due 2012**", and shall bear the lowest number previously unused by that Conversion Agent in the sequence of whole numerals starting from one and continuing in uninterrupted sequence upwards, for identification. All confirmatory or subsequent communications (regardless of the identity of the sender or the recipient thereof) with regard to the conversion, receipt, delivery and/or payment of Shares and/or any other securities, property and cash relating to such Conversion Notice shall bear the same identifying number as well as the identification code of the relevant Conversion Agent.

The identification codes of the Conversion Agents shall be as follows:

Deutsche Bank AG, Hong Kong Branch "DBHK"

Deutsche Bank Luxembourg S.A. "DBLX"

Thus, by way of example, the reference to be used for the fifth Conversion Notice deposited with the Principal Agent and for each facsimile transmission and letter relating thereto would be "DBHK/Renesola Ltd RMB928,700,000 USD settled 1.00 per cent. Convertible Bonds due 2012/0005".

**6.9 Fees and Expenses of Conversion:** The Company shall pay all stamp, issue, registration, excise, and similar taxes and duties and transfer costs (if any) payable with respect to the deposit of Bonds for conversion and the issue and delivery of Shares following such deposit (other than those taxes and duties payable by the converting Bondholder as expressly provided in Clause 6.1 or the Conditions), all expenses arising in Hong Kong on the issue of Shares on conversion of Bonds and all charges of the Conversion Agents in connection thereon.

**6.10 Taxes and Duties:** The Conversion Agent is not under any obligation to determine whether a Bondholder is liable to pay any taxes or duties, including stamp, issue, registration or similar taxes and duties upon exercise by such Bondholder of the Conversion Right. The Agent shall be entitled to rely without further enquiry and without liability on any information provided by such Bondholder in the Conversion Notice as to any such amounts payable and as to the details of the relevant tax authorities to which the Conversion Agent must pay monies received in settlement of the taxes and duties payable pursuant to Condition 6(B)(ii).

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#### EARLY REDEMPTION

**7.1 Notice of Redemption:** If the Company intends to redeem all of the Bonds under Conditions 8(B) or 8(C) it shall, at least 5 days before the latest date for the publication of the notice of redemption required to be given to Bondholders in accordance with Condition 17, give prompt notice in writing of its intention to the Principal Agent and the Trustee stating the date on which such Bonds are to be redeemed and the Early Redemption Amount.

**7.2 Redemption Notice:** On behalf of and at the request and expense of the Company, the Principal Agent shall publish the notice in accordance with Condition 17, in the form approved by the Company, required in connection with such redemption. Such notice shall specify the details in accordance with Condition 8(H). The Principal Agent shall forthwith notify the other Paying Agents of the contents of such notice.

**7.3 Redemption at the Option of the Bondholders and Redemption for Delisting or Change of Control:** Each Paying Agent will keep a stock of notices ("**Redemption Notices**") in a form similar to that set out in Exhibit E and will make them available on demand to Bondholders. The Paying Agent with which a Certificate is deposited pursuant to Condition 8(D) or 8(E) shall hold such Certificate on behalf of the depositing Bondholder (but shall not, save as provided below, release it) until the due date for redemption of the Bonds in respect of which it is issued pursuant to Condition 8(D) or 8(E), as the case may be. On that date, subject as provided below, the relevant Paying Agent shall surrender such Certificate to itself and treat it as if surrendered by the holder in accordance with the Conditions and (in the case of the Global Certificate) endorse the Schedule to such Certificate with the principal amount of Bonds to be redeemed and the principal amount of Bonds remaining after such redemption. If the Bond (or Bonds) represented by the deposited Certificate

becomes (or become) immediately due and payable before that date, the Paying Agent concerned shall mail such Certificate by uninsured post to, and at the risk of, the relevant Bondholder at the address shown for the Bondholder on the register of Bondholders as supplied by the Registrar. At the end of the period for exercising the option in Condition 8(D) or 8(E), as the case may be, each Paying Agent shall promptly notify the Principal Agent of the principal amount of Bonds in respect of which Redemption Notices have been deposited with it and will forward such Redemption Notices to the Principal Agent. The Principal Agent shall promptly notify such information and details of the principal amount of Bonds represented by the Global Certificate in respect of which the option in Condition 8(D) or 8(E), as the case may be, has been exercised to the Company and the Trustee. A Redemption Notice, once delivered, shall be irrevocable.

- 7.4 **Effect of Notice of Redemption:** Once a notice of redemption is provided in accordance with Condition 17 and/or a Redemption Notice is duly completed, signed and deposited with any Paying Agents in accordance with Condition 8(D) or 8(E), Bonds called/put for redemption shall become due and payable on the date fixed for redemption of the Bonds, the Relevant Event Redemption Date and/or the Put Option Date (as the case may be) at the redemption price or the Early Redemption Amount (as the case may be) stated in the relevant notice. Upon surrender of any Certificate in respect of such Bond for redemption in accordance with said notice, such Bond shall be paid by the Company at the redemption price or the Early Redemption Amount (as the case may be) in accordance with the Conditions.
- 7.5 **Bondholders' Tax Option:** Each Agent will keep a stock of notices ("**Bondholder's Tax Election Notice**") in a form similar to that set out in the Exhibit F and will make them available on demand to Bondholders. The Agent with which a Bond is deposited pursuant to Condition 8(C)(2) shall hold such Bond on behalf of the depositing Bondholder (but shall not, save as provided below, release it) until the proposed Tax Redemption Date of the Bonds pursuant to Condition 8(C)(1). On that date, subject as provided below, the relevant Agent shall return such Bond to the depositing Bondholder and (in the case of the Global Certificate) endorse the relevant Schedule to such Certificate appropriately. If the deposited Bond (or Bonds) becomes (or become) immediately due and payable before that date, the Agent concerned shall mail such Certificate by uninsured post to, and at the risk of, the relevant holder.
- 7.6 **Deposit of Redemption Price:** For value on the second business day prior to the relevant redemption date, the Company shall deposit with the Principal Agent money (in US dollars, calculated in accordance with the Conditions) sufficient to pay the redemption price of all Bonds to be redeemed on that date other than any Bonds called for redemption on that date which have been converted prior to the date of such deposit. The Principal Agent shall as soon as practicable return to the Company upon its written request any money (without interest thereon) not required for that purpose because of conversion of any Bonds called for redemption.

8 **CANCELLATION OF BONDS**

- 8.1 **Cancellation by Agents:** All Bonds which are redeemed, converted or purchased by the Company or any of its Subsidiaries shall be cancelled by the removal of the relevant Bondholder's name from the Register by the Registrar and cancellation of

the corresponding Certificates (or appropriate amendment of the Global Certificate if the Bonds are represented thereby) by the Agent to which they were surrendered or with which they were deposited.

- 8.2 Cancelled Certificates:** Each Agent shall (unless it is itself the Principal Agent) give all relevant details for the purposes of Clause 8.3 to, and shall forward Certificates cancelled by it promptly to, the Principal Agent or, as the case may be, its designated agent.
- 8.3 Certification of Payment Details:** Subject to receipt of the information described in Clause 8.2, the Principal Agent shall as soon as reasonably practicable, upon a request in writing from any of the Company, the Trustee and the Registrar, furnish the Company, the Trustee and the Registrar with a certificate signed by its duly authorised officer (whose name and specimen signature have previously been provided to the Company) stating (as applicable) (1) the aggregate amounts paid in respect of Bonds redeemed or paid and cancelled, (2) the aggregate principal amount of Bonds converted and cancelled and (3) the identifying numbers of such Bonds and (4) that such Bonds have been cancelled. Such certification may be accepted by the Trustee as conclusive evidence of repayment or discharge pro tanto of the Bonds, of payment of interest thereon (if any) or (as the case may be) of the issue of replacement Certificates.
- 8.4 Cancelled Certificates:** Unless otherwise instructed by the Company, the Principal Agent or its designated agent shall destroy the cancelled Certificates in its possession or held to its order and furnish to the Company and the Trustee upon request, a certificate of such destruction.
- 8.5 Records:** Subject to receipt of the relevant information, the Principal Agent shall keep a full and complete record of all Bonds and of their redemption, conversion, payment, cancellation, despatch to the Company and replacement (as appropriate) and shall make such record available at all reasonable times during office hours to the Company, the Trustee and the other Agents. Notwithstanding the foregoing, the Principal Agent shall not be required to keep a record of the Register.
- 8.6 Identifying Numbers:** The Registrar shall notify the Principal Agent of the identifying numbers of the Bonds and the definitive Certificates which are issued and the same shall form the basis of the records to be kept by the Principal Agent.

## 9 ISSUE OF REPLACEMENT CERTIFICATES

- 9.1 Stocks of Certificates:** From time to time after such time (if ever) as Bonds may be transferred into a name other than that of the holder of the Global Certificate, the Company will cause a sufficient quantity of additional blank Certificates (other than the Global Certificate) to be available, upon request, to the Registrar at its specified office in Luxembourg for the purpose of delivering replacement Certificates as provided below. The Company will promptly notify the Trustee and the Registrar (and the Paying Agent, if applicable) if the authorised officer of the Company whose facsimile signature appears on such stocks of replacement Certificates ceases to be so authorised. In such circumstances the Company will promptly, properly and validly appoint a replacement authorised officer and upon the request of the Registrar or the Trustee promptly deliver to the Registrar such number of replacement Certificates as it may reasonably request, duly signed manually or in

facsimile by such replacement authorised officer. Upon receipt of such replacement Certificates, the Registrar or its agent will be deemed to have been authorised by the Company to destroy any previous replacement Certificates and will notify the Company of such destruction.

- 9.2 Replacement:** The Registrar will, subject to and in accordance with Condition 14 and the following provisions of this Clause, authenticate and deliver or cause to be authenticated and delivered (directly or, if applicable, through the relevant Agent) any replacement Certificates which the Company may determine to issue or deliver in place of Certificates which have been mutilated, defaced, lost, stolen or destroyed. The Registrar will inform the Company upon receiving any request from a Bondholder (directly or, if applicable, through the relevant Agent) for the issue of a replacement Certificate.
- 9.3 Conditions of Replacement:** The Registrar will verify with the relevant Agent, in the case of an allegedly lost, stolen or destroyed Certificate in respect of which the identifying number is known or believed to be known, that the Bond in respect of which such Certificate is issued has not been redeemed or converted or purchased by the Company and cancelled and the Registrar shall not deliver or cause to be delivered any replacement Certificate unless and until the applicant therefor shall have:
- 9.3.1** paid such costs, taxes and duties as may be incurred in connection therewith;
  - 9.3.2** furnished the Registrar (directly or, if applicable, through the relevant Agent) with such evidence (including evidence as to the identifying number of the Certificate in question if known) and indemnity as the Company and the Registrar may reasonably require; and
  - 9.3.3** surrendered to the Registrar (directly or, if applicable, through the relevant Agent) any mutilated or defaced Certificate to be replaced.
- 9.4 Cancellation of replaced Certificates:** The Registrar shall cancel or procure the cancellation of any mutilated or defaced Certificates surrendered to it for replacement. Unless otherwise instructed by the Company, the Registrar shall destroy or procure the destruction of such cancelled Certificates and upon request by the Company or the Trustee, furnish the Company, the Trustee and the Principal Agent with a certificate confirming such destruction and containing the information specified in Clause 8.3.
- 9.5 Notification:** The Registrar shall, on delivering (either directly or, if applicable, through the relevant Agent) any replacement Certificate, forthwith inform the Company and each of the other Agents, of the identifying number of such replacement Certificate and (if known) of the identifying number of the definitive Certificate and the relevant Bonds in place of which such replacement Certificate has been delivered.
- 9.6 Records:** The Registrar shall keep a full and complete record of all replacement Certificates delivered (either directly or, if applicable, through the relevant Agent) and shall make such record available during office hours at all reasonable times to the Company, the Trustee and the Principal Agent.



9.7 **Notice of presentation of replaced Certificates:** Whenever any Certificates alleged to have been lost, stolen or destroyed in replacement for which a new Certificate has been issued shall be surrendered or delivered to an Agent prior to payment or for conversion, the Agent shall immediately send notice thereof to the Company, the Registrar and the Principal Agent.

10 **DUTIES OF THE TRANSFER AGENTS IN RESPECT OF TRANSFERS**

If and to the extent specified by the Conditions and in accordance therewith and the terms of this Agreement or if otherwise requested by the Company, each Transfer Agent will:

- 10.1 receive requests for the transfer of Bonds, inform the Registrar, forward the deposited Certificate(s) to the Registrar and assist in the issue of a new Certificate in accordance with the Regulations referred to in Clause 13 and in particular forthwith notify the Registrar of (1) the name and address of the holder of the Bond, (2) the identifying number of the relevant Certificate and the relevant Bonds, (3) (where not all Bonds in respect of which a Certificate was issued are to be transferred) the number of Bonds transferred and their identifying numbers, and (4) the name, address and account for payments (if any) of the transferee to be entered on the Register; and
- 10.2 keep the Registrar informed of all transfers.

11 **DUTIES OF THE REGISTRAR**

11.1 **The Register:** The Registrar shall maintain a register (the "**Register**") outside United Kingdom in accordance with the Conditions and the Regulations referred to in Clause 13. The Register shall:

- (i) show the amount of Bonds and the date of issue and all subsequent transfers and changes of ownership in respect thereof and the names and addresses of the holders of Bonds;
- (ii) at all reasonable times during office hours be made available to the Company, the Trustee, the other Agents or any person authorised by any of them for inspection and for the taking of copies thereof or extracts therefrom and the Registrar shall deliver to such persons all such lists of holders of Bonds, their addresses, registered accounts, holdings and other details as they may request; and
- (iii) include a record of the identifying number allocated to each Bond and the identifying number allocated to each definitive Certificate which is issued. Each Certificate will carry the identifying number of the Bond or Bonds in respect of which it is issued, as well as its own identifying number.

The Registrar will maintain proper records in relation to the title to any of the Bonds including all forms of transfer, probates, letters of administration and powers of attorney. The provisions set forth in Exhibit D hereto shall apply in relation to the maintenance of the Register and the transfer of Bonds. The Registrar will enter in the Register the details of all redemptions or conversion of Bonds notified to it as aforesaid and the Registrar will comply with the proper and reasonable requests of the Company with respect to the maintenance of the Register and will provide to the

Company, the Trustee and other Agents such information with respect thereto as may be requested by the Company or may be reasonably required by the Trustee or the other Agents for the proper performance of their respective duties.

**11.2 Transfers:** The Registrar will receive requests for the transfer of Bonds and will also receive Certificates deposited with a Transfer Agent for transfer, effect the necessary entries, authenticate and issue new Certificates in accordance with the Regulations referred to in Clause 13 and deliver the new Certificate(s) to the relevant Agent.

**11.3 Replacement:** The Registrar will also have certain duties in connection with the replacement of certificates, which duties are set out in Clause 9.

## 12 DOCUMENTS AND CERTIFICATES FOR THE REGISTRAR

**12.1 Supply of Certificates:** From time to time after such time (if ever) as Bonds may be transferred to a name other than that of the holder of the Global Certificate, the Company will deliver to the Registrar and each Transfer Agent in reasonably sufficient time for the performance of its duties hereunder:

**12.1.1** a supply of blank definitive Certificates sufficient to meet the Registrar and each Transfer Agent's anticipated requirements as specified by the Registrar for Certificates upon effecting the transfers required by the holder of the Global Certificate; and

**12.1.2** from time to time, so long as any Bond is outstanding, sufficient additional blank definitive Certificates as may be required by the Registrar for the performance of the Registrar's and each Transfer Agent's duties.

**12.2 Safekeeping of Certificates:** Each Transfer Agent and the Registrar shall maintain in safekeeping all Certificates and blank Certificates delivered to and held by it and shall ensure that Certificates are issued only in accordance with the Conditions (including the provisions of the Global Certificate) and the provisions of this Agreement.

**12.3 Information:** Within seven days of any request therefor by the Company or any Agent, so long as any of the Bonds are outstanding, each Transfer Agent and the Registrar shall certify to the Company and the relevant Agent the number of blank Certificates held by it hereunder.

## 13 INFORMATION AND REGULATIONS CONCERNING THE BONDS

**13.1 Provision of information:** Each Agent will give to the other Agents such further information with regard to their activities hereunder as may reasonably be required by them for the proper carrying out of their respective duties.

**13.2 Regulations:** The Company may, subject to the Conditions, from time to time with the approval of the Registrar and the Trustee promulgate regulations (the "**Regulations**") concerning the carrying out of transfers of Bonds and the forms and evidence to be provided. All such transfers will be made subject to the Regulations. The initial Regulations are set out in Exhibit D. The Registrar shall, at the expense of the Company, provide copies of the current Regulations to Bondholders (free of charge) upon request in accordance with Condition 3(F).

**REMUNERATION**

- 14.1 Fees:** The Company will, in respect of the services to be performed by the Principal Agent and the Registrar and the other Agents under this Agreement, the Conditions and the Trust Deed pay to the Principal Agent the commissions, fees and expenses as separately agreed in writing with the Principal Agent and the Company need not concern itself with the apportionment of such moneys as between the Principal Agent, the Registrar and the other Agents.
- 14.2 Costs:** The Company will pay to the Principal Agent all out-of-pocket expenses (including, without limitation, advertising and insurance expenses and the fees and expenses of legal advisers) properly incurred by any Agent and the Registrar in connection with its services performed under this Agreement, the Conditions and the Trust Deed promptly upon receipt from the Principal Agent of notification of the amount of such expenses together with the relevant invoices and/or receipts.
- 14.3** The Agent shall have no obligation to act if it believes it will incur costs for which it will not be reimbursed.
- 14.4 Distribution to Agents:** The Principal Agent will be responsible for distributing the remuneration of the Agents and the Registrar and their relevant costs and expenses promptly upon receipt of the moneys therefor from the Company.
- 14.5 Stamp duties:** The Company will pay or reimburse all stamp, registration and other similar taxes, fees or duties, if any, to which this Agreement may be subject on execution, issue, payment or enforcement.
- 14.6 Obligations to survive:** Any outstanding obligations of the Company to the Agents and the Registrar under this Clause 14 shall survive the termination of this Agreement, the Conditions and the Trust Deed and the resignation or removal of any of the Agents or the Registrar.

**FUNDS HELD BY PRINCIPAL AGENT**

- 15.1 Repayment:** Any sums paid by, or by arrangement with, the Company to the Principal Agent pursuant to the terms of this Agreement shall not be required to be repaid to the Company unless and until the Bonds in respect of which such sums were paid shall have been converted or redeemed or purchased and cancelled or claims in respect of such sums shall have become prescribed under Condition 11, but in any of these events the Principal Agent shall (provided that all other amounts due under this Agreement shall have been duly paid), save as mentioned below, forthwith repay to the Company upon its written request sums (without interest) equivalent to the amounts which would otherwise have been payable on the relevant Bonds together with any fees previously paid (except for any commissions, fees and expenses paid by the Company pursuant to Clause 14) to the Principal Agent in respect of such Bonds.
- 15.2 Use of moneys:** The Principal Agent shall be entitled to deal with moneys paid to it by the Company for the purposes of this Agreement in the same manner as other moneys paid to a banker by its customers and shall not be liable to account to the Company for any interest thereon, save as otherwise agreed between the Company and the Principal Agent. No Agent shall exercise any right of set-off or lien or similar claim over moneys paid to it or by it under this Agreement. Unless required by law, moneys held by the Principal Agent need not be segregated.

- 16.1 Publication of notices:** On behalf and at the written request and expense of the Company, the Principal Agent will as soon as practicable cause to be published any notices required to be given by the Company or the Trustee in accordance with the Trust Deed or any of the Conditions, save as set out herein. The Company shall provide the Principal Agent with signed copies of any notices to be published at least five business days prior to the date of publication.
- 16.2 Notices to the Trustee:** Upon each occasion that the Company gives to the Trustee any notice in connection with the Bonds, the Company shall at the same time give a similar notice to the Principal Agent.
- 16.3 Voting:** Each of the Agents shall perform the functions described as being performed by it in Schedule 3 to the Trust Deed and shall keep a full and complete record of forms of proxy issued by it.
- 16.4 No implicit duties:** The Agents shall be obliged to perform such duties, and only such duties, as are herein and in the Conditions specifically set forth, and no implied duties or obligations shall be read into this Agreement or the Conditions against any of them.
- 16.5 No agency or trust:** In acting hereunder and in connection with the Bonds, the Agents shall act solely as agents of the Company (or, where a notice given by the Trustee pursuant to Clause 5.6 shall not have been withdrawn, the Trustee) and will not thereby assume any obligations towards, or relationship of agency or trust for, any of the Bondholders.
- 16.6 Taking of advice:** Any of the Agents may consult with legal or other professional advisers satisfactory to it, and the opinion of such advisers shall be full and complete protection in respect of any action taken, omitted or suffered hereunder in good faith and in accordance with the opinion of such advisers.
- 16.7 Liability:** The Agents shall be protected and shall incur no liability for or in respect of any action taken, omitted or suffered in good faith in reliance upon any instruction, request or order from the Company, the Trustee, or any Bond, Certificate, form of transfer, Conversion Notice, resolution, direction, consent, certificate, affidavit, statement, facsimile transmission, electronic message or other paper or document reasonably believed by it to be genuine and to have been delivered, signed or sent by the proper party or parties. The Agents shall not be under any obligation to take any action hereunder which may involve it in any expense or liability, the payment of which within a reasonable time is not, in its opinion, assured to it, or would be contrary to applicable law or regulation.
- 16.8 Indemnity by the Company:** The Company will indemnify each of the Agents against any losses, liabilities, costs, claims, actions, demands, damages or expenses which it may incur or which may be made against it as a result of or in connection with its appointment or the exercise or non-exercise by it of its powers, discretions and duties, except such as may result from its own wilful misconduct, wilful default, gross negligence or bad faith or that of its directors, officers,

employees or agents. Each Agent shall, to the extent permitted by laws, notify the Company promptly of any third party claim for which it may seek an indemnity from the Company and such Agent shall use its best endeavours to co-operate with the Company in its defence of such claim. The relevant Agent will use its best endeavours to consult with the Company and with respect to any settlement offer. The consultation period will expire on the thirtieth day after the notice of such settlement offer is given by the relevant Agent to the Company. Except in the case of gross negligence, wilful conduct, bad faith or wilful default, no Agent shall be liable either for any act or omission under this Agreement, or if any Bond, Certificate, form of transfer or Conversion Notice shall be lost, stolen, destroyed or damaged. Notwithstanding the foregoing, under no circumstances will the Agents be liable to the Company or any other party to this Agreement for any consequential loss (being loss of business, goodwill, opportunity or profit) or any special or punitive damages of any kind whatsoever; in each case however caused or arising and whether or not foreseeable, even if advised of the possibility of such loss or damage. The provisions of this Clause 16.8 shall survive the resignation or removal of any Agent or the Registrar and the termination of this Agreement.

- 16.9 Entitlement to treat holder as owner:** Except as ordered by a court of competent jurisdiction or may be required by law, each of the Agents shall (whether or not the relevant Bond is overdue and regardless of any notice of ownership, trust or any interest, or writing on, or the loss or theft of, the Certificate issued in respect of it) be entitled to treat the registered holder of any Bond as the absolute owner for all purposes.
- 16.10 Copies of documents:** So long as any of the Bonds remains outstanding, the Company shall provide the Agents with a sufficient number of copies of the Trust Deed and of each of the documents which are sent to the Trustee or which are required to be made available by stock exchange regulations or stated in the Offering Circular relating to the Bonds, to be available and, subject to being provided with such copies, each of the Agents will procure that such copies shall be available at its specified office during normal office hours for examination by Bondholders and that copies thereof will be furnished to Bondholders upon request.
- 16.11 Acquisition of Bonds:** Any Agent, their affiliates and each of their respective officers, directors and employees, may become the owner of, or acquire any interest in, any Bonds or Shares with the same rights that it or they would have if it were not appointed hereunder, and may engage or be interested in any financial or other transaction with the Company and may act on, or as depositary, trustee or agent for, any committee or body of holders of Bonds or other obligations of the Company as freely as if it were not appointed hereunder.
- 16.12 Merger:** Any corporation into which any Agent may be merged or converted or any corporation with which any Agent may be consolidated or any corporation resulting from any merger, conversion or consolidation to which any Agent shall be a party or any corporation succeeding to all or substantially all of the corporate trust business of any Agent shall, to the extent permitted by applicable law, be the successor Agent under this Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto. Notice of any such merger, conversion or consolidation shall forthwith be given to the Company, the Trustee and the Bondholders.

**17.1 Appointment and termination of appointment:** The Company may appoint further or other Agents. The Company may also terminate the appointment of any Agent at any time subject to the prior written approval of the Trustee (which shall not be unreasonably withheld or delayed). Such termination shall be effective by giving:

**17.1.1** to the Trustee; and

**17.1.2** in the case of any Agent other than the Principal Agent, to the Principal Agent; and

**17.1.3** to the Agent whose appointment is to be terminated,

at least 30 days' written notice to that effect. However, no such notice relating to the termination of the appointment of the Principal Agent or the Registrar shall take effect until a new Principal Agent or, as the case may be, Registrar approved in writing by the Trustee has been appointed on terms approved (such approval not to be unreasonably withheld or delayed) in writing by the Trustee. The Company shall procure that there is at all times (a) a Principal Agent, (b) (if requested by the Trustee) a Paying Agent with a specified office in an EU member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other European Union Directive implementing the provisions of the ECOFIN Council Meeting of 26-27 November, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive and (c) a Registrar which will maintain a register of Bondholders outside Hong Kong and United Kingdom. The termination of the appointment of any Agent shall not take effect (1) until notice thereof shall have been given to the Bondholders in accordance with Condition 17 and (2) within the period commencing 45 days immediately preceding any due date for a payment in respect of the Bonds and ending 15 days after such date.

**17.2 Resignation:** Any Agent may resign its appointment hereunder at any time by giving to the person(s) referred to in Clauses 17.1.1 and 17.1.2 and the Company at least 30 days' written notice to that effect, provided that (i) in the case of the resignation of the Principal Agent or the Registrar, no such resignation shall take effect until a new Principal Agent or, as the case may be, Registrar approved (such approval not to be unreasonably withheld or delayed) in writing by the Trustee has been appointed by the Company on terms approved (such approval not to be unreasonably withheld or delayed) in writing by the Trustee, (ii) no such resignation shall take effect unless upon the expiry of the notice period there are Agents as required by Clause 17.1 and the Conditions, (iii) no such resignation shall take effect until notice thereof shall have been given to the Bondholders in accordance with Condition 17 and (iv) no such notice shall be given so as to expire within a period commencing 30 days immediately preceding any due date for a payment in respect of the Bonds and ending 15 days after such date. Notwithstanding the above, the Company agrees with each Agent that if, by the day falling 10 days before the expiry of any notice referred to above, the Company has not appointed a replacement Agent, then the relevant Agent shall be entitled, on behalf and at the expense of the Company, to appoint in its place any reputable financial institution of good standing on terms approved by the Trustee.

Notwithstanding any other provision of this Clause 17, the appointment of any Agent shall forthwith terminate if such Agent becomes incapable of acting, is adjudged bankrupt or insolvent, files a voluntary petition in bankruptcy, makes an assignment for the benefit of its creditors, consents to the appointment of a receiver, administrator or other similar official of all or a substantial part of its property or assets or admits in writing its inability to pay or meet its debts as they mature or suspends payment thereof, or if a resolution is passed or an order made for the winding up or dissolution of such Agent or any analogous event occurs under any applicable law.

- 17.3 Delivery of Records by Principal Agent on Termination:** If the appointment of the Principal Agent hereunder is terminated or the Principal Agent resigns its appointment hereunder, the Principal Agent shall subject to payment of all outstanding fees and expenses, on the date on which such termination or resignation takes effect, pay to the successor Principal Agent the amounts held by it in respect of Bonds, the Certificates relating thereto which have not been presented for payment and any other amounts held by it in respect of the Bonds and shall deliver to the successor Principal Agent Bonds surrendered to it but not yet destroyed, Conversion Notices held by it, all records concerning Bonds and the Certificates maintained by the Principal Agent pursuant to this Agreement, but shall have no other duties or responsibilities to provide services as Principal Agent hereunder. The Principal Agent shall be entitled to the payment by the Company of its remuneration for the services previously tendered hereunder in accordance with the terms of Clause 14 and to the reimbursement of all reasonable expenses (including legal fees) incurred in connection therewith.
- 17.4 Delivery of Records by Registrar on Termination:** If the appointment of the Registrar is terminated or the Registrar resigns its appointment hereunder, the Registrar shall subject to payment of all outstanding fees and expenses, on the date on which such termination or resignation takes effect, deliver to the successor Registrar, the Register, all Certificates and blank Certificates held by it and all other records concerning the Bonds maintained by it pursuant to this Agreement, but shall have no other duties or responsibilities to provide services as Registrar hereunder.
- 17.5 Delivery of Records by Agents on Termination:** If the appointment of any Agent is terminated or any Agent or the Registrar resigns its appointment hereunder, such Agent or the Registrar shall subject to payment of all outstanding fees and expenses, on the date on which such termination or resignation takes effect, deliver to any successor Agent or the Registrar or, if none, the Principal Agent any records or other documents concerning the Bonds maintained by it pursuant to this Agreement, but shall have no other duties or responsibilities hereunder.
- 17.6 Change of Office:** If any Agent shall change its specified office, it shall give to the Company, the Principal Agent and the Trustee not less than 30 days' prior written notice to that effect giving the address of the new specified office. As soon as practicable thereafter, the Principal Agent shall give to the Bondholders, on behalf of and at the expense of the Company, notice of such change and the address of the new specified office in accordance with Condition 17.

Any notice required to be given under this Agreement to any of the parties shall be made in the English language or shall be accompanied by a certified English translation and shall be by letter sent by pre-paid registered post or courier or facsimile transmission:

to the Company:            Renesola Ltd  
8 Baoquan Road  
Jiashan City  
Zhejiang 314117  
PRC  
  
Attention:            Chief Financial Officer  
Fax no.:            (86) 573 477 3063

to the Trustee:            DB Trustees (Hong Kong) Limited  
55/F Cheung Kong Center  
2 Queen's Road Central  
Hong Kong  
  
Attention:            The Managing Director  
Fax no.:            +852 2203 7320

with a copy to:

Deutsche Trustee Company Limited  
Winchester House  
1 Great Winchester Street  
London EC2N 2DB  
  
Attention:            The Managing Director  
Fax no.:            +44 207 547 6149

to the Registrar:            Deutsche Bank Luxembourg S.A.  
2 Boulevard Konrad Adenauer  
L-1115 Luxembourg  
  
Attention:            Coupon Paying Department  
Fax no.:            +352 437 136

and, in the case of any of the Paying Agents, to the Principal Agent care of:

Deutsche Bank AG, Hong Kong Branch  
55/F Cheung Kong Center  
2 Queen's Road Central  
Hong Kong  
  
Attention:            Trust & Securities Services  
Fax no.:            +852 2203 7320



with a copy to:

Deutsche Bank AG London  
Winchester House  
1 Great Winchester Street  
London EC2N 2DB

Attention: Trust & Securities Services  
Fax no.: +44 207 547 6149

Communications will take effect, in the case of a letter sent by registered post, on the seventh business day in the place of receipt after posting; in the case of a letter sent by courier, at the time of delivery; in the case of fax, at the time of despatch if the correct error-free transmission report is received; provided that if such communication would take effect outside business hours then it shall be deemed to be received on the next business day in the place of receipt.

**19 CONTRACTS (RIGHTS OF THIRD PARTIES ) ACT 1999**

A person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Act of 1999 to enforce any term of this Agreement.

**20 GOVERNING LAW AND JURISDICTION**

**20.1 Governing Law:** This Agreement shall be governed by and construed in accordance with English law.

**20.2 Jurisdiction:**

**20.2.1** The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with this Agreement and accordingly any legal action or proceedings arising out of or in connection with this Agreement ("**Proceedings**") may be brought in such courts. The parties to this Agreement irrevocably submit for all purposes for or in connection with this Agreement to the jurisdiction of the courts of England and waive any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.

**20.2.2** Nothing in this Clause 20 shall limit the right of any party to this Agreement to take Proceedings against any other party in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude any party from taking Proceedings in any other jurisdiction, whether concurrently or not.

**20.3 Service of Process:** The Company irrevocably appoints Law Debenture Corporate Services Limited, currently of Fifth Floor, 100 Wood Street, London EC2V 7EX, as its authorised agent for service of process in England. The Company will procure that, so long as any of the Bonds are outstanding, there shall be in force an appointment of such a person with an office in England with authority to accept service as aforesaid on behalf of the Company and, failing such appointment within 15 days after demand by or on behalf of the Trustee, the Trustee shall be entitled by notice to the Company to appoint such person. Nothing herein shall affect the right to serve process in any other manner permitted by law.

This Agreement may be executed in counterparts which when taken together shall constitute one and the same instrument.

EXHIBIT A  
CONVERSION NOTICE

RENESOLA LTD  
RMB928,700,000

USD settled 1.00 per cent. Convertible Bonds due 2012 (the "Bonds")

(Please read the notes overleaf before completing this Notice.)

Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
\*Euroclear/Clearstream Account No.: \_\_\_\_\_

Date: \_\_\_\_\_  
Tel No: \_\_\_\_\_  
Fax No: \_\_\_\_\_

(\*delete as appropriate)

Signature<sup>1</sup>:  
\_\_\_\_\_

To: [Conversion Agent]

Cc: Deutsche Bank AG London

Fax: +44 207 547 6624

Cc: Renesola Ltd (the "Company")

I/We, being the holders of the Bonds specified below, hereby irrevocably elect to convert such Bonds into fully-paid ordinary shares of the Company (the "Shares") with no par value in accordance with the terms and conditions of the Bonds.

1 Total principal amount, number and identifying numbers of Bonds to be converted:

Total principal amount: \_\_\_\_\_

Total number of Bonds: \_\_\_\_\_

Identifying numbers of Bonds (if relevant)\*: \_\_\_\_\_

Identifying numbers of Certificates deposited in respect of Bonds to be converted (if relevant)\*: \_\_\_\_\_

N.B. If necessary, the identifying numbers of Bonds and Certificates can be attached separately.

\* Not required for Bonds represented by a Global Certificate

<sup>1</sup> Where the Bonds to be converted are evidenced by the Global Certificate, the Conversion Notice need not be signed. In such a case, delivery of the Conversion Notice will constitute confirmation by the beneficial owner of the Bonds to be converted that the information in the Conversion Notice is true and accurate on delivery. If applicable, a corporation should sign under hand by an authorised official who must state his/her capacity and print the name of the relevant corporation.

2 Name(s) and address(es) of person(s) in whose name(s) the Shares required to be delivered on conversion are to be registered:

Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
Telephone Number: \_\_\_\_\_  
Fax Number: \_\_\_\_\_

3 We certify that:

3.1 the amount of (if any) stamp, issue, registration or other similar taxes and duties ("**Duties**"):

3.1.1 arising upon exercise of the [Conversion Right] in the country in which such [Conversion Rights] are exercised is:

Amount: \_\_\_\_\_  
Country in which [Conversion Rights] are exercised: \_\_\_\_\_

and/or

3.1.2 payable in any jurisdiction consequent upon the issue or transfer of Shares to or to the order of a person other than the exercising Bondholder is:

Amount: \_\_\_\_\_  
Country in which Duties are payable: \_\_\_\_\_

3.2 the relevant tax authorities to which the Principal Agent must pay monies paid to it pursuant to Condition 6(B)(ii):

Tax Authority Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Telephone number: \_\_\_\_\_

4 I/We hereby request that the certificates for the Shares together with any other securities, property or cash, including any US dollar cheque in respect of payment of an Equivalent Amount pursuant to Condition 6(B)(iii) required to be delivered upon conversion, be despatched (at my/our risk and expense) to the person whose name, contact person, telephone numbers, fax number and address is given below and in the manner specified below:

Name: \_\_\_\_\_  
Contact Person: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Account No.: \_\_\_\_\_

Account Name: \_\_\_\_\_

Telephone Number/Fax Number: \_\_\_\_\_

Manner of despatch: \_\_\_\_\_

The Certificate in respect of the Bonds converted hereby accompanies this Conversion Notice.\*

Name: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\* Not required for the Global Certificate.

5 The Company has notified the Conversion Agents that the Company's register of shareholders will be closed on the following dates:

\_\_\_\_\_  
\_\_\_\_\_

N.B.

(i) This Conversion Notice will be void unless the introductory details and Sections 1 to 4 are completed.

(ii) Your attention is drawn to Condition 6(B)(ii) of the Bonds with respect to the conditions precedent which must be fulfilled before the Bonds specified above will be treated as effectively eligible for conversion.

(iii) Despatch of share certificates or other securities or property will be made at the risk and expense of the converting Bondholder and the converting Bondholder will be required to submit any necessary documents required in order to effect despatch in the manner specified.

(iv) If a retroactive adjustment contemplated by the terms and conditions of the Bonds is required in respect of a conversion of Bonds, certificates for the additional Shares deliverable pursuant to such retroactive adjustment (together with any other securities, property or cash) will be delivered or despatched in the same manner as the Shares, other securities, property and cash or, as the case may be, Equivalent Amount previously issued pursuant to the relevant Conversion Notice.

For Agent's use only:

1 (A) Bond conversion identification reference: [ ] Renesola Ltd RMB928,700,000 USD settled 1.00 per cent. Convertible Bonds due 2012

(B) Deposit Date: \_\_\_\_\_

(C) Conversion Date: \_\_\_\_\_

2 (A) Aggregate principal amount of Bonds in respect of which Certificates have been deposited for conversion:

(B) Conversion Price on Conversion Date:

(C) Number of Shares issuable:

(D) Interest payable:

(if applicable) amount of cash payment due to converting Bondholder under Condition 6(A)(ii) in respect of fractions of Shares: \_\_\_\_\_

The Conversion Agent must complete items 1, 2 and (if applicable) 3.

**EXHIBIT B  
NOTIFICATION FROM AGENT**

Form of notification to be sent by facsimile transmission by an Agent to the Company, and, if different, the Principal Agent—see Clause 6.4.

**RENESOLA LTD  
RMB928,700,000  
USD settled 1.00 per cent. Convertible Bonds Due 2012 (the “Bonds”)**

To: Renesola Ltd (the “**Company**”) (attention: [-])

To: Principal Agent (attention: Corporate Trust & Agency Services)

Bonds conversion identification reference: \_\_\_\_\_/Renesola Ltd RMB928,700,000 USD settled 1.00 per cent. Convertible Bonds Due 2012/. \_\_\_\_\_

(A)

(B)

(C)

(D)

(E)

(F)

(G)

(H)

(I)

Regards

[name of agent]

[Identifying symbol and number]

**Explanation**

Against the letters (A) to (I) inclusive will be inserted the following information with respect to the relevant Conversion Notice:

(A) = name and address of converting holder of the Bonds or accountholder of Euroclear or Clearstream or other clearing system in which the Bond is held at such time;

(B) = total number of Bonds in respect of which a Certificate has been deposited by the same holder of the Bonds;

(C) = identifying numbers of the Bonds;

(D) = number of Shares (excluding fractions) issuable to such holder of the Bonds;

(E) = details of the amount in which the cash payable to a Bondholder (if any) is to be deposited;

- 
- (F) = name(s) and address(es) of person(s) in whose name(s) the Shares issuable upon conversion are to be registered;
  - (G) = (if applicable) amount of cash payment due to converting holder of the Bonds in respect of fractions of Shares;
  - (H) = the Deposit Date, the Conversion Date and the Conversion Price in respect of the conversion; and
  - (I) = name and address of person to whom, and the manner in which, share certificates, etc. and, if applicable, a cheque in respect of an Equivalent Amount pursuant to Condition 6(B)(iii) are to be despatched.



**EXHIBIT C  
NOTIFICATION FROM COMPANY**

Form of notification to be sent by facsimile transmission by the Company to the Agent which has sent the relevant Conversion Notice—see Clause 6.4.

**RENESOLA LTD  
RMB928,700,000  
USD settled 1.00 per cent. Convertible Bonds due 2012 (the “Bonds”)**

To: [            ]  
as Agent

Cc: Deutsche Bank AG London  
Fax: +44 207 547 6624

To: [            ] (attention: [            ])  
[            ] (attention: [            ])

Bond conversion identification reference

(A)

- (B) (i)  
(ii)  
(iii)  
(iv)

(C)

(D)

Regards

Renesola Ltd

**Explanation**

Against the letters (A) to (D) inclusive will be inserted the following information with respect to the delivery of Shares upon conversion:

- (A) = the identification code and number of the Agent who forwarded the copy of the Conversion Notice in respect of the Bonds that have been converted;
- (B) = (i) the number of Shares delivered upon conversion;  
(ii) the amount of cash paid under Condition 6(A)(ii) in respect of fractions of Shares; and

- 
- (iii) the amount of any other cash (including any Equivalent Amount) received upon conversion;
  - (C) = the date on which the certificate or certificates for Shares and any securities, property or cash were made available for collection; and
  - (D) = if applicable, the name and address of the person to whom or to whose order the certificate or certificates for Shares and/or cash, if any, were despatched and the address to which and the manner in which they were despatched.

**EXHIBIT D**  
**REGULATIONS CONCERNING THE TRANSFER AND REGISTRATION OF**  
**BONDS**

- 1 Each Bond shall be in the denomination of RMB100,000. Certificates, each evidencing entitlement to one or more Bonds, shall be issued in accordance with the Conditions.
- 2 The Bonds are transferable by execution of the form of transfer on each Certificate endorsed under the hand of the transferor or, where the transferor is a corporation, under its common seal or under the hand of two of its officers duly authorised in writing. In this Exhibit “**transferor**” shall where the context permits or requires include joint transferors and be construed accordingly.
- 3 The Certificate issued in respect of the Bond to be transferred must be delivered for registration to the office of a Transfer Agent or the Registrar accompanied by such other evidence (including certificates and/or legal opinions) as the Transfer Agent or the Registrar may reasonably require to prove the title of the transferor or his right to transfer the Bond and his identity and, if the form of transfer is executed by some other person on his behalf or in the case of the execution of a form of transfer on behalf of a corporation by its officers, the authority of that person or those persons to do so. The signature of the person effecting a transfer of a Bond shall conform to any list of duly authorised specimen signatures supplied by the registered holder or be certified by a recognised bank, notary public or in such other manner as the Agent or Registrar may require.
- 4 The executors or administrators of a deceased holder of Bonds (not being one of several joint holders) and, in the case of the death of one or more of joint holders, the survivor or survivors of such joint holders, shall be the only persons recognised by the Company as having any title to such Bonds.
- 5 Any person becoming entitled to Bonds in consequence of the death or bankruptcy of the holder of such Bonds may, upon producing such evidence that he holds the position in respect of which he proposes to act under this paragraph or of his title as the Transfer Agent or the Registrar shall require (including certificates and/or legal opinions), be registered himself as the holder of such Bonds or, subject to the preceding paragraphs as to transfer, may transfer such Bonds. The Company and the Agents or Registrar may retain any amount payable upon the Bonds to which any person is so entitled until such person shall be so registered or shall duly transfer the Bonds.
- 6 Unless otherwise requested by him and agreed by the Company, a holder of Bonds shall be entitled to receive only one Certificate in respect of his holding.
- 7 The joint holders of a Bond shall be entitled to one Certificate only in respect of their joint holding which shall, except where they otherwise direct, be delivered to the joint holder whose name appears first in the Register in respect of the joint holding.
- 8 The Company, the Registrar and the Transfer Agents shall make no charge to the holders for the registration of any holding of Bonds or any transfer of Bonds or for the issue of any Certificates or for the delivery of Certificates at the specified office of the Agent to whom the request for registration, transfer or delivery was delivered or by uninsured post to the address specified by the holder. If any holder entitled to receive a Certificate wishes to have it delivered to him otherwise than at the specified office of such Agent or the Registrar, such delivery shall be made upon his written request to such Agent or the Registrar, at his risk and (except where sent by uninsured post to the address specified by the holder) at his expense.

- 9 Each Transfer Agent will within five business days in London of a request to effect a transfer of a Bond (or within 21 days if the transfer is of a Bond represented by the Global Certificate) deliver at its specified office to the transferee or despatch by mail (at the risk of the transferee) to such address as the transferee may request, a new Certificate in respect of the Bond or Bonds transferred. In the case of a transfer, conversion or redemption of fewer than all the Bonds in respect of which a Certificate is issued, a new Certificate in respect of the Bonds not transferred, converted or redeemed will be so delivered to the holder to its address appearing on the register of holders of Bonds.
- 10 Notwithstanding any other provisions of this Agreement, the Registrar shall register the transfer of any Bond only upon presentation of an executed and duly completed form of transfer substantially in the form set forth in the Form of Certificate for Definitive Bonds in Schedule 1 or the Form of Global Certificate in Schedule 2 to the Trust Deed together with any other documents thereby required.
- 11 The Registrar and Transfer Agents may promulgate any other regulations that they may deem necessary for the registration and transfer of the Bonds.

EXHIBIT E  
FORM OF REDEMPTION NOTICE

RENESOLA LTD  
RMB928,700,000

USD settled 1.00 per cent. Convertible Bonds due 2012 (the "Bonds")

[In the case of facsimile transmission

To: [Agent]  
Cc: Deutsche Bank AG London  
Fax: +44 207 547 6624]

By depositing this duly completed Redemption Notice with a Paying Agent for the Bonds the undersigned holder of such of the Bonds as are represented by the Certificate surrendered with this Notice and referred to below irrevocably exercises its option to have such Bonds redeemed on [-] under Condition 8(D) or 8(E) of the Bonds.

This Redemption Notice relates to Certificates representing Bonds in the aggregate principal amount of RMB \_\_\_\_\_. The identifying numbers of such Certificates are as follows:

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If any Certificate issued in respect of the Bonds referred to above is to be returned<sup>(1)</sup> to the undersigned under Clause 7.3 of the Paying and Conversion Agency Agreement entered into by the Company in respect of the Bonds, it will be returned by post to the address of the Bondholder appearing on the register of Bondholders.

Payment in respect of the above-mentioned Bonds will be made in accordance with the Conditions of the Bonds.

Dated: \_\_\_\_\_ Signature

Name:

[To be completed by recipient Agent]

Received by: \_\_\_\_\_

[Signature and stamp of Agent]

At its office at: \_\_\_\_\_

On: \_\_\_\_\_

Notes:

(1) Certificates so returned will be sent by post, uninsured and at the risk of the Bondholder.

(2) This Redemption Notice is not valid unless all of the paragraphs requiring completion are duly completed.

(3) The Agent with whom Certificates are deposited will not in any circumstances be liable to the depositing Bondholder or any other person for any loss or damage arising from any act, default or omission of such Agent in relation to such Certificates or any of them unless the loss or damage was caused by the fraud or gross negligence of such Agent or its directors, officers or employees or agents.

**EXHIBIT F  
FORM OF BONDHOLDER'S TAX ELECTION NOTICE**

**RENESOLA LTD  
RMB928,700,000**

**USD settled 1.00 per cent. Convertible Bonds due 2012 (the "Bonds")**

By depositing this duly completed Bondholder's Tax Election Notice with a Paying Agent for the Bonds the undersigned holder of such of the Bonds as are surrendered with this Notice and referred to below irrevocably exercises its option under Condition 8(C)(2) of the Bonds not to have such Bonds redeemed on the Tax Redemption Date under Condition 8(C)(1) of the Bonds.

This Notice relates to Bonds in the aggregate principal amount of RMB\_\_\_\_\_. The identifying numbers of such Certificates are as follows:

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If any Certificate issued in respect of the Bonds referred to above is to be returned<sup>(1)</sup> to the undersigned under Clause 7.3 of the Paying and Conversion Agency Agreement entered into by the Issuer in respect of the Bonds, it will be returned by post to the address of the Bondholder appearing on the register of Bondholders.

Payment in respect of the above-mentioned Bonds will be made in accordance with the Conditions of the Bonds.

Dated: \_\_\_\_\_ Signature

Name:

[To be completed by recipient Agent]

Received by: \_\_\_\_\_

[Signature and stamp of Agent]

At its office at: \_\_\_\_\_

On: \_\_\_\_\_

Notes:

- (1) Certificates so returned will be sent by post, uninsured and at the risk of the Bondholder.
- (2) This Bondholder's Tax Election Notice is not valid unless all of the paragraphs requiring completion are duly completed.

- 
- (3) The Agent with whom Certificates are deposited will not in any circumstances be liable to the depositing Bondholder or any other person for any loss or damage arising from any act, default or omission of such Agent in relation to such Certificates or any of them unless the loss or damage was caused by the fraud or negligence of such Agent or its directors, officers or employees or agents.



IN WITNESS whereof the parties hereto have executed this Paying and Conversion Agency Agreement as of the date first above written.

**RENESOLA LTD**

By: /s/  
Name: Li Xian Shou  
Title: Director and Chief Executive Officer

**DEUTSCHE BANK AG, HONG KONG BRANCH**

By: /s/

**DEUTSCHE BANK LUXEMBOURG S.A.**

By: /s/

**DB TRUSTEES (HONG KONG) LIMITED**

By: /s/

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Cooperation Agreement

Between

RENESOLA LTD

And

Linzhou Zhongsheng Steel Co., Ltd

Party A: RENESOLA LTD  
Authorized Representative: Li Xianshou  
Registered address: British Virgin Islands  
Tel: 0573-84773058  
Fax: 0573-84773383  
P. C: 314117

Party B: Linzhou Zhongsheng Steel Co., Ltd.  
Legal Representative: Sang Zhongsheng  
Address: Datun Village, Chengjiao Township, Linzhou City  
Tel: 0372-6885653, 15937266552  
P. C: 456550

Through friendly negotiation between Party A and Party B., both parties have reached an agreement on the development of semiconductor silicon materials and signed this Cooperation Agreement (hereinafter referred to as "this Agreement") according to the provisions of relevant laws and regulations in Linzhou City, Henan Province on August 3<sup>rd</sup> 2007:

I. Goal

On basis of the principle of mutual benefit and sincere cooperation and with the relentless support from Linzhou Municipal Government, both parties join hands in entering the semiconductor silicon materials market that offers a very promising market prospect. Both parties are willing to fully cooperate in establishing a large-scale polysilicon manufacturer (hereinafter referred to as "this Project"). The success of this cooperation will not only enable both parties to achieve win-win but also make great contribution to the industrial development of Linzhou Municipality and to the investment promotion project.

## II. Parties

### 1. Party A: Renesola Ltd

Party A is a company registered in British Virgin Islands and was listed in Britain on August 8<sup>th</sup> 2006. Now its total market value is over RMB9.0 billion Yuan. Party A is dedicated to the development of PV energy and is aimed at becoming a first-class enterprise in the world's PV energy field.

### 2. Party B: Linzhou Zhongsheng Steel Co., Ltd

Party B is a famous private enterprise in Linzhou Municipality, Henan Province. It engages in steel as well as other industries. It has invested in the multi-crystal silicon project. Now, in addition to a technical team comprising experienced senior technicians in China, it also owns other resources, e.g. machines/equipment, land use rights, plants under construction, etc. Party B hereby promises and warrants to Party A that it owns legal rights to the above-mentioned existing resources related to the above polysilicon project, including tangible and intangible assets (the technical team's technologies, know-how, etc), and there are no potential or existing technical, legal or economic disputes with any third party.

## III. Prospect of cooperation

1. Party A has entered the solar energy industry for years and owns rich resources and has a big customer base. Now, Party A decides to engage in the production and sales of polysilicon and sincerely and fully cooperates with Party B and its team to lower the production and management costs and fully increase the economic benefits for both parties.

2. This cooperation will bring to Linzhou Municipality of Henan Province not only strong capital support, but also advanced management ideas. Polysilicon is a hi-tech project supported by the government and has a very promising market prospect. This cooperation will produce for Linzhou Municipality more social benefits than economic benefits. It will drive the booming development of the industries of the whole region and enable the economic development of Linzhou Municipality to advance at a bigger pace.

## IV. Governmental policies

Linzhou Municipal Government of Henan Province supports the development of high technologies and highly emphasizes this Project. It specifically convened a meeting, at which favorable policies suitable for this Project were formulated and policy preferences (land, power supply, taxation and human resources) were given to this Project through such forms as meeting minutes (see Attachment 1) to relentlessly promote the smooth development of this Project.

V. Means of cooperation and investments by both parties

1. In order to ensure the smooth implementation of this Project, Zhejiang Yuhui Solar Energy Co., Ltd. (hereinafter referred to as "Yuhui Solar") a subsidiary wholly owned by Party A, will provide RMB10,000,000 via bank transfer before August 7, which shall be used for polysilicon project only. Party B promises and warrants to Party A that this funds will not be used for any other purpose. Party B shall repay the fund to Party A before June 2008 according to the loan agreement between Yuhui Solar and itself.

2. For the purpose of this Project, within three months after this Agreement is signed, Party B shall be responsible for completing the environmental evaluation report and safety evaluation report, obtaining the land use permit and business license, and completing other relevant formalities.

3. In order to implement this Project, Party A and Party B will establish a joint-venture enterprise: Linzhou Zhongsheng Semiconductor Polysilicon Co., Ltd. (hereinafter referred to as "the JV").

4. For the JV, a total of fifteen reducing furnaces will be built in phases. The annual output of multi-crystal silicon is estimated to be over 750 tons. After this Agreement is signed, Party B will continue to be responsible for building six reducing furnaces of Phase I under construction until the property rights are transferred to the JV.

5. Both parties plan to contribute the capital for the JV in the following way:

1) Party A will contribute RMB102.90 million Yuan (or equivalent in USD) in cash, accounting for forty-nine (49%) percent of the registered capital of the JV; Party A shall contribute capital to the JV in compliance with the provisions of the Law of the People's Republic of China on Chinese-Foreign Equity Joint Ventures and other relevant laws and regulations. The deadline for capital contribution and the amount of capital to be contributed for each phase shall be negotiated and determined between Party A and Party B/Zhongsheng in the joint-venture contract.

2) Zhongsheng will contribute a total of RMB260 million Yuan (or equivalent in USD) in machines, equipment, know-how, industrial property rights, plants, land use rights, cash, etc (please see Attachment 2 hereto – Asset List), accounting for fifty-one percent (51%) of the registered capital of the JV. Party B shall request Zhongsheng to contribute capital to the JV in compliance with the provisions of the Law of the People's Republic of China on Chinese-Foreign Equity Joint Ventures and other

relevant laws and regulations. The deadline for capital contribution and the amount of capital to be contributed for each phase shall be negotiated and determined between Party A and Party B/Zhongsheng in the joint-venture contract.

3) The equity will not be distributed in proportion to the amount of contributed capital. Instead, equity distribution is negotiated and determined after Party B makes concession. Without written consent from both parties, the equity distribution will remain unchanged. If more capital is requested for the construction of this Project, both parties, after agreement is reached through negotiation, can contribute additional capital to the JV in proportion to the above equity distribution or otherwise satisfy the financing needs of the JV.

6. It is warranted by Party B that Party B will transfer the patents owned by the technical team of Party B and other intellectual property rights and know-how recognized by both parties to the JV as part of the capital contribution by Zhongsheng.

7. All of the technologies, intellectual property rights and business secrets of the JV are the legal properties of the JV and neither Party A nor Party B can use any of them for any other purpose than the JV.

8. During the continuation of the JV, 90% of the product of the JV shall be supplied to Party A or the companies designated thereby, provided that demand of the JV itself is satisfied. The supply price shall be 97% of the market price. The supply means is delivery upon payment. Detailed provisions will be set forth in a separate supply agreement to be signed by both parties and the JV.

9. During the continuation of the JV, if one party plans to transfer or sell its equity in the JV, it shall in writing notify the other party in advance. The other party shall have the right to buy the equity owned in the JV but transferred by the other party and the purchase price shall be the same as specified in the JV.

10. "Linzhou Zhongsheng Semiconductor Polysilicon Co., Ltd" is a pre-approved name of the JV. If the name of Zhongsheng changes at the time of registration and establishment, the change will not affect the relevant rights and obligations as related to Zhongsheng and agreed herein.

#### VI. Board of Directors

1. The JV will have a Board of Directors (BOD) which will be officially established on the date on which the JV is registered.

2. The BOD will be the organization of supreme power for the JV and decide all of the major issues of the JV. Board members will be appointed by both Party A

and Party B. When needed, either party can replace the directors appointed thereby. To replace any director, a written notice shall be given to the board and the other party one month in advance. The Board Chairman will be appointed by Zhongsheng, while the Vice Chairman will be appointed by Party A. The Vice Chairman can veto major business issues of the JV, including major capital investments and financing projects that may have impact on the existence of the JV.

3. Other issues concerning the BOD will be specified in accordance with the provisions of the Articles of Association of the JV.

#### VII. Business management organization

1. The JV will establish a business management organization which will be in charge of the day-to-day business management of the JV. The business management organization will have one General Manager and deputy general managers, all of whom shall be appointed or removed by Party A.

2. The responsibility of the General Manager is to execute the resolutions of the BOD and in charge of the day-to-day business management of the JV. Deputy general managers shall assist the General Manager in working. The General Manager represents the JV externally and appoints and removes subordinates internally. Within the authority granted by the BOD, the General Manager shall have the right to sign on behalf of the JV the contracts related to the business of the JV. The establishment, organization, responsibilities and personnel of each department shall be determined by the General Manager and deputy general managers on basis of the principles made by the BOD and shall be subject to the approval by the BOD.

3. Unless agreed by the BOD, neither the General Manager nor the deputy managers shall participate in any business competition between other economic organizations and the JV. The BOD shall have the right to dismiss the General Manager or any deputy general manager or any other senior manager if he/she embezzles or seriously breaches his/her duty.

#### VIII. Taxation, accounting and auditing of the JV

1. The JV shall pay taxes in accordance with the relevant laws and ordinances of China. The JV shall apply for all of the most favorable treatments as provided by Chinese laws from time to time regarding taxes and other expenses collected by the government, including but not limited to relevant favorable policies of the Central Government and Henan Provincial Government as well as the relevant preferential taxation policies of Linzhou Municipal Government.

2. The employees of the JV shall pay the individual income taxes pursuant to the Individual Income Tax Law of the People's Republic of China.



3. The reserve fund, enterprise development fund, employee welfare fund and the bonus fund shall be withheld from the after-tax profit of the JV. The proportions to be withheld each year shall be discussed and determined by the BOD on basis of the business conditions of the JV.

4. The accounting year of the JV begins on January 1<sup>st</sup> and ends on December 31<sup>st</sup> of each calendar year.

5. The JV will complete the preparation of the annual financial reports within thirty (30) days after an accounting year ends and send the duplicate copies of the audited financial reports to both parties of the JV and the all board members. The annual financial reports include the relevant balance sheet and profit and loss statement ended at the end of the accounting year. Financial reports shall be audited by an internationally famous accounting firm registered in China and appointed by the BOD.

6. Within the last fifteen days of each month, the JV will submit to the parties to and the BOD of the JV the business and financial reports for the previous month. Both parties shall have the right to hire auditors at any time at its own expense to examine the accounts and records of the JV.

7. Party A shall have the right to appoint the Financial Director of the JV to supervise over the financial and accounting issues of the JV. Other staff of the Finance Department shall be hired / appointed by the BOD of the JV.

IX. Profit distribution and loss sharing

Unless the BOD otherwise decides, the profit of the JV after the payable taxes are paid and the funds are withheld each year shall be distributed in the next year between both parties to the JV in proportion to their respective share of the registered capital of the JV.

X. Liabilities for breach of contract

If either party fails to perform all or part of its obligations hereunder, the non-breaching party shall have the right to immediately terminate this Agreement by giving the breaching party a written notice and the breaching party shall bear all the direct losses sustained by the non-breaching party. The liability of the breaching party for liquidated damages shall be equal to the actual direct loss sustained by the non-breaching party as a result of the said breach of contract, provided that the liability for the liquidated damages shall not exceed the amount of capital contributed by the breaching party as specified herein. If this breach of contract is caused by the defaults on both parties, both parties shall bear the liability for the liquidated damages on basis of their respective contribution to the loss.

XI. Miscellaneous

1. Without prior written consent from the other party, neither party shall transfer its rights/obligations hereunder.
2. If any provision hereof becomes inapplicable or invalid in whole or in part, the inapplicability or invalidity will not affect the applicability or validity of other provisions hereof.
3. Where this Agreement is inconsistent with any other agreement (regardless of its form) reached by both parties before this Agreement is signed, this Agreement shall prevail.
4. For any issue not covered herein, supplementary provisions shall be provided through negotiation between Party A and Party B. All of the supplementary provisions of and attachments to this Agreement form an integral part hereof.
5. All information related to this Agreement is considered as confidential information. Without prior written consent from the other party, neither party shall disclose or use the said confidential information for any other purpose than this Project.
6. Any dispute over the effectiveness hereof or arising from performance hereof shall be settled through friendly negotiation between both parties. In case no settlement can be reached through negotiation, either party can submit it to Hong Kong International Arbitration Centre for arbitration.
7. This Agreement is made in sixuplicate, two copies for each of Party A and Party B and the other two copies to be submitted to relevant governmental agencies for filing.
8. This Agreement will take effect after being signed by the duly authorized representative of Party A and Party B, respectively.

[No Text Below]

[Signature Page]

Party A: ReneSola Ltd.

Authorized Representative: /s/ Xianshou Li

Date: August 3, 2007

Party B: Linzhou Zhongsheng Steel Co., Ltd. (Seal)  
/s/ Zhongsheng Sang

Date: August 3, 2007

**Linzhou Zhongsheng Semiconductor Silicon Material Co., Ltd****Equity Joint Venture Contract****Chapter 1 General Provisions**

This Contract is entered into by and between Linzhou Zhongsheng Steel Co., Ltd. (a company incorporated under the laws of the People's Republic of China) and ReneSola LTD (a company incorporated under the laws of the British Virgin Islands) through friendly negotiation between both parties on the basis of the principle of mutual benefit and in accordance with the *Law of the People's Republic of China on Chinese-Foreign Equity Joint Ventures* and other relevant laws and administrative regulations. It is hereby agreed by both parties to jointly invest in establishing a Chinese-foreign joint venture company (hereinafter referred to as "JV") in Linzhou, Henan Province, P.R. China.

**Chapter 2 Parties to the JV**

Article 1 Parties to this Contract

The parties to this Contract:

- 1.1 "Linzhou Zhongsheng Steel Co., Ltd." (hereinafter referred to "Party A"), a legal person organized and existing under the laws of the People's Republic of China and registered in China (Business License No.4105812000609)  
Legal address: Datun Village, Chengjiao Township, Linzhou City  
Legal representative: Sang Zhongsheng; nationality: China
- 1.2 ReneSola LTD (hereinafter referred to as "Party B"), a legal person organized and existing under the laws of the British Virgin Islands and registered in the British Virgin Islands (Business License No.1016246)  
Legal address: Craigmuir Chambers Road Town, the British Virgin Islands  
Legal representative: Li Xianshou; nationality: China
- 1.3 It is expressly stated by each party that it is the legal person legally organized under the laws of the People's Republic of China or the British Virgin Islands and has the full corporate authority to conclude this Contract and perform its obligations hereunder.

**Chapter 3 Establishment of the JV**

Article 2 Pursuant to the *Law of the People's Republic of China on Chinese-Foreign Equity Joint Ventures* and other relevant laws and administrative regulations, it is agreed by both parties to establish a joint venture company in Linzhou, Henan Province, P.R. China.

Article 3 Chinese name of the JV: 林州市中升半导体硅材料有限公司.

English name of the JV: Linzhou Zhongsheng Semiconductor Silicon Material Co., Ltd.

Legal address: Fushuiwa, Chengjiao Township, Linzhou, Henan Province, P.R. China

Article 4 The JV is a Chinese legal person and is governed and protected by the laws, regulations and relevant rules/systems of the People's Republic of China (hereinafter collectively referred to as "Chinese laws") and can carry out all activities, provided that it abides by the Chinese laws.

Article 5 The form of organization of the JV is a limited liability company. The JV assumes its liability to the extent of all its assets and each party assumes its liability to the extent of its capital contribution to the registered capital of the JV. The profits of the JV will be distributed between both parties in proportion to their respective capital contributions to the registered capital of the JV.

#### Chapter 4 Purpose, Scope and Scale of Business

Article 6 Purpose

WHEREAS ReneSola LTD, a company organized and existing under the laws of the British Virgin Islands that has been engaged in the solar energy industry for years and owns rich resources and a big customer base, now decides to engage in production and sales of the semiconductor silicon material and related products by sincerely cooperating with Linzhou Zhongsheng Steel Co., Ltd. to further reduce the production and management costs and fully improve the profitability. The semiconductor silicon material is a high-tech project supported by the government and has a tremendous market prospect. This cooperation will bring not only economic benefits but also social benefits to Linzhou and drive the booming development of the industries in the whole region, thus enabling the economic development of Linzhou to move forward at a bigger pace.

Article 7 Scope of business of the JV: production and sales of semiconductor silicon materials and related products.

Article 8 The production scale of the JV: annual production of 300 tons semiconductor silicon materials.

#### Chapter 5 Total Amount of Investment and Registered Capital

Article 9 Total investment

The total amount of investment of the JV is RMB210,000,000.00 Yuan.

Article 10 Registered capital

The total registered capital of the JV is RMB210,000,000.00 Yuan, including:

RMB107,100,000.00 Yuan (accounting for 51% of the registered capital) contributed by Party A, and RMB102,900,000.00 Yuan (in cash USD converted into RMB on basis of the benchmark exchange rate published by the People's Bank of China on the day of contribution, accounting for 49% of the registered capital) contributed by Party B.

Article 11 Capital is contributed as follows:

11.1 Party A: Party A contributes RMB107,100,000.00 Yuan in the means of machines, equipment, plants and land use rights.

- 11.2 Party B: Party B contributes RMB102,900,000.00 Yuan in cash USD (converted into RMB on basis of the benchmark exchange rate published by the People's Bank of China on the day of contribution).
- Article 12 The registered capital of the JV will be contributed in two installments by Party A and Party B in proportion to their respective share of registered capital in the following means: at least 20% will be contributed within three months after issuance of the business license and all the balance shall be contributed within two years.
- Article 13
- Loans
- If the JV needs to obtain any bank loan, it can first consider obtaining the loan from any bank located in the country in which it is incorporated or raise funds through other channels. For any loan, each party hereto shall provide guarantee in proportion to its own share of the registered capital of the JV.
- If the Board of Directors (hereinafter referred to as "BOD") of the JV thinks that, in addition to the amounts of investment as specified in Article 11 for both parties and the above mentioned loans (if any), the JV needs any current fund or any other fund, both parties shall provide guarantee for the above loans in proportion to their own respective share of the registered capital of the JV.
- If no money can be borrowed in the above means, the BOD will require both parties hereto to contribute additional capital in proportion to their own respective share of the registered capital of the JV. Unless otherwise expressly agreed by both parties in writing, neither party has the obligation to increase the registered capital to provide guarantee for any loan granted by any third party to the JV. However, if the business and profit conditions of the JV are good, both parties agree in principle to appropriately increase the registered capital, i.e. use the accumulated reserve funds on basis of the principle of steadily raising share capital, depending on the business and development conditions of the JV.
- Article 14
- Capital transfer
- Without prior written consent from the other party and approval by the approving authorities, neither party hereto shall transfer to any third party all or part of its share in the JV.
- If one party intends to transfer all or part of its share in the JV to any third party, the other party shall have the preemptive right to buy the share on conditions not more austere than those for transferring the share to the said third party. It is hereby stated by the other party that if it does not exercise the preemptive right to buy the share, it shall be regarded as consent to the above-mentioned transfer.
- Article 15
- Mortgage and guarantee
- Without prior unanimous consent by all the board members, neither party shall use all or part of its share in the JV as mortgage or guarantee.

#### **Chapter 6 Responsibilities of both Parties**

- Article 16 Each party shall be responsible for completing the following matters:
- 16.1 Responsibilities of Party A

- Contribute its own share capital and assist in raising funds, as specified in Chapter 5 hereof;
- Apply to relevant governmental authorities of China for approval and registration of the JV, obtain the business license, etc;
- Apply to the land administration authority to obtain the land use right for the JV;
- Assist the JV in organizing the design and construction of plants and other facilities of the JV;
- Assist the JV in securing infrastructures, including water supply, power supply, traffic, etc;
- Assist the JV in applying for all available tariff and tax deductions and exemptions and other interests or preferential treatments;
- Assist the JV in recruiting Chinese managers, technicians, workshop operators and other needed personnel;
- Assist foreign workers in handling the entry visas, work permits, travel formalities, etc;
- Handle other matters entrusted by the JV.

16.2 Responsibilities of Party B

- Contribute its own share capital and assist in raising funds, as specified in Chapter 5 hereof;
- Handle other matters entrusted by the JV.

**Chapter 7 Technology Transfer**

Article 17 This Contract does not involve technology license or introduction.

**Chapter 8 Products Sales**

Article 18 The products of the JV will be marketed and sold in the domestic markets of China.

Article 19 Party B will be responsible for the sales of 90% of the JV's products.

**Chapter 9 Board of Directors and Board of Supervisors**

Article 20 The Board of Directors (BOD) must be established on the day when the JV is registered.

Article 21 The BOD will consist of five members, including three appointed by Party A and two appointed by Party B. The board Chairman will be appointed by Party A. The service term of each board member is 4 years and can be renewed after the appointing party renews the appointment, as is the case for the board Chairman.

Article 22 The BOD is the supreme organ of the JV and decides all major issues of the JV:

1. Revise the Articles of Association of the JV;
2. Suspend or dissolve the JV;
3. Merge the JV with any other economic organization;

4. Increase or decrease the registered capital of the JV;
- Article 23 Any resolution of the BOD shall be voted and passed by 4/5 of all the board members. However, any of the issues listed in Article 22 herein shall be unanimously passed by all the members.
- Article 24 The board Chairman is the legal representative of the JV. If the board Chairman cannot perform his/her job responsibilities, he/she shall in writing authorize any other director to act for and on behalf of himself/herself.
- Article 25 The board meeting will be held at least once every year. It will be convened and held by the board Chairman. A the proposal by at least one third of all the board members, the board Chairman can convene a temporary board meeting whose minutes shall be filed by the JV.  
If any board member cannot attend the board meeting, he/she shall in writing appoint an agent to attend the meeting and exercise the voting right. If the board member can neither attend the meeting nor appoint another person to attend the meeting, he/she shall be regarded as having waiving the voting right.
- Article 26 The JV will have one supervisor who will be appointed by Party A and perform his/her responsibilities as stipulated in the Company Law of the People's Republic of China.

#### **Chapter 10 Operation Management Organization**

- Article 27 The JV will establish an operation management organization that is responsible for the day-to-day operational management of the JV. This organization will have one General Manager who will be appointed by Party A and one Deputy General Manager who will be appointed by Party B. Both the General Manager and the Deputy General Manager will be hired by BOD and serve for a term of 3 years.
- Article 28 The responsibility of the General Manager is to execute BOD resolutions, organize and lead the day-to-day operational management of the JV with assistance from the Deputy General Manager.
- Article 29 If either the General Manager or the Deputy General Manager malpractices or seriously breaches his/her job responsibilities/duties, he/she will be replaced at any time through a BOD resolution.

#### **Chapter 11 Purchase of Equipment and Materials**

- Article 30 The JV is exclusively entitled to purchase the relevant equipment, instruments and other materials needed by the JV for production.
- Article 31 Under the same conditions, the raw materials, fuels, parts and components, transportation vehicles, etc needed by the JV shall be sourced in China first.

#### **Chapter 12 Labor Management**

- Article 32 For such matters regarding the JV employees, e.g. recruitment, punishment, dismissal, contract terms, salaries, labor insurance, welfares, etc, the BOD will work out a



scheme on basis of the *Labor Law of the People's Republic of China*. The JV and the labor union of the JV will organize employees to sign collective or individual labor contracts which will be submitted to the local labor administration for filing.

### Chapter 13 Labor Union

- Article 33 The responsibilities of the labor union are to:
- Protect the legal democratic rights and material interests of employees;
  - Assist the JV in arranging and reasonably using the welfare fund;
  - Participate in mediating the disputes, etc between employees and the JV.
- Article 34 The representatives of the labor union shall have the right to negotiate with the operational management organ of the JV such matters as rewards, punishments, dismissal, salaries, welfares, labor protection, labor insurance, etc.
- Article 35 Pursuant to the relevant provisions of Chinese laws, each month the JV shall withhold the labor union expense in an amount equal to 2% of the total amount of employee salaries for the same month.

### Chapter 14 Taxation, Accounting and Auditing

- Article 36 The JV shall pay taxes as per relevant provisions of Chinese laws.
- Article 37 The employees of the JV shall pay the individual income taxes pursuant to the *Individual Income Tax Law of the People's Republic of China*.
- Article 38 The JV shall withhold the reserve fund, the corporate expansion fund and the employee welfare fund as per the relevant provisions of Chinese laws. The ratios for these funds to be withheld each year will be discussed and determined by BOD on basis of the operational conditions of the JV.
- Article 39 The accounting year of the JV is the same as the calendar year, beginning on January 1<sup>st</sup> of each year and ending on December 31<sup>st</sup> of the same year. All vouchers, bills, statements and books shall be written in Chinese.
- Article 40 The account books of the JV shall be audited by an accounting firm registered in the People's Republic of China and the JV will bear the auditing fee. Either party hereto shall have the right to appoint at its own expense an auditor or auditors to audit the account books of the JV.
- Article 41 Within the first three months of each accounting year, the preparation of the balance sheet, the profit and loss statement and the profit distribution program for the previous year will be completed under the organization by the General Manager and then be submitted to the board meeting for examination.

### Chapter 15 Insurance

- Article 42 The insurance types, insured values, insurance terms, etc will be determined by the BOD and the JV will bear the incurred insurance premiums.

**Chapter 16 Duration and Normal Termination of the JV**

- Article 43 The duration of the JV is 30 years, beginning on the day when the business license is issued. At the proposal by one party and if a resolution is unanimously passed at the board meeting, an application can be submitted to the original approving authority for extending the duration of the JV at least 6 months before expiration.
- Article 44 When the duration of the JV expires or when the JV is terminated earlier, liquidation shall be done in compliance with the relevant provisions of applicable Chinese laws and the Articles of Association of the JV.

**Chapter 17 Revision, Modification and Termination**

- Article 45 No revision of this Contract and attachments hereto shall be valid except with a written instrument signed by both parties and the approved by the original approving authority.
- Article 46 If this Contract cannot be performed as a result of any force majeure event or if JV cannot continue operation due to financial losses in consecutive years, this Contract can be terminated earlier if so resolved by the BOD unanimously and approved by the original approving authority.
- Article 47 If one party fails to perform its obligations hereunder or materially breaches the provisions in this Contract and/or the Articles of Association, this party shall be regarded as unilaterally terminating this Contract and the other party shall have the right to claim damages from the breaching party and to request the original approving authority to terminate this Contract as per relevant provisions herein.

**Chapter 18 Liabilities for Breach of Contract**

- Article 48 If either party fails to pay in time its proportion of the registered capital as specified in Articles 11 & 12 herein, it shall pay 1% of the unpaid amount as the default penalty for each month of delay. If this party fails to pay its proportion of the registered capital within 3 months after the due time, the breaching party shall pay 3% of the unpaid amount as the default penalty and the non-breaching party shall have the right to terminate this Contract as per the provisions of Article 46 herein and request the breaching party to compensate the resulting losses.
- Article 49 When one party breaches this Contract, making it impossible to perform part or all of this Contract and the attachments hereto, the breaching party shall bear the liabilities for breach of contract; if both parties is responsible for the breach, each party shall be responsible for bearing its own liabilities, depending on actual circumstances.

**Chapter 19 Force Majeure**

- Article 50 If the performance of this Contract is affected or if this Contract cannot be performed as per the conditions agreed herein due to any earthquake, typhoon, flood, fire disaster, war or any other force majeure event that is unpredictable or whose consequences cannot be prevented or avoided, the party affected by the above force majeure event shall immediately notify the other party by means of a telegraph and, within 15 days, provide a valid document containing the details of the said force

majeure event and the reason or reasons why this Contract cannot be performed in whole or in part or why the performance of this Contract needs to be postponed. This document shall be issued by a notary public office at the place where the force majeure event occurs. Both parties shall negotiate whether or not to dissolve this Contract or partly exempt the affected party from its responsibilities for performing this Contract or postpone the performance hereof, depending on the impact of the force majeure event on the performance hereof.

#### **Chapter 20 Applicable Laws**

Article 51 The formation, validity, interpretation and performance of this Contract will be governed by the laws of the People's Republic of China. If Chinese laws are silent,, reference shall be made to relevant international practices.

#### **Chapter 21 Settlement of Disputes**

Article 52 Any dispute arising from the performance of or in relation to this Contract shall be settled by both parties through friendly negotiations. In case no settlement can be reached, either party can submit it to China International Economic and Trade Arbitration Commission Beijing Sub-commission for arbitration. In such case, the arbitral award shall be final and binding on both parties.

Article 53 During the process of arbitration, both parties shall continue the performance of this Contract, except for the part involved in the dispute.

#### **Chapter 22 Language**

Article 54 This Contract shall be written in Chinese.

#### **Chapter 23 Effectiveness and Miscellaneous**

Article 55 This Contract and the attachments hereto will become effective on the day approved by the approving authority of the People's Republic of China.

Article 56 If a notice sent by one party via telegraph, telex, etc to the other party involves the rights and/or obligations of either party, such a notice shall be followed by a written letter. The legal addresses of both parties as listed in this Contract are their mailing addresses.

Article 57 This Contract is executed by both parties in Linzhou, Henan Province on August 3, 2007.

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Party A: Linzhou Zhongsheng Steel Co., Ltd  
Signature (Seal): /s/ Sang Zhongsheng  
Date: August 3, 2007

Party B: British Virgin Islands ReneSola LTD  
Signature (Seal): /s/ Fu Feng  
Date: August 3, 2007

PURCHASE CONTRACT

No: PUR1-0709-247  
Place: Wuxi

Party A: Wuxi Suntech Power Co., Ltd  
Address: No. 17-6 Chang Jiang South Road, High-tech Development Zone, Wuxi, Jiangsu, China  
Legal representative: Shi Zheng Rong

Party B: Zhejiang Yuhui Energy Source Co., Ltd.  
Address: No. 8, Baoqun Road, Yaozhuang Town Industrial Park, Jiashan County, Zhejiang Province  
Legal representative: Li Xian Shou

As the requirement of business development, Party A intends to purchase from Party B solar energy monocrystalline silicon wafers and multicrystalline silicon wafers ("Product"). After friendly negotiation, both of the parties have come to following agreement regarding the procurement and other relevant aspects of the Product:

**Article 1 Supply of Product**

According to related provisions stipulated in this contract, Party A and Party B have reached an agreement that during the period from year of 2008 to 2011 ("Period") Party A shall purchase from Party B, and Part B shall supply to Party A with the Product as per the price, quantity and quality criterion stipulated in this contract. During the Period, Party A will issue its purchase orders ("Order") to Party B to confirm trade condition in terms of price, quantity, and payment for each of the orders.

**Article 2 Price of Product**

During the period from January to December in year of 2008

Party B will supply Party A with the quasi-square Product with 200µm in thickness, 150mm in diameter, and 125×125mm in height × width. The average price will be exercised at RMB 48.50 per piece (including tax).

Party B will supply Party A with the quasi-square Product with 200µm in thickness, 165mm in diameter, and 125×125mm in height × width. The average price will be exercised at RMB 50.50 per piece (including tax).

Party B will supply Party A with the quasi-square Product with over 210µm in thickness, and 156×156mm in height × width. The average price will be exercised at RMB 79.00 per piece (including tax).

Of which:

The price of the quasi-square Product with 165mm in diameter, and 125×125mm in height × width will be exercised as per the quarter declining method below:

From January to March: RMB52.00 per piece

From April to June: RMB51.00 per piece

From July to September: RMB50.00 per piece

From October 2008 to December 2008: RMB49.00 per piece

However during the periods above, if the quasi-square Product with 150mm in diameter, and 125×125mm in height × width shall be chosen as the product to be delivered, and the price above, divided by 1.042, shall decrease accordingly. If fluctuation of the market price exceeds ±5% of exercisable price in this contract, both of the parties should be entitled to regulate the price, and negotiate with each other about the new price friendly in written form

The price and advance payment terms to be executed during the period from year 2009 to 2011 should be reviewed by both of the parties friendly at the previous year end.

### **Article 3 Quantity of Product to Be Supplied**

During the period from January to December of 2008, the Product to be supplied by Party B to Party A should be not less than 60MW, of which:

The quantity of quasi-square Product with 125×125mm in height × width to be supplied should be not less than 30MW, amounting to 12.8 million pieces of wafers, with no less than 1.06 million pieces of wafers per month and no less than 240,000 pieces of wafers per week.

The quantity of quasi-square Product with 156×156mm in height × width to be supplied should be not less than 30MW, amounting to 8.22 million pieces of wafers, with no less than 680,000 pieces of wafers per month and no less than 155,000 pieces of wafers per week.

In the year of 2009, the Product to be supplied by Party B to Party A should be not less than 100MW.

In the year of 2010, the Product to be supplied by Party B to Party A should be not less than 150MW.

In the year of 2011, the Product to be supplied by Party B to Party A should be not less than 200MW.

### **Article 4 Terms of Payment**

The total contract value for the year of 2008 values at RMB 1,295,780,000.00 (Say One Thousand Two Hundred Ninety Five million and Seven Hundred Eighty Thousand RMB Only)

Party A shall pre-pay RMB300,000,000 (Say Three Hundred million RMB Only) to Party B by 25<sup>th</sup> Dec 2007 to guarantee the contract valid, otherwise Party B shall be entitled to cancel the contract. The amount of prepayment shall be acceptable to be paid by partials, one-third of

which (Say One Hundred million RMB) to be paid by 25<sup>th</sup> Oct 2007, a further one-third by 25<sup>th</sup> Nov 2007, and the remainder by 25<sup>th</sup> Dec 2007. 92.3% of the payment for the Product shall get paid upon delivery, and the remainder 7.7% shall be deducted from the prepayment. Refund shall be made for any overpayment, or a supplemental payment for any deficiency. Within a week commencing on the day of receipt of the Product, Party A shall pay Party B for qualified product after inspection, then Party B shall issue VAT invoice in full accordingly in that current month.

**Article 5 Quality Criterion of Product**

Party B shall supply Party A with the Product in accordance with Attachment 1: Related regulations on *Technical Standard for Solar Energy Silicon Wafer*.

**Article 6 Transportation and Packing Requirement**

Party A shall take the responsibility for arranging to pick up the Product and to pay freight and insurance costs and so on. However, when packing, it must be properly treated and in line with requirements on *Technical Standard for Solar Energy Silicon Wafer*.

**Article 7 Procedure of Purchase**

Both parties shall process based on the purchase orders with price, quantity, terms of delivery and so on specified in each of the orders.

Party A shall issue its purchase orders to Party B at least thirty (30) days before the delivery date to be required, and Party B shall send back the purchase order signed and stamped to Party A with two (2) days commencing on the day of receipt of it, otherwise the orders will be invalid. The purchase orders signed and stamped by Party B and sent back to Party A will be the final ruling. If any of the parties, after the orders signed and stamped by Party B and sent back to Party A, intends to change the quantity to be supplied and/or delivery time, such party should notify the other party of the change at least five (5) days before delivery time and shall solicit in advance the permission of the other party, otherwise such party must undertake corresponding legal responsibility.

**Article 8 Acceptance**

Acceptance check shall be carried out within five (5) days commencing on the day of receipt of the Product supplied by Party B. If there is any objection to the quantity of Product after acceptance check, Party A shall keep the Party B informed of this in written form within seven (7) days commencing on the day of receipt of the Product; If there is any objection to the quality of Product after acceptance check, Party A shall keep the Party B informed of this in written form within thirty (30) days commencing on the day of receipt of the Product. Upon the receipt of the objection in written form from Party A and such objection confirmed by Party B within the subsequent five (5) days, Party B shall supply Party A with qualified replacement in same quantity and undertake any loss caused by breach of stipulated duty. The quality control of the Product shall be pursuant to the provisions agreed upon by both of the parties.

**Article 9 Represent, Warrant or Guarantee**

Both of the parties do represent, warrant and guarantee, and do confirm to each other that the contract is signed based on representations, warranties and guarantees hereunder:

Both of the parties are duly incorporated and validly existing under the laws of the PRC and are in compliance with all conditions required to maintain its status as an enterprise legal person under the laws, and has obtained all consents, approvals and authorizations necessary for the valid execution of this contract from their respective internal authority committees;

Both of the parties have the capability of rights and behavior of signing this contract. Upon execution, this Contract shall constitute the legal, valid and binding obligation of both of the parties.

Both of the parties declare that currently there have not existed such issues as having significantly negative impact on their respective operations, revocation of the business license or forcible execution by law by related department or court, which may have impact on the performance of this contract. They have reached an agreement that once the above issues occur, party in such issues should notify the other party within the subsequent two (2) days.

#### **Article 10 Liabilities for Breach of Contract**

##### **Basic principles of liabilities for breach of contract**

If any of the parties breach the contract, the party in breach shall undertake corresponding liabilities for the breach of the contract, and shall be liable for economic loss caused to the other party.

##### **Party A in breach**

If the following breach behaviors exist, Party B shall get paid a breach penalty stipulated hereunder. If Party B terminates the contract unilaterally as per the stipulations hereunder, Party A should pay Party B a breach penalty of RMB 8,000,000. In case the breach penalty is not sufficient to cover the loss suffered by Party B, Party A should pay additional compensation to the other party.

If Party A delays in payment for the Product, Party B shall get paid a reach penalty of 5% of such amount of payment that are not paid timely as scheduled; Party B shall be entitled to cancel this contract unilaterally if the reach penalty is over RMB4,000,000.

If Party A fails to perform its commitment stipulated in Clause 9 of this contract to disclose such status that have generated a great impact on its operation and(or) performance of this contract, Party B shall be entitled to cancel this contract unilaterally.

##### **Party B in breach**

If the following breach behaviors exist, Party A shall get paid a breach penalty stipulated hereunder. If Party A terminates the contract unilaterally as per the stipulations hereunder, Party B should pay Party A a breach penalty of RMB 8,000,000. In case the breach penalty is not sufficient to cover the loss suffered by Party A, Party B should pay additional compensation to the other party.

If Party B delays in delivery of the Product, Party A shall get paid a reach penalty of 5% of value of such products that are not delivered as scheduled; Party A shall be entitled to cancel this contract unilaterally if the reach penalty is over RMB4,000,000.



If Party B fails to perform its commitment stipulated in Clause 9 of this contract to disclose such status that have generated a great impact on its operation and(or) performance of this contract, Party A shall be entitled to cancel this contract unilaterally.

**Article 11 Force Majeure**

Neither party will be liable for, or will be considered to be in breach of or default under this contract on account of, any delay or failure to perform as required by this contract as a result of any causes or conditions that are beyond such party's reasonable control and that such party is unable to overcome through the exercise of commercially reasonable diligence. If any force majeure event occurs, the affected party will use commercially reasonable efforts to minimize the impact of the event.

The prevented party shall notify the other party in written form without any delay, and within fifteen (15) days thereafter provide the detailed information of the events and a valid document for evidence issued by the relevant public notary organization for explaining the reason of its inability to execute or delay the execution of all or part of the contract.

**Article 12 Confidentiality**

12.1. Both of the parties will keep strictly confidential of the following information hereunder contained in this contract:

12.1.1 Business relationship;

12.1.2 Articles and negotiations;

12.1.3 Object and quantity;

12.1.4 All the related commercial and technical information when both parties perform the contract;

However, disclosure under this Article 12.2 shall be exclusions.

12.2 Only under the following situations, both of the parties will be entitled to disclose the information described in Article 12.1.1:

12.2.1 Mandatorily required by law or any government authorities applicable

12.2.2 Mandatorily required by any governing government authorities and (or) supervision commission;

12.2.3 To disclose to any of such professional consultant or lawyer if required on the condition that they undertake to keep confidentiality of such disclosure

12.2.4 Information available to public domain under no fault of any of the parties;

12.2.5 Prior written consent of both of the parties.

12.3. This article shall continue to apply and not be bounded by time after termination of this contract.

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**Article 13 Applicable Governing Law and Dispute Resolution**

13.1 The conclusion, validity, interpretation and enforcement of this Contract and any dispute arising out of this Contract shall be governed by the law of People's Republic of China.

13.2 All disputes in connection with this Contract or the execution thereof shall be settled friendly through negotiations. In case no settlement can be reached, the either party can file an action in the people's court of competent jurisdiction at the either party's residence.

**Article 14 Miscellaneous**

14.1 The agreement takes effect since it has been signed by both of the parties.

14.2 The either party should expressly indicate not to renew the agreement by giving a written notice no less than 30 days before the agreement expiration, otherwise, the period of agreement shall automatically extend for one year from the expiration date.

14.3 The attached *Technical Standard for Solar-grade silicon wafer* is considered to be a component part of this agreement

14.4 Any order signed by the two parties pursuant to this agreement is a component part of this agreement. The fax copy of the order shall be considered valid.

14.5. Any amendment to this Contract shall be negotiated by both of the parties and be made out in written form.

14.6 The Contract is made in duplicate and each party keeps one copy. The two copies of the contract have the same legal force.

(No Text Below, Signature pages to follow)

SIGNED by

Party A: Wuxi Suntech Power Co., Ltd.

/s/ \_\_\_\_\_  
Legal Representative or Authorized Representative  
Date:

Party B: Zhejiang Yuhui Solar Energy Source CO., LTD.

/s/ \_\_\_\_\_  
Legal Representative or Authorized Representative  
Date: September 30, 2007

Lease Agreement

Party A: Zhejiang Yuhuan Solar Energy Co., Ltd. (hereinafter referred to "Party A")

Party B: Zhejiang Yuhui Solar Energy Co., Ltd. (hereinafter referred to "Party B")

1. Party A shall lease 24 sets of self-owned apartments located in Small Town Stories in Weitang Town, Jiashan County to Party B from April 2007.
2. The rental of each apartment shall be RMB1,500 per month through negotiation by both parties.
3. Party A shall provide Party B with invoice issued by Jiashan Local Tax Bureau against receipt of rental from Party B .
4. Any disputes arising from the performance of the agreement shall be settled through negotiation by both parties.

Party A: Zhejiang Yuhuan Solar Energy Co., Ltd. (Seal)

Party B: Zhejiang Yuhui Solar Energy Co., Ltd. (Seal)

October 5, 2007

October 5, 2007

## Polysilicon Purchase &amp; Sales Contract

Contract No.: SCYX20071016  
 Signing date: October 16, 2007  
 Signing place: Chengdu, Sichuan Province

**The Buyer: Zhejiang Yuhui Solar Energy Source Co., Ltd.**

Address: 8 Baoqun Road, Yaozhuang Town, Jiashan, Zhejiang Province, China  
 Tel.: 0573-84773058 Fax: 0573-84773383

**The Seller: Sichuan Yongxiang Polysilicon Co., Ltd.**

Address: Zhugen Town, Wutongqiao, Leshan, Sichuan Province  
 Tel.: 0833-3340653 Fax: 0833-3340812

Zhejiang Yuhui Solar Energy Source Co., Ltd. (hereinafter referred to as "Party A") and Sichuan Yongxiang Polysilicon Co., Ltd. (hereinafter referred to as "Party B"), on the basis of equality, free will and fairness, abiding by the principle of long-term cooperation and mutual development and through friendly negotiations, hereby enter into this Contract, on and subject to the terms and conditions as set forth below.

**1. Subject Matter**

Solar grade polysilicon (hereinafter referred to as "Goods")

**2. Quantity (ton), unit price (RMB), total amount (RMB) and delivery term**

Year	2008	2009	2010	2011	2012	2013
Quantity	200	500	3,000	3,000	3,000	3,000
Unit price	90% of market price	90% of market price	95% of market price	95% of market price	95% of market price	95% of market price
Supply	Sept.~Dec., 50t/month	Jan.~Oct., 50t/month	Jan.~Oct., 300t/month	Jan.~Oct., 300t/month	Jan.~Oct., 300t/month	Jan.~Oct., 300t/month

Total quantity: 12,700 (in words: twelve thousand seven hundred) tons

Total amount: subject to actual amount dominated in RMB

## Note:

- The said price includes VAT.
- Definition of market price: the price of goods (above 10 tons) on domestic spot market.
- Schedule to fix the price : price is determined on a quarterly basis. The price for next quarter is determined during the 20<sup>th</sup> to 30<sup>th</sup> days of the last month of each quarter. Party A and Party B will confirm the price through price determination form after they

reach an agreement in a down-to-earth attitude through friendly negotiations. If no agreement is reached through negotiations, the price at which a third party agrees to purchase the same goods from Party B for the current period will prevail.

4. Party A and Party B shall give priority to guaranteeing the quantity under this Contract. If Party B has the goods in excess of the agreed quantity, Party A shall have the preemptive right under same conditions and Party B shall give priority to supplying goods to Party A on same conditions.
5. Both parties have taken into adequate consideration the impact of the floating factors of market energy price upon the contract price. After price determination, neither party shall delay the performance of or refuse to perform this Contract due to market price change.

### 3. Payment

Party A shall make payment to Party B according to the following terms:

- 3.1 Advance payment: including two parts. 1. The total advance payment for 2008, 2009 and 2010 is RMB 100 million. Such advance payment is averagely calculated on the basis of the total quantity of goods to be supplied in three years (3700t), i.e. advance payment per ton is approximately RMB 27,027. 2. The advance payment for 2011 to 2013 is to be determined by Party A and Party B through negotiations in August 2010.
- 3.2 After this Contract becomes effective, Party A shall pay RMB 50 million of the said advance payment by wire transfer to the account designated by Party B before October 31, 2007 and the remaining RMB 50 million shall be paid by wire transfer to the account designated by Party B before December 31, 2007.
- 3.3 Payment for goods
  - 3.3.1 Phase I (2008, 2009 and 2010): Party B will supply goods according to the delivery schedule under this Contract. Party A shall make the payment by wire transfer to the account designated by Party B in advance according to the quantity and amount notified by Party B. Party B shall organize delivery upon receipt of payment. The advance payment for the current phase will be deducted on a time by time basis from the amount of the goods of the current phase. Party B shall provide the corresponding VAT invoice. The losses caused to Party A resulting from Party B's failure to timely provide VAT invoice shall be borne by Party B.
  - 3.3.2 Phase II: in principle, goods are evenly supplied during January to October of each year. Details are to be determined through negotiation by Party A and Party B in August 2010.

### 4. Delivery

- 4.1 For Phase I, both parties agree that goods are supplied in three equal installments every month within the period of this Contract. Delivery progress is specified as below:

Year	Annual Quantity (tons)	Month of delivery	Monthly Quantity	Date and Monthly Quantity
2008	200	9~12	50	Evenly supplied on the 10 <sup>th</sup> , 20 <sup>th</sup> and 30 <sup>th</sup> days of each month
2009	500	1~10	50	Evenly supplied on the 10 <sup>th</sup> , 20 <sup>th</sup> and 30 <sup>th</sup> days of each month
2010	3000	1~10	300	Evenly supplied on the 10 <sup>th</sup> , 20 <sup>th</sup> and 30 <sup>th</sup> days of each month

- 4.2 Place of delivery is Party B's plant. Party A shall be entitled to assign persons to make ex-factory inspections at the site.
- 4.3 Party B may handle the transport of goods at Party A's request, but expenses shall be borne by Party A and paid by wire transfer in advance to the bank account designated by Party B.
- 4.4 Party A agrees that Party B may supply goods before September 2008 (if production permits) and Party B agrees that not less than 50% of the goods produced in advance are supplied to Party A on a priority basis. Price is to be determined by both parties through negotiations based on the principle as specified in this Contract, but the total delivery quantity of contract year remains unchanged.

#### **5. Packaging**

- 5.1 Packaging: provide the packaging meeting the long-distance transport requirement of goods and ensure that goods are not damaged or contaminated when they are transported to the warehouse designated by Party A, unless force majeure occurs or carrier or insurance company assumes responsibility. Goods shall be packaged in both inner and outer package (every 10kg shall be packaged in an inner and every 30kg shall be packaged in an outer package). Inner package is made of PVC and outer package is carton (paper barrel). Party B shall be fully responsible for the damage, loss or contamination of goods caused by improper packaging in transit, unless force majeure occurs or carrier or insurance company assumes responsibility.
- 5.2 Remarks: indicate manufacturer, production batch number, specifications, weight and date of production on outer package and inner package according to Party A's requirements.

#### **6. Quality Assurance**

Quality of goods means that goods meet the provisions of this Contract and domestic and overseas industry standards in terms of performance, specifications, appearance, material, manufacturing, workmanship, etc. Relevant quality standards are set forth in Annex 1. Party B shall provide its formal test report for each batch of goods, at least including the technical indexes in Annex 1. Test report shall bear Party B's common seal. Party B shall also provide its test report for trial-produced and initial batch products,

## 7. Inspection

- 7.1 After goods are transported to Party A's warehouse, Party A will inspect goods based on the quality standards in Annex 1. Inspection method, inspection instruments and reagents are in reference to domestic and overseas industry standards. In case of any quality objection, Party A shall inform Party B by fax within 15 days of receiving goods. In case that Party B does not receive any written notice from Party A within 15 days, goods shall be deemed qualified. Upon receipt of notice, Party B shall forthwith assign persons to take the sample together with Party A's representative and deliver them through express mail service to an independent inspection institution acceptable to both parties for re-inspection, which shall be deemed as the final result. The expenses thus incurred shall be borne by the party whose opinion is untenable. If inspection result substantiates Party A's opinion, Party A shall be entitled to request returning or replacement of goods and Party B shall bear the direct expenses arising therefrom, including freight, warehousing expenses, labor expenses, etc.
- 7.2 Since the inspection carried by Party A is sample inspection, namely inspection over the sample and/or test of some performances of the sample, passing such inspection and/or test does not mean that all products comply with all quality requirements and does not exempt the supplier from its responsibility for quality compliance.

## 8. Insurance

Party A will cover the transport insurance of goods at its own expense. If Party A does not timely cover the transport insurance of goods, all the responsibilities and expenses thus incurred shall be borne by Party A.

## 9. Confidentiality

Each party undertakes that it and its directors, senior management, employees, representatives, agents, contractors and affiliates will fully respect the confidentiality of the business information of the other party. Each party hereby undertakes that it will keep confidential any and all information obtained by it from the other party or communicated to it by the other party according to this Contract (or during the discussions or negotiations before the signing of this Contract) or obtained during the performance of this Contract, will not disclose such information to any person (other than its employees who need to know such information) and it will only use such information to perform its obligations under this Contract and will not use such information for the benefit of itself or any third party. But the said obligations shall not apply to the information which:

- A. is legally possessed by recipient before the negotiations relating to this Contract;
- B. is or becomes a part of public information exclude the information public available due to breach of the article herewith;
- C. is communicated or disclosed to the recipient by a third party without a duty of confidentiality. The contents of news release are to be agreed upon by both parties.

However, either party or its affiliate (including its parent company, branch or subsidiary) may disclose the contents of this Contract according to the local regulations or the requirement of relevant government authorities where it or its affiliate is located. Either party may make normal news release with respect to the execution and contents of this Contract and the other party shall not hinder such release unreasonably.



**10. Effectiveness, Term and Termination**

- 10.1 This Contract shall be effective as of the date when it is signed and sealed by the representatives of both parties until December 31, 2013. Neither party shall terminate this Contract for any reason other than those as set forth in Articles 10 and 13. The Extension of this Contract and new transaction conditions may be reached through negotiation by both parties three months prior to the expiry of this Contract.
- 10.2 Should either party be prevented from performing its obligations under this Contract for more than two months due to force majeure, either party may give a written notice to terminate this Contract.
- 10.3 Both parties may terminate this Contract through negotiations.
- 10.4 If Party B is insolvent or goes bankrupt or is liquidated, Party A may promptly notify it to terminate this Contract. Such notification shall not affect any other right of Party A.
- 10.5 The provisions about confidentiality, quality, defaulting liabilities and resolution of disputes under this Contract shall survive the termination, revocation or invalidity of this Contract.

**11. Force Majeure**

Force majeure means any event that is unforeseeable and beyond the reasonable control of either party when this Contract is signed, including earthquake, typhoon, fire and flood, but excluding price fluctuation of raw materials and other market risks, government act, etc. Should either party be prevented from performing this Contract owing to an event of force majeure, it shall be exempt from defaulting liabilities, but it shall without any delay inform the other party of the occurrence of such event and within 14 days, provide the documentary evidence issued by the local government authority by EMS to the other party. In the foregoing case, the prevented party shall take all necessary measures to expedite delivery or lower the impact of force majeure.

**12. Warranty**

- 12.1 The goods sold by Party B are in a good condition and quality complies with the standards as agreed upon by both parties.
- 12.2 If the goods produced by Party B exceed the quantity specified under this Contract, Party A shall have the preemptive right to the excess portion on same conditions. Otherwise, Party B shall bear relevant defaulting liabilities.
- 12.3 Party A warrants that after the quantity under this Contract is met, especially for the contract quantity of Phase II (2011 to 2013), it will give priority to purchasing Party B's goods on equal conditions. Otherwise, Party A shall bear relevant defaulting liabilities.

### 13. Defaulting Liabilities

- 13.1 If Party B cannot deliver goods on time due to unstable output in 2008, Party B shall pay Party A liquidated damages, which are 20% of the advance payment of delayed goods. For example, 50 tons shall be delivered in September 2008. In case that goods cannot be delivered due to production and other reasons, Party B shall bear liquidated damages of RMB 270,270 (formula: 50t \* RMB 27,027 advance payment/t \* 20%= RMB 270,270). The delivery of the corresponding quantity delayed for current term is deferred to 2009. Specification is to be agreed upon by both parties based on Party B's actual production.
- 13.2 In the event that goods do not meet quality standards and it is agreed by both parties, Party B shall replace such goods within 10 working days.
- 13.3 In the event that Party B does not deliver goods to Party A for any reason other than an event of force majeure, or terminates this Contract without Party A's written consent, or supplies goods to a third party before the quantity set forth in this Contract is completed, Party B shall pay liquidated damages of RMB 100 million to Party A and remit them by wire transfer to the account designated by Party A within 15 days of receiving Party A's written claim.
- 13.4 In the event that Party B does not purchase goods from Party B for any reason other than an event of force majeure, or terminates this Contract without Party B's written consent, or purchases goods from a third party before the quantity set forth in this Contract is completed, Party A shall pay liquidated damages of RMB 100 million to Party B and remit them by wire transfer to the account designated by Party B within 15 days of receiving Party B's written claim.
- 13.5 Others are subject to the Contract Law of the People's Republic of China.

### 14. Applicable Law and Resolution of Disputes

- 14.1 This Contract shall be governed by and construed in accordance with the laws of the People's Republic of China.
- 14.2 Any dispute arising from or out of or in connection with this Contract, including any question regarding its existence, validity, breach or termination, shall be first resolved by both parties through friendly negotiations. In case no resolution can be reached, either party may bring a lawsuit with the court in the place where this Contract is performed.

### 15. Miscellaneous

- 15.1 This Contract is executed in two originals in Chinese, one for each party hereto.
- 15.2 No amendment to this Contract shall be of any effect or force unless through a written supplementary agreement between both parties. Any manual addition, alteration or mending of this Contract by either party shall be invalid and illegal.
- 15.3 Party B agrees that Party A may transfer any of its rights and obligations under this Contract to any of its affiliates, i.e. its parent company, subsidiary or any entity which is under common control with Party A. Party B shall sign an agreement containing the same conditions hereunder with any of Party A's affiliates.

- 15.4 No failure on the part of either party to require the performance of any term or condition of this Contract shall operate as a waiver thereof.
- 15.5 Should any provision of this Contract be held invalid, illegal or unenforceable to any extent, such provision shall be deleted from the main body of this Contract and the remaining provisions of this Contract shall remain in force to the maximum extent permitted by law.
- 15.6 No failure on the part of either party to exercise, and no delay on its part in exercising any right, power or privilege under this Contract shall operate as a waiver thereof, nor will any single or partial exercise of any right, power or privilege preclude the exercise of any other right, power or privilege.
- 15.7 This Contract and its annexes constitute the entire agreement between both parties with respect to the subject matter hereof and replace and supersede all prior negotiations and agreements between both parties with respect to the subject matter hereof.
- 15.8 The annexes hereto form an integral part of this Contract and have the same legal effect as the terms of the main body of this Contract. In case of any discrepancy between the main body of this Contract and its annexes, the former shall prevail.

**Zhejiang Yuhui Solar Energy Source Co., Ltd.** (seal)

Representative (signature): /s/

**Sichuan Yongxiang Polysilicon Co., Ltd.** (seal)

Representative (signature): /s/

## Equipment Supply and Purchase Contract

Contract No.: SRE-A-001

Date of Signature: 26th. Sep. 2007

Place of Signature: Chengdu, Sichuan, China

This Equipment Supply and Purchase Contract (this Contract') is made and entered into through friendly negotiation by and between  
on the one hand

Sichuan Renesola Silicon Material Co., Ltd (the "Buyer"),

a corporation organized and existing under the laws of the People's Republic of China ("P.R. China" or "China") having its principal office at Xiuwen Town, Dongpo District, *Meishan*, Sichuan Province, China  
on the other hand

**Chemical Equipment Engineering Limited,**

a company organized and existing under the laws of Hong Kong, having its registered office at 12/F Bel Trade Commercial Building, 1-3 Burrows Street, Wanchai, Hong Kong.

Email: info@ms-a.de

**Chapter 1 Definitions**

Unless the context otherwise defines, the following terms used in this Contract will have the following meanings:

- 1.1 "Equipment Set" or "Equipment" shall have the meaning as described in section 2.1.1 herein.
- 1.2 "Contract Price" means the sum payable to the Sellers under this Contract for full and proper performance of its contractual obligations (including equipment and technical services) based on FOB Hamburg incoterms 2000.
- 1.3 "Contract Currency" means the currency in which the payment is made under this Contract, here EURO.
- 1.4 "Port of Shipment" means the port of Hamburg, Germany.
- 1.5 "Port of Unloading" (which is sometimes referred to as Unloading Port hereafter) means the port of Shanghai for deliveries from Germany.
- 1.6 "Site" means the Polysilicon Plant at Meishan, Sichuan Province China
- 1.7 "Technical Documentation" means the technical data, specification, drawings and documents related to the design, inspection, erection, test run, commissioning, performance test, operating and maintenance of the Equipment Set. Scope of Technical Documentation is specified in **Annex 4** hereto.

- 1.8 "Technical Service" means the technical attendance, provided by the Seller to the Buyer with respect of erection, test run, commissioning, operation skills training, performance test, instruction for operation and maintenance of the Equipment Set. Scope of Technical Service is defined in **Annex 5** hereto.
- 1.9 "Warranty Period": The warranty for Equipment Set shall remain valid for twelve (12) months from the date of Start-up. But not more than twenty-four (24) months after the term of delivery date.
- 1.10 "Inspection Authorities" refers to the local inspection branch of the State Administration for Entry-exit Inspection and Quarantine of China located at or near the Port of Unloading and/or the Site.
- 1.11 "Permission", "license" or "authorization" means every document which is required to put or to adhere contractual objects in operation. The Buyer himself is at his own expense responsible for any required application of permissions, licenses or authorizations or for the compliance with regulations, unless expressly and differently stipulated in this contract.
- 1.12 Effectiveness of the Contract  
The Contract shall become effective upon the arrival of the downpayment.

## Chapter 2 Object of Contract

- 2.1 The Buyer agrees to buy from the Seller and the Seller agree to sell to the Buyer the equipment for a poly silicon plant, to be built in Meishan, Sichuan, China, including all specified equipment, spare parts, training services, and technical instruction and services, as well as Technical Documentation for the equipment supplied under this Contract all as defined and specified in Annexes hereto etc.
- 2.2 The Equipment shall be installed at Meishan, Sichuan, China.
- 2.3 The equipment means all equipments, materials, spare parts, apparatus as stipulated in the Chapter 3 and **Annex 3** below, and being more detailed specified in **Annex 1** hereto.
- 2.4 The specifications for a good and stable operation of the Equipment are defined in **Annex 2**.
- 2.5 The Technical Documentation to be supplied by the Seller is specified in **Annex 4** hereto.
- 2.6 The Seller shall provide technical services as specified in **Annex 5** hereto.
- 2.7 The equipments shall be delivered as specified in **Annex 7** hereto.
- 2.8 The contract equipments data is specified in **Annex 8**.

## Chapter 3 Price

- 3.1 The Contract Price paid as the consideration of the Equipment Set, Technical Documentation, Technical Services and Training, and Spare Parts price under this Contract is Euro 22150880,00 Say: twenty two million one hundred fifty thousands eight hundred eighty EURO) comprising the following:
- 3.1.1 Equipment Set
- 3.1.1.1 Equipment Set for Deposition-Reactors

	Units No per Unit/Euro	
1. Deposition-Reactors	16	585600,00
2. Gas-console	16	144700,00
3. Liebig-Pipe Heat exchanger	16	96000,00
4. Radiation-heater	6	79680,00

3.1.1.2 Equipment Set for Hydrogenation-Reactors

	Units No per unit/Euro	
1. Hydrogenation-Reactors	8	688700,00
2. Vaporizer feeding 2 H-Reactors	4	446200,00
3. Gas-console I for each H-Reactor	8	144700,00

3.1.2 Spare Parts

Spare parts included in the delivery of the Reactors and Reactor Components, are dedicated to replace wear and tear parts as specified in **Annex 3** hereto.

3.1.3 The fees for the Technical Services and the training services have been included in the Contract Price.

3.2 The Contract Price as specified in this Chapter 3 is a fixed price. Additional costs may occur in case of reorders, change requests or special requests.

3.3 Retention of title

Seller retains full title of the goods that have been delivered until buyer has discharged all claims arising from this contract.

**Chapter 4 Terms of Payment**

4.1 All payments to be made by the Buyer to the Seller shall be affected in EURO through the respective deposit bank of Buyer bank and the Seller. For this purpose, such banks of the Buyers and the Seller shall be international 'A' rated ones.

4.2 Within two (2) weeks upon this Contract becomes effective, the Customer shall make payments pursuant to the schedule provided below: (timing and condition of payment is specified in 4.3)

Installments	Amount	% of Purchase Price	Terms of Payment
1st Installment	6645264,00 Euro	30%	Down payment Telegraphic Transfer ("T/T")
2nd Installment	4430176,00 Euro	20%	Down payment Telegraphic Transfer ("T/T")
	9967896,00 Euro	45%	Payments according to the deliveries
3rd Installment	1107544,00 Euro	5%	Retention Money Telegraphic Transfer ("T/T")
<b>Purchase Price:</b>	<b>221 50880,00 Euro</b>	<b>100%</b>	

- 4.3 Timing/Condition to Payment
- 4.3.1 The 1<sup>st</sup> Installment: within fifteen (15) days after the effective date of this Contract, Buyer provides the “Telegraphic Transfer (“T/T”)”, of thirty percent (30%) of the total contract price to **Chemical Equipment Engineering Limited** (Without bank guarantee).
- 4.3.2 The 2<sup>nd</sup> Installment: Within nine (9) months from the contract effective date, Buyer provides the “Telegraphic Transfer (“T/T”)”, of twenty percent (20%) of the total contract price to **Chemical Equipment Engineering Limited** (Without bank guarantee).
- 4.3.3 Payments according to the deliveries
- Six weeks before each shipment seller informs Buyer about the shipment and sends Commercial invoice by email and fax indicating the equipment and the amount to be paid (forty five percent of equipment price of the delivery).
- Buyer makes payment by “Telegraphic Transfer (“T/T”)” to Chemical **Equipment Engineering Limited** within two weeks after the reception of the bill.
- 4.3.4 The 3<sup>rd</sup> Installment: within four (4) weeks upon presentation of five (5) copies of commercial invoice indicating the amount to be paid and after all indices as specified in **Annex 8** are found qualified through joint performance examination by the End User and the Seller to test such indices which shall be conducted in twelve (12) months from Startup of the Equipment,

#### Chapter 5 Terms of Delivery

- 5.1 The Seller shall complete shipment of Equipment Set at the Port of Shipment subject to the detailed schedule provided in **Annex 7** hereto.
- 5.2 Not later than eight (8) days before shipment schedule provided in **Annex 7** hereto, the Seller shall notify the Buyer by Fax of the following information:
- 1) Contract Number:
  - 2) Total volume:
  - 3) Total gross weight of packages:
  - 4) Total number of packages:
  - 5) Port of shipment:
  - 6) Name, total gross weight and measurement of each piece exceeding nine (9) metric tons in weight or over 3 400 mm in width, or over 2 350 mm on both sides in height: and
- Within two (2) days after the loading of the Equipment at the Shipment Port, the Seller shall send by email one (1) duplicate copy of the Bill of Lading, signed commercial invoice, ex-work quality certificate of origin and packing list to the Buyer.
- 5.3 The risk associated with all parts of the industrial plant shall pass onto the Buyer upon loading of the Equipment at the Shipment Port.

5.4 In case the Equipment Set is lost or damaged during the transportation, the Seller shall assist the Buyer to apply for the compensation with the insurance company concerned and shall make, as soon as possible, supplementary supply of the lost and/or damaged Equipment, upon the request and on payment of the Buyer of the Contract Price pursuant to the terms of payment herein. Remuneration of the first delivery is not affected from this clause. The supplementary supply of the Equipment mentioned above shall not release the Seller from any late delivery hereunder, if any.

5.5 The Technical Documentation in one (1) copy shall be delivered to the buyer via DHL by the Seller as according to the schedule specified in **Annex 4** hereto.

#### **Chapter 6 Packing and Marking**

6.1 Unless otherwise specified in the Contract, the Equipment Set shall be packed by the Seller in new wooden cases or containers. Necessary measures shall be taken to protect the Equipment Set from damage caused by moisture, rain rust, corrosion, shock an to ensure the Equipment Set to withstand numerous handling, loading and unloading as well as long distance ocean and inland transportation for the safe arrival of the Equipment Set at the Site.

6.2 The loose accessories in package or bundle shall be labeled by the Seller indicating contract No., name of equipment, name of accessories, and their position number and accessory number marked on assembly drawings.

6.3 The Seller shall on four (4) adjacent sides of each package mark conspicuously the following information in English with indelible paint:

- 1) Contract No.:
- 2) Shipping mark:
- 3) Destination:
- 4) Consignee:
- 5) Name of equipment and item No.:
- 6) Case/bale No.:
- 7) Gross/net weight:
- 8) Measurement:

6.4 The following documents shall be enclosed in each package of the Equipment Set:

- 1) Two (2) copies of detailed packing list;
- 2) Two (2) copies of quality certificate;
- 3) One (1) copy of Technical Documentation for relevant contract equipment, which shall be properly packed to withstand numerous handlings, long-distance transportation and to protect from damage as a result of moisture and rain.

6.5 In case of container transportation, the Seller shall examine the condition of the containers, so that only those in good conditions shall be used for delivery of the Equipment Set.

Sufficient shores or chocks shall be provided in order to prevent any part of the Equipment Set from moving inside the containers. The Seller shall be liable for any damage to the Equipment Set thus incurred due to the negligence of the Seller or any insufficiency of lashing and/or securing of the Equipment Set inside the containers.

6.6 The Seller shall use wooden packages free from any insect infestation. Should insect infestation be found in quarantine inspection, the Seller shall bear the cost incurred in fumigation or replacement of the packages at the Port of Unloading.



## Chapter 7 Standards and Inspections

- 7.1 The Seller shall carry out design and inspection of the Equipment Set according to Annex I.
- 7.2 The Seller shall, at its own expense, inspect the Equipment Set and issue the ex-works quality certificate. The ex-works quality certificate shall be submitted to the Buyer.
- 7.3 The Buyer can send its inspectors to Germany or/and to China to inspect the quality of the equipment set together with the Seller inspectors. Inspections shall be appropriate according to duration and range. The Buyer shall take into consideration not to disturb normal operational proceedings at the Seller's facilities. The expenses on sending of Buyer's inspectors aboard shall be for the Buyer's account. The letter of invitation for inspection in Germany shall be submitted by the Seller.
- 7.4 The Seller shall inform the Buyer of the completion manufacture of the equipments eight (8) days in advance; notify the inspection date two (2) weeks in advance.
- 7.5 The Technical Documentation will be written in English and only in electronic form if not stipulated otherwise. All the necessary translation work shall be done by the Buyer. The Seller shall support the translation work with prompt consultation on the inquiries of the Buyer in connection with the know-how, if necessary.

## Chapter 8 Erection, Test-run, Start-up, Commissioning, Performance Test and Acceptance

- 8.1 The scope of the technical services is specified in **Annex 5**. The costs and fees for attendance of erection and commissioning by the Seller's experts have already been included in the Contract Price. Each party shall nominate one (1) representative to deal with all technical matters in connection with Equipment during the period from the Start-up through the Acceptance of the Equipment.
- Technical Expert representing the Seller is:  
\_\_\_\_\_ (E-Mail: \_\_\_\_\_@ms-a.de)
- Deputy:  
\_\_\_\_\_ (E-Mail: \_\_\_\_\_@ms-a.de)
- Technical Expert representing the Buyer is:  
\_\_\_\_\_ (E-Mail: \_\_\_\_\_)
- Deputy:  
\_\_\_\_\_ (E-Mail: \_\_\_\_\_)
- 8.2 Before Erection commences, the Seller shall give detailed instructions as specified in **Annex 4** hereto to the end-user in writing form, stipulating the detailed procedures of installation of the Equipment. According to these instructions Buyer has to render his co-operation Duties.
- 8.3 If erection or any testing can not meet properly because of Buyer failing to fulfill his co-operation duties, Seller will not be liable for any damages or defaults hereof.
- 8.4 The details of Performance Test are provided in **Annex 5** hereto.
- 8.5 The Performance Test and Acceptance of the Equipment Set shall not release the Supplier from its warranty for the Equipment Set as defined in Sectioni .9 above.

## Chapter 9 Defects of Title, Copyright, Patent an Third Party Infringement

- 9.1 The Seller guarantees that the use of contract Equipment Set is free of any infringement claim raised by a third party. In case the End-user is accused of illegal exploitation or infringement of any know-how and/or patent and/or other intellectual property rights arising from the use of contract Equipment Set, the End-user shall give the Seller a notice and the Seller shall take up the matter with third party at its own cost in the End-use name and with End-use assistant and indemnify the End-use for any cost, compensations or damages arising there from.

Buyer agrees that Seller shall be released from the foregoing obligations unless Buyer provides Seller in due time with

- prompt notification of the claim or action, -
- sole control and authority over defense or settlement thereof, and -
- all available information, assistance or authority to settle and/or defend any such claim or action.

## Chapter 10 Defects and Defects of Title

### 10.1 Defects

#### 10.1.1 Statute of Limitations

Claims based on Defects of the Equipment Set shall become statute-barred twelve (12) months after the Equipment Set's delivery (see Chapter 5). In case of intent, fraud or fraudulent statements the statutory provisions shall apply.

#### 10.1.2 Notification by Buyer

Buyer shall describe occurring Defects in an understandable manner and shall give written notice — if possible — immediately after the discovery of a Defect.

### 10.2 Buyer's Remedies

#### 10.2.1 Repairs or Replacement

In the event Buyer gives notice of a Defect which has to be remedied by Seller, Seller shall remedy such Defect free of charge. Seller shall take Defect's gravity as well as its consequences for Buyer into consideration when remedying the Defect. Seller may repair or replace the Equipment Set based on its own discretion.

#### 10.2.2 Instructions or Workarounds

In so far as it can be reasonably expected by Buyer repairs may also take place in form of Seller instructing Buyer in measures therewith Buyer can undertake himself to remedy the respective Defect. Said instructions to remedy a Defect are possible in particular in the event Buyer can remedy a Defect with a minimum of effort or if considerable effects of the Defect can be avoided by Buyer taken immediate action as instructed. A temporary workaround shall be considered as repairs to the extent that the Equipment Set is not substantially impaired thereby and the workaround is reasonable for Buyer.

### 10.3 Grace Period

In the event the remedies set forth in section 10.2. fail with a reasonable period of time Buyer shall set Seller a reasonable grace period. This shall not apply if

- such grace period cannot be considered reasonable for Buyer or
- Seller has refused repairs or replacement.

### 10.4 Buyer's further rights

In the event Seller's remedies fail within the grace period (see section 10.3.) Buyer may

- unless the Defect is immaterial cancel this Agreement or
- may reduce the compensation for the Equipment Set.

Besides a cancellation or reduction of the compensation Buyer may claim damages or frustrated expenses in the event Seller has culpably infringed its contractual obligations.

#### **Chapter 11 Default**

If due to responsibility of Seller, Equipment has not been delivered at dates according to the delivery schedule as stipulated in Chapter 5 and **Annex 7** of the present Contract, Seller shall be obliged to pay to Buyer penalty for such delay in delivery at the following rates:

- 1) From the first (1<sup>st</sup>) to the forth (4<sup>th</sup>) week of delay, the liquidated damages shall be zero point five percent (0.5%) of the price of the late delivered equipment per week.
- 2) From the fifth (5<sup>th</sup>) week and on, the liquidated damages shall be one point percent (1.0%) of the price of the late delivered equipment per week.
- 3) Odd less than one week shall not be counted for calculation of the liquidated damages.
- 4) Notwithstanding the forgoing, the total amount of the liquidated damages paid for late delivery hereunder shall not exceed five percent (5 %) of the Contract Price.

The payment of liquidated damages shall not release the Seller from its obligation to deliver the delayed equipment.

#### **Chapter 12 Deviations from the Time Schedule**

If without the Seller's default the actual progress shall not comply with the agreed time schedule the Seller shall notify the Buyer of any deviations from the plan that shall have occurred. Seller shall, upon demand of the Buyer, submit to him for his approval a revised time schedule that, in view of the actual status of work shall be necessary to ensure the completion and operations start of the industrial plant within the contractual deadlines referred to in **Annex 7**. The revised time Schedule shall then become binding.

#### **Chapter 13 Liability**

For any legal cause whatsoever (default, defects, defects of title/third party right infringement) Seller shall be liable as follows:

##### **13.1 Limitation of Liability in Case of Slight Negligence**

##### **13.1.1 Breach of material contractual obligations**

In the event Seller is not liable according to section 13.1 but Seller breaches material contractual obligations slightly negligent, Seller's liability shall be limited to the contractually foreseeable damage.

##### **13.1.2 Breach of immaterial contractual obligations**

In the event Seller is not liable according to section 13.1 or 13.2.1 but Seller breaches immaterial contractual obligations slightly negligent, Seller's liability shall be limited to the amount of the compensation paid under this Agreement, but to a maximum amount of 50000 €.

13.2 **Contributory Fault**  
In the event damage is caused based on Seller's as well as on Buyer's fault, Buyer's fault has to be taken into consideration.

13.3 **Product Liability Act**  
Seller's liability according to the German Product Liability Act shall remain unaffected by the foregoing limitations.

#### **Chapter 14 Confidentiality**

14.1 Either party shall keep confidential the trade secrets that may be obtained during the course of performing this Contract. After this Contract becomes effective and defining technical specifications-either party shall not disclose information without prior written consent of the other party.

14.2 After the duration of the contract, each Party has to give back confidential documents belonging to the other Party within an appropriate time.

#### **Chapter 15 Cancellation**

15.1 Either party may cancel this Contract at any time, by giving written notice to the other party in case the other party becomes bankrupt or insolvent. Such cancellation shall not prejudice or affect any other available remedy stipulated in this Contract or permitted by the applicable law of this Contract.

15.2 Cancellation does not affect settled payments.

15.3 Moreover, in any case of cancellation Seller shall be entitled to receive the contractual remuneration. However Seller shall accept the deduction of those amounts that he saves as a result of the termination. This amount shall also apply to any amount that he shall earn through the use of pending or completed works.

#### **Chapter 16 Force Majeure**

16.1 Should either party be prevented from performing any of its obligations under this Contract due to event of Force Majeure such as war, serious fire, typhoon, earthquake, flood and any other events which could not be expected, avoided and overcome, the affected party shall notify the other party of its occurrence by fax and send by registered air mail a letter, stipulating the reasons or proof for the event of the Force Majeure as certified by relevant local authorities.

The Buyer shall provide their written consent of acceptance of the event of Force Majeure by registered air mail letter.

16.2 The affected party shall not be liable for any delay or failure in performing any or all of its obligations due to the event of Force Majeure. However, the affected party shall inform the other party by fax of the termination or elimination of the event of Force Majeure as soon as possible.

16.3 Both parties shall proceed with their obligations immediately upon the cease of the event of Force Majeure or removal of all the effects. The term of this Contract shall be extended correspondingly.

#### Chapter 17 Taxes and Duties

- 17.1 All taxes and duties in connection with and in the performance of this Contract levied by the Chinese government on the Buyer in accordance with the tax laws of the P.R. China shall be borne by the Buyer.
- 17.2 All taxes and duties arising outside P.R. China in connection with and in performance with this Contract shall be borne by the Seller.

#### Chapter 18 Arbitration

- 18.1 Any dispute arising from or in connection with this Contract shall be submitted to China International Economic and Trade Arbitration Commission, Shanghai Sub-commission, for arbitration in Shanghai. The arbitration award is final and binding upon both parties.
- 18.2 Notwithstanding any reference to arbitration, both parties shall continue to perform their respective obligations under this Contract not affected by the matters under such arbitration unless otherwise agreed.

#### Chapter 19 Application of Law

The construction, validity, interpretation, performance, implementation and all matters relating to this Contract and any amendment hereto shall be governed by the United Nation Convention on International Sales of Goods. However, to the extent the United Nation Convention on the International Sales of Goods does not cover, the law of the Federal Republic of Germany shall apply.

#### Chapter 20 Effectiveness and Miscellaneous

- 20.1 Each party shall authorize a representative(s) for signature of this Contract.  
For the Seller **Chemical Equipment Engineering Limited** Manfred Schirsner is hereby authorized to sign this Contract.  
For the Buyer is hereby authorized to sign this contract.
- 20.2 This Contract shall become effective upon the signature by the authorized persons stipulated in section 20.1
- 20.3 After the fulfillment of this Contract, this Contract will remain valid beyond one (1) month after the expiry date of the warranty period. Any unsettled credit and debt under this Contract shall not be affected by the expiration of this Contract. The debtor shall effect its obligation of reimbursement to the creditor.
- 20.4 This Contract is made in English. This Contract is in four (4) originals, two (2) for the Buyer and two (2) for the Seller.
- 20.5 Appendices to this Contract are integral parts to this Contract and have the same legal force as the text of this Contract itself.
- 20.6 All amendments, supplements and alternations to the terms and conditions of this Contract shall be made in written form and signed by the authorized representatives according to paragraph 20.1. These documents shall be integral parts of this Contract.
- 20.7 No assignment of any right or obligation under this Contract shall be made by either party to a third party without prior written consent of the other party.

- 20.8 The communication between the two parties shall be conducted in written form of Faxes or E-mail, and important matters shall be confirmed in due time by express mail
- 20.9 Each party shall bear its own costs and expenses occurred for the purpose of this Contract, including but not limited to the travel, accommodation and etc. expenses for the design contact meetings.
- 20.10 In the event one of the provisions of this Agreement is or becomes invalid or unenforceable in whole or in part, the remaining provisions shall maintain their validity. This shall also apply to any loophole within this Agreement. Instead of an invalid or unenforceable provision or to fill the loophole, a reasonable provision shall apply which insofar as legally possible — comes closest to fulfilling the original intention the parties had considered upon conclusion of this Agreement.

Buyer: Sichuan Renesola Silicon Material Co., Ltd

Representation: /s/

Date:

Seller: Chemical Equipment Engineering Limited.

Representation:

Date:

**Equity Transfer Agreement of Zhejiang Yuhui Solar Energy Source Co., Ltd.**

Transferee: Renesola Ltd (hereinafter referred to as "Party A")

Address: Craigmuir Chambers, Road Town, Tortola, British Virgin Islands

Legal representative: Li Xianshou

Title: Executive Director

Nationality: China

Transferor: Ruiyu Solar Energy Technology Co., Ltd. (hereinafter referred to as "Party B")

Address: 7F, Kin On Commercial Building, 49-51 Jervois Street, Sheung Wan, Hong Kong, China

Legal representative: Lian Xiahe

Title: Executive Director

Nationality: China

In accordance with the "Company Law of the People's Republic of China", "Law of the People's Republic of China on Sino-foreign Equity Joint Ventures" and "Provisions for the Alteration of Investors' Equity Interests in Foreign-invested Enterprises", Party A and Party B, abiding by the principle of equality and mutual benefit and through friendly negotiations, hereby enter into this Agreement with respect to Party B transferring its equity in Zhejiang Yuhui Solar Energy Source Co., Ltd. (hereinafter referred to as "the Company") to Party A, on and subject to the terms and conditions as set forth below:

**1. Transferred Equity and Transfer Price**

Party B holds 25% equity in the Company and now transfers all its 25% equity in the Company to Party A at a transfer price of USD 745,000. Party A agrees to accept the transfer of the said equity at the said price.

**2. Term and Method of Payment**

Party A shall pay the said equity transfer price in USD spot exchange to the bank account designated by Party B within three months from the date when this Agreement is approved by the original examination and approval authority and industrial and commercial change registration is handled, namely a new business license is issued to the Company. If Party A fails to make such payment on time for whatever reason, Party A and Party B shall timely handle the procedures for a delayed payment up to three months with the original examination and approval authority.

3. Rights and Obligations of the Transferor and the Transferee

All Party B's rights and obligations in Zhejiang Yuhui Solar Energy Source Co., Ltd. shall be enjoyed and assumed by the Transferee (Party A) upon the effective date of this Agreement. The former claims and liabilities of the Company shall be succeeded by the Company after equity transfer.

4. Applicable Law and Dispute Resolution

This Agreement shall be governed by the laws of the People's Republic of China. Any dispute arising in connection with this Agreement shall be first resolved by both parties through consultation. In case no resolution can be reached through consultation, such dispute may be referred to Hong Kong International Arbitration Center ("HKIAC") for arbitration in Hong Kong in accordance with its applicable arbitration rules.

5. Alteration and Termination

No alteration of this Agreement may be of any effect or force except with a written instrument signed by Party A and Party B and with the approval of the original examination and approval authority. If either party materially breaches this Agreement, the other party shall be entitled to terminate this Agreement upon approval of the original examination and approval authority.

6. Effectiveness

This Agreement shall be signed and sealed by both parties and approved by the original examination and approval authority and become effective upon the issuance date of the revised certificate of approval of foreign-invested.

7. Signing Place and Date

This Agreement is signed in Jiashan County, Jiaxing City, Zhejiang Province, China on April 20, 2006.

8. Miscellaneous

This Agreement is executed in five copies, one for each party hereto, one for Zhejiang Yuhui Solar Energy Source Co., Ltd., one for examination and approval authority and one for registration authority.

**Party A: Renesola Ltd**

Legal representative (signature): /s/

Date: April 20, 2006

**Party B: Ruiyu Solar Energy Technology Co., Ltd.**

Legal representative (signature): /s/

Date: April 20, 2006



**Equity Transfer Agreement of Zhejiang Yuhui Solar Energy Source Co., Ltd.**

Transferee: Renesola Ltd (hereinafter referred to as "Party A")

Address: Craigmuir Chambers, Road Town, Tortola, British Virgin Islands

Legal representative: Li Xianshou

Title: Executive Director

Nationality: China

Transferor: Zhejiang Yuhuan Solar Energy Co., Ltd. (hereinafter referred to as "Party B")

Address: Xingwen Road No. 88, Yaozhuang, Jiashan County

Legal representative: Li Xianshou

Title: Chairman

Nationality: China

In accordance with the "Company Law of the People's Republic of China", "Law of the People's Republic of China on Sino-foreign Equity Joint Ventures" and "Provisions for the Alteration of Investors' Equity Interests in Foreign-invested Enterprises", Party A and Party B, abiding by the principle of equality and mutual benefit and through friendly negotiations, hereby enter into this Agreement with respect to Party B transferring its equity in Zhejiang Yuhui Solar Energy Source Co., Ltd. (hereinafter referred to as "the Company") to Party A, on and subject to the terms and conditions as set forth below:

**1. Transferred Equity and Transfer Price**

Party B holds 75% equity in the Company and now transfers all its 75% equity in the Company to Party A at a transfer price of USD 2,133,000. Party A agrees to accept the transfer of the said equity at the said price.

**2. Term and Method of Payment**

Party A shall pay the said equity transfer price in USD spot exchange to the bank account designated by Party B within three months from the date when this Agreement is approved by the original examination and approval authority and industrial and commercial change registration is handled, namely a new business license is issued to the Company. If Party A fails to make such payment on time for whatever reason, Party A and Party B shall timely handle the procedures for a delayed payment up to three months with the original examination and approval authority.

**3. Rights and Obligations of the Transferor and the Transferee**

All Party B's rights and obligations in Zhejiang Yuhui Solar Energy Source Co., Ltd. shall be enjoyed and assumed by the Transferee (Party A) upon the effective date of this Agreement. The former claims and liabilities of the Company shall be succeeded by the Company after equity transfer.

**4. Applicable Law and Dispute Resolution**

This Agreement shall governed by the laws of the People's Republic of China. Any dispute arising in connection with this Agreement shall be first resolved by both parties through consultation. In case no resolution can be reached through consultation, such dispute may be referred to Hong Kong International Arbitration Center ("HKIAC") for arbitration in Hong Kong in accordance with its applicable arbitration rules.

**5. Alteration and Termination**

No alteration of this Agreement may be of any effect or force except with a written instrument signed by Party A and Party B and with the approval of the original examination and approval authority. If either party materially breaches this Agreement, the other party shall be entitled to terminate this Agreement upon approval of the original examination and approval authority.

**6. Effectiveness**

This Agreement shall be signed and sealed by both parties and approved by the original examination and approval authority and become effective upon the issuance date of the revised certificate of approval of foreign-invested.

**7. Signing Place and Date**

This Agreement is signed in Jiashan County, Jiaxing City, Zhejiang Province, China on April 20, 2006.

**8. Miscellaneous**

This Agreement is executed in five copies, one for each party hereto, one for Zhejiang Yuhui Solar Energy Source Co., Ltd., one for examination and approval authority and one for registration authority.

**Party A: Renesola Ltd**

Legal representative (signature): /s/

Date: April 20, 2006

**Party B: Zhejiang Yuhuan Solar Energy Co., Ltd.**

Legal representative (signature): /s/

Date: April 20, 2006

Purchase Contract

Contract No.: YG070709001w  
Date: July 9, 2007  
Place: Jiashan

The Buyer: Zhejiang Yuhui Solar Energy Source Co., Ltd.  
Address: 8 Baoqun Road, Yaozhuang Town Industry Park, Jiashan County, Zhejiang Province  
Tel.: 0573-84773396 Fax: 0573-84773380

The Seller: Shangrao Desheng Industry Co., Ltd.  
Address: Shangrao Industry Park, Jiangxi Province  
Tel.: 0793-8461399 Fax: 0793-8461152

Through negotiations, both parties enter into and abide by this Contract, whereby the Buyer purchases goods from the Seller:

1. Product Description

Product	Quantity (kg)	Unit price/kg (tax included)	Total (tax included)
cleaning free reclaimable raw material	240,000.00	¥ 1,800.00	¥ 432,000,000.00

Remark: Both parties will re-negotiate the price in case that the difference between the market price during delivery and average price exceeds 5%.

2. Technical Requirements and Quality Standard

P type: electrical resistivity >0.5W.cm  
N type: electrical resistivity >1W.cm

3. Price, Document and Transport Requirements

- 3.1 Price is specified in Article 1. Price is denominated in RMB and the specific price will be fixed in purchase order upon friendly negotiation between both parties.
- 3.2 Document requirement: with VAT invoice.
- 3.3 Transport requirement: highway transport

4. Terms of Payment.

Advance payment of RMB20,000,000 and RMB20,000,000 shall be paid before July 10, 2007 and October 1, 2007, respectively. The payment under purchase order shall be paid upon the term as specified in purchase order and the advance payment of RMB40,000,000 shall be amortized in the purchase orders from June 2008.

5. Packaging Requirement, Delivery Term and Delivery Conditions

- 5.1 The Seller shall provide packages for the silicon blocks to be delivered and bear packaging costs.  
Packages shall be suitable for long-distance highway transportation.
- 5.2 Place of delivery: goods shall be delivered to the warehouse of Buyer's plant (8 Baoqun Road, Yaozhuang Town Industry Park, Jiashan County, Zhejiang Province).
- 5.3 The ownership of the goods shall be transferred to the Buyer upon arrival at the Buyer's warehouse. In case of any loss, shortage, damage, etc in transit, the Seller shall be responsible for getting compensation from the carrier. The Buyer shall actively provide related materials, when the assistance is needed. In case that the Buyer finds problems when it receives goods, the Buyer shall obtain the specified records and certificate from the carrier and immediately check the goods and make a claim against the party responsible therefore. In case of over-delivery or mis-delivery, the Buyer shall make detailed records, store and shall not use such goods without permission and inform the Seller within 10 days after receipt of goods, with all expenses thus incurred to be borne by the Seller.

5.4 Freight: freight will be borne by the Seller.

5.5 Delivery time:

From January to December 2007, the Seller will deliver 20,000 kg silicon materials to the Buyer at one time before the end of each month (12 batches in total) and the detail delivery schedule is as follows:

<u>Delivery time</u>	<u>Quantity</u>	<u>Batch</u>
Before January 31, 2008	20,000 kg	First
Before February 28, 2008	20,000 kg	Second
Before March 31, 2008	20,000 kg	Third
Before April 30, 2008	20,000 kg	Fourth
Before May 31, 2008	20,000 kg	Fifth
Before June 30, 2008	20,000 kg	Sixth
Before July 31, 2008	20,000 kg	Seventh
Before August 31, 2008	20,000 kg	Eighth
Before September 30, 2008	20,000 kg	Ninth
Before October 31, 2008	20,000 kg	Tenth
Before November 30, 2008	20,000 kg	Eleventh
Before December 31, 2008	20,000 kg	Twelfth

6. Force Majeure

6.1 Force majeure means any event that is unforeseeable and whose occurrence and consequences are unpreventable or unavoidable after this Contract becomes effective, e.g. earthquake, typhoon, flood, fire, war, etc, which directly affects the performance of this Contract or prevents this Contract from being performed according to specified provisions.

6.2 The prevented party shall forthwith notify the other party and provide the details of such event and related documentary evidence to the other party within 15 days.

6.3 In event of force majeure, both parties shall negotiate for a reasonable resolution and make all their best efforts to alleviate the influence of such event.

6.4 In case that an event of force majeure lasts for thirty days, both parties shall negotiate whether to perform or terminate this Contract or not.

7. Quality Issue

7.1 Upon receipt of goods, the Buyer shall make random inspections on all the goods and issue the corresponding acceptance documents. The unqualified products will be returned to the Seller together with documents, with freight borne by the Seller.

7.2 In case that any delivered goods are defective, the Buyer may choose to continue to perform this Contract or not.

8. Termination of Contract

This Contract will be terminated immediately after the written notice of termination issued by one party to the other party, especially in any of the following cases:

8.1 The Seller fails to perform its supply obligations under this Contract and fails to fix its non-performance or breach of this Contract within 30 days upon the Buyer's requirement.

- 8.2 The other party goes bankrupt or files a bankruptcy petition or is reorganized or goes into liquidation or the other party files a similar petition.  
If this Contract is terminated for goods reason, the Seller shall refund all advance payments to the Buyer within 7 working days of receipt of the notice of termination.
9. Defaulting Liabilities  
In the event that either party breaches this Contract, it shall undertake the defaulting liabilities and pay default penalty to the other party. If default penalty cannot cover the losses due to such default, the defaulting party shall make up the deficit. If default penalty are excessively higher or lower than actual losses, either party may request people's court or arbitration institute to decrease or increase default penalty appropriately.
- 9.1 In case either party fails to perform this Contract in whole or in part (in case of delayed delivery or insufficient delivery by the Seller, in reference to Article 9.2), the Seller shall pay the other party the default penalty at a rate of 0.5% of the total value of the goods involved in such default. If both parties negotiate to change or terminate this Contract, neither party is deemed to breach the Contract.
- 9.2 If the Seller delays delivery or that delivered goods are insufficient, the Seller shall pay the Buyer the default penalty at a rate of 1% of the total value of this batch of goods. If the Buyer does not collect goods according to delivery term or rejects qualified goods, it shall pay the Seller the default penalty at a rate of 1% of the total value of this batch of goods. If either party intends to increase or decrease contractual quantity or change the delivery term, it shall give a 10 days prior notice and obtain the consent of the other party; otherwise, it shall undertake economic liabilities.
- 9.3 The expenses actually paid by the Buyer during the custody period due to the mis-delivery by the Seller shall be borne by the Seller. In case that the Buyer delays payment, it shall pay the Seller the default penalty for overdue payment in accordance with the relevant regulations of the People's Bank of China.
- 9.4 The default penalty, compensation, custody and maintenance expenses and various economic losses payable by either party shall be paid to the other party within 10 days after responsibilities are defined. Otherwise, such party will be punished for overdue payment. However, neither party shall offset relevant fees by withholding goods or deducting payment for goods.
10. Confidentiality
- 10.1 Each party shall keep confidential the business secrets of the other party obtained during cooperation, which are not publicly available. Except as otherwise specified by laws, without the written consent of the other party, neither party shall disclose such secrets to any third party or use them for any other purpose than as specified herein; otherwise, it shall undertake defaulting liabilities and bear the losses.
- 10.2 Each party shall also keep confidential the business information of both parties in this Contract and not disclose any such information to any third party.
- 10.3 The obligations of both parties under this Contract shall not be terminated with the Contract. Each party shall continue to comply with the confidentiality provisions herewith and perform its confidentiality obligations until the other party agrees to discharge its confidentiality obligations or its violation of the confidentiality provisions herewith will not result in any form of damage to the other party.
11. Final Provisions
- 11.1 This Contract supersedes all prior oral or written agreements between both parties. There is no other contract between both parties except this Contract. Any amendment or supplement to this Contract shall be made in writing. Likewise, any provision of this Contract shall be cancelled in writing.
- 11.2 The invalidity of any provision of this Contract shall not affect the validity of the other provisions of this Contract. Both parties shall replace such invalid provision with a valid provision which most closely approximates the economic intention of both parties. This article is also applicable if the blanks in this Contract are filled.
12. Settlement of Disputes
- 12.1 The validity and performance of this Contract and its amendments and all matters regarding the validity of this Contract and its amendments shall be governed by the laws of the People's Republic of China. Any dispute is only governed by the laws of the People's Republic of China.

- 12.2 Any dispute arising from the interpretation or performance of this Contract shall be first settled by both parties through friendly negotiations within 30 days.
- 12.3 In case no settlement can be reached through negotiations, either party may submit such dispute to local arbitration commission for arbitration in accordance such commission's arbitration rules. Arbitral award shall bind upon both parties.
- 12.4 During arbitration, both parties shall continue to perform this Contract except for the matters involved in the dispute.
13. Effectiveness and Termination
- 13.1 The date when the duly authorized representatives of both parties sign this Contract shall be the effective date of this Contract. If there is any discrepancy between the signing dates, the later date shall be the effective date of this Contract.
- 13.2 The expiry date of the final warranty term of the "purchased goods" under this Contract shall be the date of termination of this Contract. But confidentiality provisions, settlement of disputes and the outstanding claims and liabilities between both parties shall not be affected by the expiry of this Contract, and the non-defaulting party shall be entitled to make claims.
14. Miscellaneous
- 14.1 This Contract is executed in duplicate, one copy for each party.
- 14.2 In case of anything not covered herein, both parties may enter into a supplementary agreement through negotiations, which is annexed to this Contract. The annexes to this Contract shall have the same effect as this Contract. Any and all correspondences, fax copies and emails confirmed by both parties form an integral part of this Contract and have the same effect as this Contract.
- 14.3 This Contract shall become effective as of its signing date (please fax this Contract back. This Contract shall be deemed to become effective if no objection is raised and this Contract is not faxed back within 24 hours).

The Seller: Shangrao Desheng Industry Co., Ltd.

Signature/seal: (Seal) /s/

Account opening bank: Jiangxi Shangrao Xuri Branch, China Construction Bank

Account No.: 36001351100052500920

Tax No.: 36112178970264X

The Buyer: Zhejiang Yuhui Solar Energy Source Co., Ltd.

Signature/seal: (Seal) /s/

Account opening bank: Jiashan County Branch, ICBC

Account No.: 1204070009242025955

Tax No.: 330421753019961

Polysilicon Purchase & Sales Contract

Contract No.: 2007007  
Signing date: October 31, 2007  
Signing place: Shanghai

**Party A:** **Zhejiang Yuhui Solar Energy Source Co., Ltd.**  
Address: 8 Baoqun Road, Yaozhuang Town, Jiashan, Zhejiang Province, China  
Tel.: 0573-84773058 Fax: 0573-84773383

**Party B:** **Daqo New Material Co., Ltd.**  
Address: Chemical Industrial Park, Wanzhou District, Chongqing City, China, Postal Code. 404000  
Tel.: 023-58820766 Fax: 023-58820788

Zhejiang Yuhui Solar Energy Source Co., Ltd. (hereinafter referred to as "Party A") and Daqo New Material Co., Ltd. (hereinafter referred to as "Party B"), on the basis of equality, free will and fairness, abiding by the principle of long-term cooperation and mutual development and through friendly negotiations, hereby enter into this Contract, on and subject to the terms and conditions as set forth below.

**1. Subject Matter**

Solar grade polysilicon (hereinafter referred to as "Goods")

**2. Quantity (ton), unit price (RMB), total amount (RMB) and delivery term**

Year	2008	2009	2010	2011	2012
Quantity (ton)	150-200	300	500	500	500
Unit price	RMB1700/ton in the first half year, RMB 1650/ton in the second half year	Two parties shall negotiate the price every three month.	Two parties shall negotiate the price every three month.	Two parties shall negotiate the price every three month.	Two parties shall negotiate the price every three month.
Supply	Jul.~ Dec., 25-33 ton/month	Jan.~ Dec., 25 ton/month	Jan.~ Dec., 42 ton/month	Jan.~ Dec., 42 ton/month	Jan.~ Dec., 42 ton/month

Total quantity: 1950 -2000 tons

Total amount: subject to actual amount dominated in RMB

Note:

1. The said price includes VAT.
2. Definition of market price: the price of goods (above 10 tons) on domestic spot market.

3. Schedule to fix the price: price is determined on a quarterly basis. The price for next quarter is determined during the 20<sup>th</sup> to 30<sup>th</sup> days of the last month of each quarter. Party A and Party B will confirm the price through a price determination form after they reach an agreement in a down-to-earth attitude through friendly negotiations. If no agreement is reached through negotiations, the price at which a third party agrees to purchase the same goods (above 10 tons) from Party B for the current period will prevail.
4. Party A and Party B shall give priority to guaranteeing the quantity under this Contract. If Party B has the goods in excess of the agreed quantity, Party B shall give priority to supplying goods to Party A on same conditions.
5. Both parties have taken into adequate consideration the impact of the floating factors of market energy price upon the contract price. Once the price is determined, during each corresponding price-performing period, neither party shall delay the performance of or refuse to perform this Contract due to market price change.

### **3. Technical Requirement and Quality Standard.**

Referring to Annex 1

### **4. Price, Document Requirement and Transportation Requirements**

- 4.1 The price details are stipulated in Clause No. 2 of this contract, which is dominated in RMB. The prices for the good delivered in and after 2009 which have not been determined in this contract shall be decided by the two parties when signing the subcontract through friendly negotiation basing on the prevailing market price.
- 4.2 Document requirement: the VAT invoice shall be issued.
- 4.3 Price term: EX work price

### **5. Term of Payment**

Party A shall make payment to Party B according to the following terms:

- 5.1 Advance payment: the total advance payment for the first year of this contract is RMB 200 million (Say: two hundred million RMB). The amount of the advance payment for every year afterward shall be decided by the both parties through friendly negotiation in the third quarter of last year.
- 5.2 After this Contract becomes effective, Party A shall pay RMB 100 million of the said advance payment by wire transfer to the account designated by Party B before November 30, 2007 and the remaining RMB 100 million shall be paid by wire transfer to the account designated by Party B before December 31, 2007.
- 5.3 Payment for goods: Party B will supply goods according to the delivery schedule under this Contract. Party A shall make the payment by wire transfer to the account designated by Party B in advance according to the quantity and amount notified by Party B. Party B shall organize delivery upon receipt of payment. The invoice amount of the goods shall be deducted from the advance payment until the total advance payment has been used up.  
Party B shall provide the corresponding VAT invoice.



## **6. Packaging, Marking, Lead Time and Delivery Condition**

- 6.1 Packaging: Party B shall provide packages to the delivered goods and the packaging shall meeting the long-distance transport requirement of goods and ensure that goods are not damaged or contaminated when they are transported to the warehouse designated by Party A, unless force majeure occurs or carrier or insurance company assumes responsibility. Goods shall be packaged in both inner and outer package (every 5kg shall be packaged in an inner package and every 30kg shall be packaged in an outer package). Inner package is PE bag with double layer of air-proof and outer package is carton (paper barrel).
- 6.2 Marking: indicate manufacturer, production batch number, specifications, weight and date of production on outer package and inner package according to Party A's requirements.
- 6.3 Place of Delivery: the place of delivery is at the warehouse of Party B's plant. Party A is entitled to designate people to inspect the goods at the warehouse before shipment.

## **7. Quality Assurance**

Quality of goods means that goods meet the provisions of this Contract and domestic and overseas industry standards in terms of performance, specifications, appearance, material, manufacturing, workmanship, etc. Relevant quality standards are set forth in Annex 1. Party B shall provide its formal test report for each batch of goods, at least including the technical indexes in Annex 1. Test report shall bear Party B's common seal. Party B shall also provide its test report for trial-produced and initial batch products.

## **8. Inspection**

- 8.1 After goods are transported to Party A's warehouse, Party A will inspect goods based on the quality standards in Annex 1. Inspection method, inspection instruments and reagents are in reference to domestic and overseas industry standards. In case of any quality objection, Party A shall inform Party B by fax within 15 days from goods leaving Party B's warehouse. In case that Party B does not receive any written notice from Party A within 15 days, goods shall be deemed qualified. Upon receipt of notice, Party B shall forthwith assign persons to take the sample together with Party A's representative and deliver them through express mail service to an independent inspection institution acceptable to both parties for re-inspection, which shall be deemed as the final result. The expenses thus incurred shall be borne by the party whose opinion is untenable. If inspection result substantiates Party A's opinion, Party A shall be entitled to request returning or replacement of goods and Party B shall bear the direct expenses arising therefrom, including freight, warehousing expenses, labor expenses, etc.
- 8.2 Since the inspection carried by Party A is sample inspection, namely inspection over the sample and/or test of some performances of the sample, passing such inspection and/or test does not mean that all products comply with all quality requirements and does not exempt Party B from its responsibility for quality compliance.

### 9. Effectiveness, Term and Termination

- 9.1 This Contract shall be effective as of the date when it is signed and sealed by the representatives of both parties until December 31, 2012. Neither party shall terminate this Contract for any reason other than those as set forth in Articles 9 and 10. The Extension of this Contract and new transaction conditions may be reached through negotiation by both parties three months prior to the expiry of this Contract.
- 9.2 Should either party be prevented from performing its obligations under this Contract for more than two months due to force majeure, the other party may give a written notice to terminate this Contract.
- 9.3 The two parties may terminate this Contract through negotiations.
- 9.4 If Party A or Party B fails to perform the obligations stipulated by this Contract and doesn't make any remedy for the failure to perform or the breach of obligations within 15 days after the other party makes the demand, the other party is entitled to dissolve the Contract by written notice.
- 9.5 Should the contract terminate under reasonable cause, such as either party go bankrupt, raise application for bankruptcy, be making company reorganization, make other similar application or be suspending business for rectification, Party B shall refund Party A all the remaining advance payment within 7 working days after the receipt of Party A's written termination notice based on reasonable cause.
- 9.6 The provisions about confidentiality, quality, defaulting liabilities and resolution of disputes under this Contract shall survive the termination, revocation or invalidity of this Contract.

### 10. Defaulting Liabilities

- Either party who breaches the contract shall be responsible for defaulting liabilities and pay the other party the liquidated damages. Should the breach incurs damages to the other party and the liquidated damages can't offset all the damages, the defaulting party shall compensate the amount gap. If the liquidated damages are too higher or too lower than the incurred damages, either party may apply to people's court or arbitration institution for proper reduction or addition on the amount.
- 10.1 Should either party fail to perform or fully perform this contract (except that Party B delays the good delivery or that the delivered amount is less than the required amount, which are stipulated in Clause 10.2), the defaulting party shall pay the other party liquidated damages, which are 5% of the amount of the breached contract. However, if the two parties negotiate to amend or dissolve the contract, it is deemed as contract breach.
- 10.2 If Party B delays the good delivery or delivers the good less than the required amount, Party B shall pay Party A liquidated damages, which is 1% of the total invoice amount of this batch. If Party A doesn't accept goods according to the delivery schedule or refuse the qualified goods, Party A shall Party B liquidated damages, which is 1% of the total

invoice amount of this batch. Either party shall inform the other party 10 days in advance and get the approval if it wants to increase or reduce the contract quantity or change delivery time, otherwise the defaulting party shall assume economical responsibility.

- 10.3 The charges for good custody paid by Party A caused by Party's misdelivery shall be born by Party B. If Party A fails to make the payment at due time, Party A shall pay Party B liquidated damages for overdue payment as per the related regulations of People's Bank.
- 10.4 All the liquidated damages, compensations, custody fee, maintaining fee and other economical cost shall be remitted to the other party within 10 days after the responsibility has been specified, otherwise it is treated as overdue payment, but neither party can recoup it by retaining the products or payment at its own discretion.
- 10.5 Since the year of 2008 is the first year after Party B starts up production, the actual supply amount for every month may be adjusted according to the actual production of Party B, but the total amount for the year shall remain unchanged. Therefore, the adjustment on the supply amount for 2008 shall not be deemed as breach of the contract and doesn't fall into the application scope of the above clause about contract breach.
- 10.6 All other items shall be in accordance with *Contract Law of People's Republic of China*.

#### **11. Confidentiality**

- 11.1 Either of the parties to the contract shall keep strictly confidential of the other party's business secrets which have not been disclosed publicly but have been known by the party during cooperation, and shall not disclose to any third party without the other party's written permission except as otherwise required by law. Besides, both parties shall not use or exploit it in any way whatsoever for purposes not provided in the contract, otherwise the party in breach shall bear all the responsibilities caused here from and compensate for the loss caused.
- 11.2 Either of the parties to the contract shall also be under obligation to keep confidential of both parties' business information mentioned in the contract, and shall not disclose to any third party.
- 11.3 After the contract terminates, either of the parties to the contract shall continue to observe the confidential articles in the contract and perform their confidentiality obligations respectively as promised, till the other party agrees to cancel such obligations or actually there is no damage to be caused on the other party by reason of breaching the confidentiality in the contract.

#### **12. Force Majeure**

- 12.1 Force Majeure means either of the parties to the contract shall not be responsible for failure or delay to execute the contract by force majeure, such as earthquake, typhoon, flood, fire, war or other unforeseen events, and their occurrence and consequences are unpreventable and unavoidable.

- 12.2 The party affected by the event of force majeure shall inform the other party of its occurrence within 15 days and thereafter provide detailed information of the events and a valid document for evidence issued by the relevant public notary organization explaining the reason of its inability to execute or delay the execution of all or part of the contract.
- 12.3 Both parties will, if an event of force majeure occurs, communicate with each other to find a reasonable solution to minimize the effects of the event.
- 12.4 Should force majeure last thirty (30) days or above, both parties would, through friendly consultations, decide whether to terminate the contract or to continue to execute the contract.

### 13. Settlement of Disputes

- 13.1 The formation, validity, interpretation and execution in respect of this contract and its revised version shall be governed by the relevant laws of the People's Republic of China.
- 13.2 Any disputes arising from the interpretation or the execution of the contract shall be settled primarily through friendly negotiation between both parties. The negotiation should be finished within thirty (30) days.
- 13.3 In case no settlement can be reached through negotiation, the disputes shall be submitted to the China International Economic and Trade Arbitration Commission Shanghai Branch by either of the parties to the contract and shall be arbitrated in Shanghai.
- 13.4 During the occurrence and settlement of the disputes, both parties should continue to perform and exercise their obligations and rights respectively stipulated in the contract.

### 14. Miscellaneous

- 14.1 This Contract is executed in two originals in Chinese, one for each party hereto.
- 14.2 The Contract and its Annex constitute all the agreement concluded between the two parties concerning the deal under this contract and supersede all the negotiations, discussion and agreement which are reached by the two parties before.
- 14.3 Any issues which are not defined by this contract may be negotiated by the two party to reach another agreement, which is deemed as annexes to this contract. The annex to this contract has the same legal effect with this contract. All the letters, faxes, emails and so on which are confirmed by the two parties shall be deemed to be one component part to this contract and has the same legal effect.
- 14.4 The contract shall take effect since being signed (Note: The contract shall be signed and faxed back to the other party. It is deemed acquiescence if on objection was put forward and no faxed-back contract is received within 24 hours).
- 14.5 No amendment to this Contract shall be of any effect or force unless through a written supplementary agreement between both parties. Any manual addition, alteration or mending of this Contract by either party shall be invalid and illegal.

- 14.6 No failure on the part of either party to require the performance of any term or condition of this Contract shall operate as a waiver thereof.
- 14.7 Should any provision of this Contract be held invalid, illegal or unenforceable to any extent, such provision shall be deleted from the main body of this Contract and the remaining provisions of this Contract shall remain in force to the maximum extent permitted by law.
- 14.8 No failure on the part of either party to exercise, and no delay on its part in exercising any right, power or privilege under this Contract shall operate as a waiver thereof, nor will any single or partial exercise of any right, power or privilege preclude the exercise of any other right, power or privilege.
- 14.9 The annexes hereto form an integral part of this Contract and have the same legal effect as the terms of the main body of this Contract. In case of any discrepancy between the main body of this Contract and its annexes, the former shall prevail.

**Zhejiang Yuhui Solar Energy Source Co., Ltd.** (seal)

Representative (signature): /s/

**Daqo New Material Co., Ltd.** (seal)

Representative (signature): /s/

Products Purchase and Sales Contract

Contract No.: YGX0711150001  
Place of Signing: Jiashan, Zhejiang

**Party A: Jingao Solar Co., Ltd.**

Address: Jinglong Industrial Park, Jinglong Avenue, Ningjin County, Hebei Province, Postal Code 055550.

Legal Representative: Yang Huaijin

**Party B: Zhejiang Yuhui Solar Energy Source Co., Ltd.**

Address: No.8 Baoqun Road, Yaozhuang Industrial Park, Jiashan County, Zhejiang Province

Legal Representative: Li Xianshou

Whereas, due to the business development, Party A intends to buy solar-grade monocrystalline silicon wafers (hereinafter referred to as "Products"). Party A and Party B have reached the following terms and conditions concerning the product purchase and the issues hereto via friendly negotiation.

**Article 1. Supply of Products**

Party A and Party B agrees that Party A shall buy from Party B and Party B shall sell to Party A the Products in accordance with the price, quantity and quality standard stipulated by the contract during the period from 2008 to 2012 (hereinafter referred to as "Delivery Period").

**Article 2. Product Prices**

Delivery time	Unit price (Tax included)	Quantity	Total amount
2008.7-2009.6	RMB 48/pcs	20MW	8,000,000.00pcs RMB 384,000,000.00
2009.7-2010.6	RMB 36/pcs	60MW	24,000,000.00pcs RMB 864,000,000.00
2010.7-2011.6	RMB 32/pcs	120MW	48,000,000.00pcs RMB 1,536,000,000.00
2011.7-2012.6	RMB 28/pcs	180MW	72,000,000.00pcs RMB 2,016,000,000.00
2012.7-2013.6	RMB 24/pcs	220MW	88,000,000.00pcs RMB 2,112,000,000.00
		<b>600MW</b>	<b>240,000,000.00pcs RMB6,912,000,000.00</b>

If the two parties agree to deliver the quadrate mono wafer in size of 125\*125 mm with diameter 150mm during performing this contract, then the price shall be decided by dividing the above wafer price by 1.042.

**Article 3 Terms of Payment**

The contract shall take effect on the condition that Party A will pay Party B the advance payment of total RMB 450 million (say RMB four hundred and fifty five million) in accordance

with the following schedule: before December 25, 2007, Party A will pay Party B RMB 50 million (say RMB fifty million); before June 25, 2008, Party A will pay additional RMB 100 million (say RMB one hundred million) to Party B; before December 25, 2008,

Party A will pay additional RMB 150 million (say RMB one hundred and fifty million) to Party B; before June 25, 2009, Party A will pay additional RMB 100 million (say RMB one hundred million) to Party B and before December 25, 2009, Party A will pay additional RMB 50 million (say RMB fifty million) to Party B. Otherwise, Party B is entitled to cancel the contract. The payment is deemed as advance payment of RMB 7 Yuan (say RMB seven) for each wafer, which means after each shipment, Party A shall pay up the outstanding payment for each wafer, which is calculated by deducting 7 Yuan from the contract price. If the actual amount deviates from the stipulated amount hereto, Party B shall refund for any overpayment or Party A shall make a supplemental payment for any deficiency. Party B shall issue a total-amount VAT invoice for the shipment within the delivering month. The total advance payment shall be settled up upon this contract has been fully executed.

In case that the exercising price hereto fluctuates over the range of +/-5% in comparison with the average price of the obtainable prevailing market prices of the three companies, Setek, Deutscher Solar and Rec from January 2010, either of the two parties is entitled to adjust the price and conclude new prices in written form via friendly negotiation. The written form signed by the two parties is an indispensable attachment to this contract. Since the written form has been signed by the two parties, the two parties shall execute the new price confirmed by the written form.

#### **Article 4 Standards for Products Quality**

The products provided by Party B to Party A shall comply with the terms and conditions of Annex One to this contract *Technical Standards for Solar-Grade Silicon wafer*.

#### **Article 5 Means of Transportation and Packing Requirement**

Party A shall be responsible for the transportation arrangement, freight, insurance and etc. If Party A asks for Party B's favor, Party B shall try its best to handle with the transportation issue and any fees incurred hereto shall be born by Party A.

The product packages provided by Party B shall meet the transportation requirements for solar wafers.

#### **Article 6 Inspection and Discrepancy**

Party A shall inspect the products delivered by Party B within five (5) days after receiving the products. Should there be any objection concerning the quantity, the purchaser shall present the objection to the other party in written form within seven (7) days from receiving the products; Should there be any objection concerning the quality, the purchaser shall present the objection to the other party in written form within thirty (30) days from receiving the products. The quality of the products is subject to the standards set up by the two parties. The spoilage rate within two in one thousand is deemed reasonable, and only on the condition that the spoilage rate exceeds the above range, the compensation issue may be discussed between the two parties.

**Article 7 Represent, Warrant or Guarantee**

Both of the parties do represent, warrant and guarantee, and do confirm to each other that the contract is signed based on representations, warranties and guarantees hereunder:

7.1 Both of the parties are duly incorporated and validly existing under the laws of the PRC and are in compliance with all conditions required to maintain its status as an enterprise legal person under the laws, and has obtained all consents, approvals and authorizations necessary for the valid execution of this contract from their respective internal authority committees;

7.2 Both of the parties have the capability of rights and behavior of signing this contract. Upon execution, this Contract shall constitute the legal, valid and binding obligation of both of the parties.

7.3 Both of the parties declare that currently there have not existed such issues as having significantly negative impact on their respective operations, revocation of the business license or forcible execution by law by related department or court, which may have impact on the performance of this contract. They have reached an agreement that once the above issues occur, party in such issues should notify the other party within the subsequent two (2) days.

**Article 8 Liability for Breach of Contract**

8.1 Basic principle on the liability for breach of contract

The either party who breaches the stipulations of this contract shall undertake the corresponding liability for the breach and compensate the other party for any economical damages incurred by the breach hereto. The compensation amount shall equal the damages incurred by the breach, including the obtainable gains after the contract being performed, but couldn't be more than the amount that the breach of the contract should be foreseen to incur by the either party when signing the contract.

8.2 Breach of Contract by Party A

Should Party A have the following breaching act, Party A shall pay a penalty to Party A as set out in the following. If Party B cancels the contract in accordance with the following clauses, Party A shall pay Party B a penalty of RMB 8 million. If the penalty can't cover all the damages incurred by Party B, Party A shall undertake to compensate for any deficiency

8.2.1 If Party A breaches the contract and delays to make the payment, Party A shall pay a penalty at the rate of 1% of the amount of the delayed payment per five delayed working days. If the penalty turns out to exceed RMB 4 million, Party B is entitled to cancel this contract unilaterally;

Party B shall refund the unsettled advance payment to Party A within 30 days after such termination.

8.2.2 If Party A breaches the guarantee set out in Article 9 of this contract and doesn't disclose to Party B the issues which have significant impact on its operations and may affect the performance of this contract, Party B is entitle to cancel the contract unilaterally.



### 8.3 Breach of Contract by Party B

Should Party B have the following breaching act, Party B shall pay a penalty to Party A as set out in the following. If Party A cancels the contract in accordance with the following clauses, Party B shall pay Party A a penalty of RMB 8 million. If the penalty can't cover all the damages incurred by Party A, Party B shall undertake to compensate for any deficiency

8.3.1 If Party B breaches the contract and delays to make the delivery, Party B shall pay a penalty at the rate of 1% of the amount of the value of the delayed products per five delayed working days. If the penalty turns out to exceed RMB 4 million, Party A is entitled to cancel this contract unilaterally;

8.3.2 If Party B breaches the guarantee set out in Article 9 of this contract and doesn't disclose to Party A the issues which have significant impact on its operations and may affect the performance of this contract, Party A is entitled to cancel the contract unilaterally.

### Article 9 Force Majeure

Neither of the party shall be considered to be in breach of this contract on account of, any failure to perform or fully perform the obligation under this contract as a result of any causes or conditions that are beyond such party's reasonable control or that such party is unable to overcome through the exercise of commercially reasonable diligence. However, the affected party shall take all remedies necessary to minimize the impact of such event.

The affected party shall notify the other party in written form of the occurrence of such event as soon as possible, and within fifteen (15) days from the occurrence of the event provide the other party a report concerning the reasons of its inability to execution or delay the execution of all or part of the contract.

### Article 10 Confidentiality

10.1. Both of the parties will keep strictly confidential of the following information hereunder contained in this contract:

10.1.1 Business relationship;

10.1.2 Articles and negotiations;

10.1.3 Object and quantity;

10.1.4 All the related commercial and technical information involved in performance of the contract;

However, disclosure under this Article 11.2 shall be excluded from the following clause.

10.2 Only in the following situations, both of the parties is entitled to disclose the information described in Article 11.1,

10.2.1 Mandatorily required by law applicable to the two parties;

10.2.2 Mandatorily required by any government authorities and (or) supervision commission of competent jurisdiction ;

10.2.3 To disclose to any of such professional consultant or lawyer (if any) on the condition that they undertake to keep confidentiality of such disclosure;

10.2.4 Information available to public domain under no fault of any of the parties;

10.2.5 Prior written consent from the other party.

10.3. This article shall continue to be binding on both parties after termination of this Contract.

**Article 11 Applicable Law and Dispute Resolution**

11.1 The conclusion, validity, interpretation and enforcement of this Contract and any dispute arising out of this Contract shall be governed by the law of People's Republic of China.

11.2 All disputes arising during performing this Contract or in connection with the Contract shall be settled friendly through friendly negotiations. If no settlement can be reached, the loss party can submit the dispute to Shanghai Arbitration Commission for arbitration.

**Article 12 Miscellaneous**

12.1 The agreement takes effect upon execution by both parties.

12.2 The either party should expressly indicate not to renew the agreement by giving a written notice no less than 30 days prior to the agreement expiration, otherwise, the period of agreement shall automatically extend for one year from the expiration date.

12.3 Annex 1 *Technical Standard for Solar-grade Silicon Wafer* are considered to be a component part of this agreement.

12.4 Any order signed by both parties pursuant to this Contract is a component part of this Contract. The fax copy of the order shall be considered valid.

12.5. Any amendment to this Contract shall be negotiated by both of the parties and be made out in written form.

12.6 The Contract is made in duplicate and each party keeps one copy. The two copies of the contract have the same legal force.

12. The Contract shall be performed separately from the other signed or to be signed contracts entered into between both parties, unless it is agreed and entered into in written as attachment of the Contract by both parties.

**SIGNED by**

**Party A: JingAo Solar Co., Ltd.**

/s/ \_\_\_\_\_  
Legal Representative or Authorized Representative

Date: December 13, 2007

**Party B: Zhejiang Yuhui Solar Energy Source Co., Ltd.**

/s/ \_\_\_\_\_  
Legal Representative or Authorized Representative

Date: December 13, 2007

## RMB Borrowing Contract (Medium/Long-term)

No.: JX Jia Shan 2008 Ren Jie 001

Borrower: Zhejiang Yuhui Solar Energy Source Co., Ltd.  
Enterprise legal person's business license number: \_\_\_\_\_  
Legal representative: Li Xianshou  
Domicile: Jiashan Yaozhuang Town Industry Park  
Account bank and account number: Bank of China, 860032341208093001  
Contact method: 84773373

Lender: Bank of China Co., Ltd., Jiashan Branch  
Legal representative or responsible person: Cai Lu

Through equal negotiations, the Borrower and the Lender hereby enter into this Contract with respect to the Lender granting a medium/long-term RMB loan to the Borrower, on and subject to the terms and conditions as set forth below.

### Article 1 Amount

The total amount of the borrowing under this Contract is: in words: RMB one hundred and twenty million yuan; in figures: RMB 120,000,000.00 yuan.

### Article 2 Term

The term of the borrowing is 24 months, commencing from the drawing day as agreed between both parties to the last repayment day as agreed between both parties. If the drawing is scheduled by both parties to last for a particular period, the above mentioned "drawing day" means the starting day of the drawing period.

### Article 3 Purpose

The borrowing hereunder is intended for the following purposes:

- (1) Purchase of raw materials;
- (2) The loan shall not be used for stock and securities investments and the items prohibited by state laws and regulations;
- (3) \_\_\_\_\_

The Borrower shall not change the purpose of borrowing without the written consent of the Lender.

### Article 4 Interest Rate and Interest Calculation

The interest rate under this Contract adopts the interest rate in Item (2) below:

(1) Fixed interest rate: an annual interest rate of \_\_\_\_%;

(2) Floating interest rate: an annual interest rate of 7.56%. Interest rate is determined on an annual basis, i.e. interest is calculated at this interest rate for one year from the granting date of loan (or the granting date of the first installment if loan is granted in installments); after each full year, next year's interest rate is determined through \_\_\_\_ (upward fluctuation/downward fluctuation: choose one) of \_\_\_\_% on the basis of the statutory interest rate of a corresponding level of the People's Bank of China at that time;

(3) Floating interest rate: an annual interest rate of \_\_\_\_%. Interest rate is determined every \_\_\_\_ (month/quarter/half year/year: choose one), i.e. interest is calculated at this interest rate for \_\_\_\_ (one month/one quarter/half year/one year: choose one) from the granting date of loan (or the granting date of the first installment if loan is granted in installments); after each full \_\_\_\_ (month/quarter/half year/year: choose one), interest rate of next \_\_\_\_ (month/quarter/half year/year: choose one) is determined through \_\_\_\_ (upward fluctuation/downward fluctuation: choose one) of \_\_\_\_% on the basis of \_\_\_\_.

Interest is calculated on actually drawn amount and number of days of loan use from the actual drawing day of the Borrower. The base number of calculation is 360 days a year.

The Borrower will pay interest through the means in Item (1) below:

(1) The Borrower pays interest on a quarterly basis. March 20, June 20, September 20 and December 20 of each year are interest paying days. If the last repayment day of loan principal is not an interest paying day, the Borrower pays up all the interest payable on the last repayment day of loan principal.

(2) The Borrower pays interest on a monthly basis. The 20<sup>th</sup> day of each month is the interest paying day.

If the last repayment day of loan principal is not an interest paying day, the Borrower pays up all the interest payable on the last repayment day of loan principal.

(3) The Borrower pays interest on a monthly basis. The day corresponding to loan granting day is the interest paying day.

#### **Article 5 Drawing Conditions**

Where the Borrower does not fulfill the following conditions, the Lender is entitled to refuse Borrower's drawing application:

(1) A written drawing application and the documentary evidence concerning the purpose of borrowing are submitted 7 days in advance;

(2) This Borrowing Contract and relevant annexes have become effective;

(3) The guaranty contract as specified in Article 9 below has taken effect;

(4) The Borrower has opened an account for drawing, interest payment, fee payment and repayment according to Lender's requirements;

(5) The Borrower has submitted the following written materials to the Lender:

1. The resolution and power of attorney showing the consent of the board of directors or other competent departments to the execution and performance of this Contract;
  2. The name list of the persons having the authority to sign this Contract and the documents relating to this Contract and signature specimens of such persons;
  3. The documents proving that all (budgetary estimate) budget funds (including self-raised funds) of loan project have been put in place;
  4. Approvals in connection with project land use, planning and engineering design schemes;
  5. Project commencement approval issued by competent the government department;
- (6) No events of default as specified in Article 12 occur;
- (7) The other drawing conditions specified by laws and agreed upon by both parties have been fulfilled.

**Article 6 Drawing Time**

The Borrower shall draw the borrowing based on the time in Item (1):

- (1) The Borrower shall draw all the borrowing at one time on January 2, 2008;
- (2) The Borrower shall draw up all the borrowing according to the amounts as set forth under this Contract within \_\_\_\_ months from \_\_\_\_.

The portion not drawn after the said time shall not be drawn without the consent of the Lender. If the Lender agrees to grant such portion, it is entitled to charge an obligation fee with respect to such portion at a daily rate of \_\_\_\_; as for the portion the Lender refuses to grant, the lender is entitled to charge an obligation fee at a rate of \_\_\_\_.

**Article 7 Drawing Procedures**

For each drawing, the Borrower shall submit a drawing application and handle other drawing procedures according to Lender's requirements.

**Article 8 Repayment**

The Borrower shall repay the loan under this Contract in full accordance with the following repayment schedule:

<u>No. of repayment installments</u>	<u>Date of repayment</u>	<u>Amount of repayment</u>	<u>No. of repayment installments</u>	<u>Date of repayment</u>	<u>Amount of repayment</u>
1	January 1, 2010	RMB 120 million yuan			

If the Borrower needs to adjust any portion of the said repayment schedule, it shall submit a written application \_\_\_\_ days before corresponding loan expires. Except as otherwise provided for, any change of repayment schedule shall be subject to the written confirmation by both parties.

If there are several expired borrowing contracts between the Borrower and the Lender, the Lender shall be entitled to decide upon the sequence of contracts performed by each repayment of the Borrower.

The Borrower may make repayment in advance, but it shall give a 7 days prior notice to the Lender. The Lender is entitled to charge a compensation at 100% of receivable interest of advance repayment. The amount of advance repayment is first used to repay the loan that will expire at the latest, i.e. repayment follows the reverse order. The portion repaid in advance with the consent of the Lender shall not be drawn again by the Borrower.

#### **Article 9 Guarantee**

All the debts under this Contract are guaranteed through the means Items (1) and (2) below:

- (1) Li Xianshou and Lian Xiahe provide the joint repayment guarantee and Guarantee Contract is signed (No.: JX Jia Shan 2007 Ren Ge Bao 001).
- (2) Zhejiang Yuhui Solar Energy Source Co., Ltd. provides mortgage guarantees and Mortgage Contracts are signed (No.: JSGY070006, JSGY070007, JSGY070067 and JSGY070076).
- (3) \_\_\_\_ provides a pledge guarantee and Pledge Contract is signed (No.: \_\_\_\_).

If guarantor's financial position deteriorates, or its solvency considerably decreases for other reason, or mortgaged or pledged properties are devalued, damaged or lost and as a result, their guarantee function noticeably weakens or they no longer have a guarantee function, the Lender shall be entitled to request the Borrower to change guarantor or provide new mortgaged or pledged properties to guarantee the debts under this Contract.

#### **Article 10 Insurance**

The Borrower shall procure insurance with the insurance company approved by the Lender with respect to the equipment, project construction and goods transport relating to the project or trade under this loan as well as the risks in the course of project operation. Insurance type shall meet Lender's requirements. Insurance amount shall not be less than loan principal. The Borrower shall transfer insurance interest to the Lender and deliver the original of insurance policy to the Lender within \_\_\_\_ days after this Contract becomes effective. Before the loan principal, interest and expenses

under this Contract are paid up, the Borrower shall not interrupt insurance for whatever reason. If the Borrower interrupts insurance, the Lender has the right to renew insurance or renew insurance on behalf of the Borrower, expenses shall be borne by the Borrower. The Borrower shall be responsible for all the losses caused to the Lender due to insurance interruption.

The Borrower shall, within 3 days from the date when it knows or should know insurance accident, notify the Lender in written form and lodge a claim against the insurer in time according to the relevant provisions of insurance policy. The Borrower shall bear the losses caused to the Lender due to its failure to inform the Lender in time or to lodge a claim in time or to perform the obligations under insurance policy.

Insurance compensation shall be first used to repay loan principal and interest and other payable expenses, but the Lender may, based on project situation, decide whether insurance compensation can continue to be used for the project or trade supported by the loan. If insurance compensation is less than the outstanding borrowing principal and interest, it shall not constitute the reason for exempting the Borrower from its debts.

#### **Article 11 Representations and Undertakings**

The Borrower represents that:

- (1) The Borrower is legally registered and validity exists.
- (2) The Borrower has obtained the authorization necessary to execute this Contract.
- (3) All the documents, materials, statements and vouchers provided by the Borrower to the Lender are accurate, true, complete and valid.
- (4) The Borrower does not conceal the following situation that has occurred or is occurring and may affect the judgment of its ability of contractual performance:
  1. Significant discipline or legal violations or claims relating to the Borrower or its main leaders;
  2. Defaults of the Borrower under other contracts;
  3. Debts or contingent liabilities assumed by the Borrower or mortgage or pledge guarantee provided by it to a third person;
  4. Pending lawsuit or arbitration case;
  5. Other situations that are likely to affect the financial position and solvency of the Borrower.

The Borrower undertakes that:

- (1) The Borrower will provide the latest monthly financial statements according to Lender's requirement; in the first quarter of each year, provide the audited financial statements for previous year; provide the reports and statements on Borrower's operations and financial position as well as other documents and materials as required



by the Lender from time to time.

(2) If the Borrower has signed or will sign a counter-guarantee agreement or similar agreement with the guarantor of this Contract with respect to its guarantee obligations, such agreement will not damage any right of the Lender under this Contract.

(3) The Borrower will accept the credit inspection and supervision by the Lender and render enough assistance and coordination.

(4) If the Borrower reduces its registered capital or is involved in significant property right change and adjustment of mode of operation (including, but not limited to, joint venture and cooperation with foreign party; division or merger; reorganization into a joint-stock company; implement the following changes in mode of operation: lease, contracting, pooling, trust, etc), it will notify the Lender in advance. If the said events have an adverse influence on Borrower's solvency, it will obtain the consent of the Lender.

(5) The Borrower will not dispose of its own assets in a manner that decreases its solvency. When the Borrower provides a guarantee for a third person or creates mortgage or pledge on its assets, it will timely notify the Lender and undertakes that the total debts assumed by it will not be higher than \_\_\_\_ times its net assets.

(6) In terms of repayment order, Borrower's debts owing to the Lender shall take precedence over the loans provided by Borrower's shareholders to the Borrower and are not lower than the same kind of debts owed by the Borrower to other creditors.

Before the Borrower applies to other bank for a loan or creates other debts, it shall obtain the written consent of the Lender. (This provision is optional and mainly applies to the loans for institutions).

For Borrower's real estate development project using this borrowing, the business volume of the individual housing consumption loans with the Lender shall account for above \_\_\_\_ of the total volume of the individual housing consumption loans of this real estate development project. (This provision is optional and applies to real estate project loans).

For the real estate project developed by the Borrower, project contractor does not prepay funds for project construction. If contractor has prepaid funds, the Borrower has provided to the Lender a written document stating that such contractor gives up the priority of compensation with respect to its prepayments for project construction. (This provision is optional and applies to real estate project loans).

(7) The Borrower undertakes that if any of the following events occurs, it will timely notify the Lender:

1. The Borrower commits a default under this Contract or any other contract;

2. Changes in the Borrower's subordination relationship or senior management personnel, amendment of its articles of association and significant adjustment of its

internal organization structure occur;

3. The Borrower's operations face difficulties and its financial position deteriorates;

4. The Borrower is involved in any significant lawsuits or arbitration cases;

5. The Borrower has other situations that affects its solvency;

(8) The Borrower will deposit enough funds for payment no later than \_\_\_\_ days before each principal and interest payment expires.

(9) The relevant settlement business of the Borrower under this loan will be handled with the Lender or the other branches of Bank of China and its settlement business volume will reach the Lender's requirement.

(10) If the after-tax net profits in relevant fiscal year is zero or negative, or after-tax profits cannot cover the cumulative losses in previous fiscal years, or before-tax profits are not used to pay the principal, interest and expenses payable by the Borrower in this fiscal year, or before-tax profits cannot cover the principal, interest and expenses of next period, the Borrower will not distribute dividends and bonus to its shareholders in any way.

#### **Article 12 Events of Default and Handling**

If the Borrower fails to make repayment on time and does not reach an agreement with the Lender with respect to extension, the Lender shall be entitled to charge a penalty interest on the overdue portion of loan at the penalty interest rate of overdue loan from overdue date until the Borrower pays up principal and interest. If the Borrower does not use the loan for the agreed purpose, the Lender shall be entitled to charge a penalty interest on the misappropriated portion of loan at the penalty interest rate of misappropriated loan from misappropriation date until the Borrower pays up principal and interest.

Penalty interest rate of overdue loan is the borrowing interest rate specified under this Contract plus 50%; penalty interest rate of misappropriated loan is the borrowing interest rate specified under this Contract plus 100%.

In the event that the Borrower fails to pay interest on time and in full, the Lender shall be entitled to charge a compound interest on the due and unpaid interest at the same penalty interest rate for loan principal by the quarter (month/quarter: choose one). If one loan involves overdue portion and misappropriated portion at the same time, compound interest will be charged at the penalty interest rate for misappropriated loan. If repayment of loan principal is normal, compound interest will be charged at the penalty interest rate for overdue loan.

If the borrowing interest rate as set forth under this Contract is adjusted, penalty interest and compound interest will be calculated at a new interest rate from date of adjustment.

Should any of the following cases occur, the Lender shall be entitled to stop

borrowing drawing by the Borrower or cancel the borrowing line not drawn by the Borrower yet and declare that all borrowing principal and interest under this Contract are due immediately:

- (1) The principal or interest is overdue for more than 30 days;
- (2) The total sum not paid on time and misappropriated by the Borrower reaches RMB \_\_\_\_ yuan;
- (3) Any representation made by the Borrower under Article 11 is untrue or the Borrower violates its undertaking;
- (4) The Borrower commits a default under other contract;
- (5) The guarantor, the mortgagor or the pledgor commits a default under guarantee contract, thus preventing the Borrower from performing the obligations under this Contract;
- (6) The Borrower is closed down or dissolved or cancelled or becomes bankrupt;
- (7) The financial position of the Borrower or the guarantor seriously deteriorates;
- (8) Mortgaged or pledged properties are devalued, damaged, lost, sequestered or frozen and the Borrower fails to provide the new collateral according to Lender's requirement;
- (9) Project construction progress has a serious time delay or project construction expenses exceed the budget percentage approved by the Lender;
- (10) Project construction quality does not reach state or industry standard.

**Article 13 Deduction**

The Borrower agrees that any sum payable by it under this Contract may be directly deducted by the Lender from the account opened by the Borrower at the Bank of China.

**Article 14 Taxes and Fees**

Any and all taxes and fees in connection with the execution and performance of this Contract and dispute resolution, including, without limitation, stamp duty, interest withholding tax, litigation costs, enforcement fee, lawyer agency fee and notarization fee, shall be paid or reimbursed by the Borrower.

**Article 15 offsetting, Transfer and Retention of Title**

The Borrower shall pay all the sums payable under this Contract and shall not propose to offset them, unless the Lender so agrees.

Without the written consent of the Lender, the Borrower shall not transfer any of its obligations under this Contract to any third person.

No forbearance, extension or preference granted by the Lender to the Borrower or no delay by the Lender in exercising any of its rights under this Contract shall affect,

impair or limit any and all rights and interests of the Lender under this Contract, laws and regulations, operate as a waiver by the Lender of its rights and interests under this Contract and exempt the Borrower from any of its obligations under this Contract.

**Article 16 Change and Termination**

This Contract may be amended, supplemented or terminated with the written consent of both parties. Any amendment and supplement to this Contract shall form an integral part of this Contract.

The invalidity of any provision of this Contract shall not affect the validity of the remaining provisions.

**Article 17 Applicable Law, Dispute Resolution and Jurisdiction**

This Contract shall be governed by the laws of the People's Republic of China.

Any dispute or controversy arising from or out of the performance of or in connection with this Agreement shall be resolved by both parties through consultations.

In no resolution can be reached through consultations, both parties agree to resolve such dispute through the means in Item (1) below:

- (1) Directly institute a lawsuit with the people's court in the place where the Lender is domiciled in accordance with law.
- (2) Submit such dispute to \_\_\_\_ Arbitration Commission for arbitration.

**Article 18 Annexes**

The following annexes and the other annexes confirmed by both parties are made an integral part of this Contract and have the same effect as this Contract.

- (1) \_\_\_\_\_;
- (2) \_\_\_\_\_;
- (3) \_\_\_\_\_;
- (4) \_\_\_\_\_.

**Article 19 Contract Effectiveness**

This Contract shall become effective after it is signed and sealed by the legal representatives or authorized signatories of the Borrower and the Lender.

This Contract is executed in triplicate, being equally authentic, one copy for each party hereto.

**Article 20 Special Note**

The Borrower has made sufficient negotiations with the Lender about all the terms of this Contract.

The Lender has reminded the Borrower to pay special attention to all the terms regarding the rights and obligations of both parties and have a comprehensive and accurate understanding of such terms. The Lender has made corresponding

explanations as to the said terms at the request of the Borrower.

Both parties have the same understanding of the terms of this Contract.

Borrower: Zhejiang Yuhui Solar Energy  
Source Co., Ltd. (Seal)

Legal representative (or authorized  
signatory): /s/

Date: January 2, 2008

Lender: Bank of China Co., Ltd., Jiashan  
Branch (Seal)

Legal representative (or authorized  
signatory): /s/

Date: January 2, 2008

**List of Subsidiaries of ReneSola Ltd (the "Registrant")****Wholly-Owned Subsidiaries**

1. Zhejiang Yuhui Solar Energy Source Co., Ltd., a PRC company
2. Sichuan ReneSola Silicon Material Co., Ltd., a PRC company
3. ReneSola America Inc., an U.S.A. company
4. ReneSola Singapore Pte. Ltd., a Singapore company

**Affiliated Entity Consolidated in the Registrant's Financial Statement**

1. ReneSola (Malaysia) SND. BHD, a Malaysia company
2. Linzhou Zhongsheng Semiconductor Silicon Material Co., Ltd., a PRC company

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the use in this Form F-1 Registration Statement of our report dated November 30, 2007 relating to the consolidated financial statements of ReneSola Ltd appearing in the Prospectus, which is part of this Registration Statement.

We also consent to the reference to us under the headings "Selected Consolidated Financial Data" and "Experts" in such Prospectus.

/s/ Deloitte Touche Tohmatsu CPA Ltd.  
Deloitte Touche Tohmatsu CPA Ltd.  
Shanghai, China  
January 9, 2008



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浦东新区陆家嘴东路161号  
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11<sup>th</sup> Floor, China Merchants Tower  
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E-mail: [davidzou@boss-young.com](mailto:davidzou@boss-young.com)  
Website: <http://www.boss-young.com>

*Via Facsimile & Email*

January 9, 2008

**ReneSola Ltd**  
No. 8 Baoqun Road, YaoZhuang  
Jiashan, Zhejiang 314117  
People's Republic of China

Dear Sirs,

**Re: ReneSola Ltd (the "Company")**

We, Boss & Young, Attorneys-At-Law, hereby consent to the use of our name under the captions "Risk Factors", "Enforceability of Civil Liabilities" and "Legal Matters" in the prospectus included in the registration statement on Form F-1, originally filed by the Company on January 9, 2008, with the Securities and Exchange Commission under the Securities Act of 1933, as amended (the "Prospectus"). We hereby further consent to the summarization of our opinion under the captions "Risk Factors" and "Enforceability of Civil Liabilities" in the form and context in which they respectively appear in the Prospectus. In giving such consent, we do not thereby admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, as amended, or the regulations promulgated thereunder.

Yours faithfully,

/s/ David Zou

**Boss & Young**  
**Attorneys-At-Law**



## RENESOLA LTD

CODE OF BUSINESS CONDUCT AND ETHICS**I. Purpose**

This Code of Business Conduct and Ethics contains general guidelines for conducting the business of the Company consistent with the highest standards of business ethics. To the extent this Code requires a higher standard than required by commercial practice or applicable laws, rules or regulations, we adhere to these higher standards.

This Code applies to all of our directors, officers and employees. We refer to all persons covered by this Code as “Company employees” or simply “employees.” We also refer to our principal financial officer and our controller as our “principal financial officers.”

**II. Seeking Help and Information**

This Code is not intended to be a comprehensive rulebook and cannot address every situation that you may face. If you feel uncomfortable about a situation or have any doubts about whether it is consistent with the Company’s ethical standards, seek help. We encourage you to contact your supervisor for help first. If your supervisor cannot answer your question or if you do not feel comfortable contacting your supervisor, contact [\*] at the [Legal Department] [(insert internet address)].

**III. Reporting Violations of the Code**

All employees have a duty to report any known or suspected violation of this Code, including any violation of the laws, rules, regulations or policies that apply to the Company. If you know of or suspect a violation of this Code, immediately report the conduct to your supervisor. Your supervisor will contact the [Legal Department], which will work with you and your supervisor to investigate your concern. If you do not feel comfortable reporting the conduct to your supervisor or you do not get a satisfactory response, you may contact [\*] at the [Legal Department] [(insert Internet address)] directly. All reports of known or suspected violations of the law or this Code will be handled sensitively and with discretion. Your supervisor, the [Legal Department] and the Company will protect your confidentiality to the extent possible, consistent with law and the Company’s need to investigate your concern.

It is Company policy that any employee who violates this Code will be subject to appropriate discipline, which may include termination of employment. This determination will be based upon the facts and circumstances of each particular situation. An employee accused of violating this Code will be given an opportunity to present his or her version of the events at issue prior to any determination of appropriate discipline. Employees who violate the law or this Code may expose themselves to substantial civil damages, criminal fines and prison terms. The Company may also face substantial fines and penalties and many incur damage to its reputation and standing in the community. Your conduct as a representative of the Company, if it does not comply with the law or with this Code, can result in serious consequences for both you and the Company.

**IV. Policy Against Retaliation**

The Company prohibits retaliation against an employee who, in good faith, seeks help or reports known or suspected violations. Any reprisal or retaliation against an employee because the employee, in good faith, sought help or filed a report will be subject to disciplinary action, including potential termination of employment.

**V. Waivers of the Code**

Waivers of this Code for employees may be made only by an executive officer of the Company. Any waiver of this Code for our directors, executive officers or other principal financial officers may be made only by our Board of Directors or the appropriate committee of our Board of Directors and will be disclosed to the public as required by law or the rules of the New York Stock Exchange.

**Conflicts of Interest**

**I. Identifying Potential Conflicts of Interest**

A conflict of interest can occur when an employee's private interest interferes, or appears to interfere, with the interests of the Company as a whole. You should avoid any private interest that influences your ability to act in the interests of the Company or that makes it difficult to perform your work objectively and effectively.

Identifying potential conflicts of interest may not always be clear-cut. The following situations are examples of conflicts of interest:

- **Outside Employment.** No employee should be employed by, serve as a director of, or provide any services not in his/her capacity as a Company employee to a company that is a material customer, supplier or competitor of the Company.
- **Improper Personal Benefits.** No employee should obtain any material (as to him or her) personal benefits or favors because of his or her position with the Company. Please see "Gifts and Entertainment" below for additional guidelines in this area.
- **Financial Interests.** No employee should have a significant financial interest (ownership or otherwise) in any company that is a material customer, supplier or competitor of the Company. A "significant financial interest" means (i) ownership of greater than 1% of the equity of a material customer, supplier or competitor or (ii) an investment in a material customer, supplier or competitor that represents more than 5% of the total assets of the employee.
- **Loans or Other Financial Transactions.** No employee should obtain loans or guarantees of personal obligations from, or enter into any other personal financial

transaction with, any company that is a [material] customer, supplier or competitor of the Company. This guideline does not prohibit arms-length transactions with banks, brokerage firms or other financial institutions.

- Service on Boards and Committees. No employee should serve on a board of directors or trustees or on a committee of any entity (whether profit or not-for-profit) whose interests reasonably would be expected to conflict with those of the Company.
- Actions of Family Members. The actions of family members outside the workplace may also give rise to the conflicts of interest described above because they may influence an employee's objectivity in making decisions on behalf of the Company. For purposes of this Code, "family members" include your spouse or life-partner, brothers, sisters and parents, in-laws and children whether such relationships are by blood or adoption.

If you are uncertain whether a particular company is a material customer, supplier or competitor, please contact the [Legal Department] for assistance.

## II. Disclosure of Conflicts of Interest

The Company requires that employees disclose any situations that reasonably would be expected to give rise to a conflict of interest. If you suspect that you have a conflict of interest, or something that others could reasonably perceive as a conflict of interest, you must report it to your supervisor or the [Legal Department]. Your supervisor and the [Legal Department] will work with you to determine whether you have a conflict of interest and, if so, how best to address it. Although conflicts of interest are not automatically prohibited, they are not desirable and may only be waived as described in "Waivers of the Code" above.

### Corporate Opportunities

As an employee of the Company, you have an obligation to advance the Company's interests when the opportunity to do so arises. If you discover or are presented with a business opportunity through the use of corporate property, information or because of your position with the Company, you should first present the business opportunity to the Company before pursuing the opportunity in your individual capacity. No employee may use corporate property, information or his or her position with the Company for personal gain or should compete with the Company.

You should disclose to your supervisor the terms and conditions of each business opportunity covered by this Code that you wish to pursue. Your supervisor will contact the [Legal Department] and the appropriate management personnel to determine whether the Company wishes to pursue the business opportunity. If the Company waives its right to pursue the business opportunity, you may pursue the business opportunity on the same terms and conditions as originally proposed and consistent with the other ethical guidelines set forth in this Code.

### **Confidential Information**

Employees have access to a variety of confidential information while employed at the Company. Confidential information includes all non-public information that might be of use to competitors, or, if disclosed, harmful to the Company or its customers. Employees have a duty to safeguard all confidential information of the Company or third parties with which the Company conducts business, except when disclosure is authorized or legally mandated. An employee's obligation to protect confidential information continues after her or she leaves the Company. Unauthorized disclosure of confidential information could cause competitive harm to the Company or its customers and could result in legal liability to you and the Company.

Any questions or concerns regarding whether disclosure of Company information is legally mandated should be promptly referred to the [Legal Department].

### **Competition and Fair Dealing**

All employees should endeavor to deal fairly with fellow employees and with the Company's customers, suppliers and competitors. Employees should not take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts or any other unfair-dealing practice.

### **Protection and Use of Company Assets**

Employees should protect the Company's assets and ensure their efficient use for legitimate business purposes only. Theft, carelessness and waste have a direct impact on the Company's profitability. The use of Company funds or assets, whether or not for personal gain, for any unlawful or improper purpose is prohibited.

To ensure the protection and proper use of the Company's assets, each employee should:

- Exercise reasonable care to prevent theft, damage or misuse of Company property.
- Report the actual or suspected theft, damage or misuse of Company property to a supervisor.
- Use the Company's telephone system, other electronic communication services, written materials and other property primarily for business-related purposes.
- Safeguard all electronic programs, data, communications and written materials from inadvertent access by others.
- Use Company property only for legitimate business purposes, as authorized in connection with your job responsibilities.

Employees should be aware that Company property includes all data and communications transmitted or received to or by, or contained in, the Company's electronic or telephonic systems. Company property also includes all written communications. Employees and other users of this property should have no expectation of privacy with respect to these communications and data. To the extent permitted by law, the Company has the ability, and reserves the right, to monitor all electronic and telephonic communication. These communications may also be subject to disclosure to law enforcement or government officials.

#### **Gifts and Entertainment**

The giving and receiving of gifts is common business practice. Appropriate business gifts and entertainment are welcome courtesies designed to build relationships and understanding among business partners. However, gifts and entertainment should never compromise, or appear to compromise, your ability to make objective and fair business decisions.

It is the responsibility of employees to use good judgment in this area. As a general rule, employees may give or receive gifts or entertainment to or from customers or suppliers only if the gift or entertainment could not be viewed as an inducement to any particular business decision. All gifts and entertainment expenses made on behalf of the Company must be properly accounted for on expense reports.

Employees may only accept appropriate gifts. We encourage employees to submit gifts received to the Company. While it is not mandatory to submit small gifts, gifts of over US\$[50] (approximately RMB [375]) must be submitted immediately to the administration department of the Company.

Our business conduct is founded on the principle of "fair transaction." Therefore, no employee may receive kickbacks, bribe others, or secretly receive commissions or any other personal benefits.

#### **Company Records**

Accurate and reliable records are crucial to our business. Our records are the basis of our earnings statements, financial reports and other disclosures to the public and guide our business decision-making and strategic planning. Company records include booking information, payroll, timecards, travel and expense reports, e-mails, accounting and financial data, measurement and performance records, electronic data files and all other records maintained in the ordinary course of our business.

All Company records must be complete, accurate and reliable in all material respects. Undisclosed or unrecorded funds, payments or receipts are inconsistent with our business practices and are prohibited. You are responsible for understanding and complying with our record keeping policy. Ask your supervisor if you have any questions.

#### **Accuracy of Financial Reports and Other Public Communications**

As a public company we are subject to various securities laws, regulations and reporting obligations. Both federal law and our policies require the disclosure of accurate and complete information regarding the Company's business, financial condition and results of operations. Inaccurate, incomplete or untimely reporting will not be tolerated and can severely damage the Company and result in legal liability.

The Company's principal financial officers and other employees working in the [Accounting Department] have a special responsibility to ensure that all of our financial disclosures are full, fair, accurate, timely and understandable. These employees must understand and strictly comply with generally accepted accounting principles and all standards, laws and regulations for accounting and financial reporting of transactions, estimates and forecasts.

#### **Compliance with Laws and Regulations**

Each employee has an obligation to comply with all laws, rules and regulations applicable to the Company operates. These include, without limitation, laws covering bribery and kickbacks, copyrights, trademarks and trade secrets, information privacy, insider trading, illegal political contributions, antitrust prohibitions, foreign corrupt practices, offering or receiving gratuities, environmental hazards, employment discrimination or harassment, occupational health and safety, false or misleading financial information or misuse of corporate assets. You are expected to understand and comply with all laws, rules and regulations that apply to your job position. If any doubt exists about whether a course of action is lawful, you should seek advice from your supervisor or the [Legal Department].

#### **I. Insider Trading**

Company employees are prohibited from trading in the stock or other securities of the Company while in possession of material, nonpublic information about the Company. In addition, Company employees are prohibited from recommending, "tipping" or suggesting that anyone else buy or sell stock or other securities of the Company on the basis of material, nonpublic information. Company employees who obtain material nonpublic information about another company in the course of their employment are prohibited from trading in the stock or securities of the other company while in possession of such information or "tipping" others to trade on the basis of such information. Violation of insider trading laws can result in severe fines and criminal penalties, as well as disciplinary action by the Company, up to and including termination of employment. You should see the Company's Insider Trading Policy for detailed guidelines on insider trading.

#### **Conclusion**

This Code of Business Conduct and Ethics contains general guidelines for conducting the business of the Company consistent with the highest standards of business ethics. If you have any questions about these guidelines, please contact your supervisor or the [Legal Department]. We expect all Company employees, to adhere to these standards.