

JA Solar Holdings Co., Ltd.
Form 424B4
February 07, 2007
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Filed pursuant to Rule 424(b)(4)
Registration No. 333-140002

15,000,000 American Depositary Shares

JA Solar Holdings Co., Ltd.

(Incorporated in the Cayman Islands with limited liability)

Representing 45,000,000 Ordinary Shares

This is our initial public offering. We are offering 15,000,000 American depositary shares, or ADSs, each representing three of our ordinary shares, par value US\$0.0001 per share.

Prior to this offering, there has been no public market for our ADSs or ordinary shares. The ADSs have been approved for listing on the Nasdaq Global Market under the symbol JASO.

Investing in our ADSs involves a high degree of risk. See Risk Factors beginning on page 11.

	Per ADS	Total
Initial public offering price	US\$ 15.00	US\$ 225,000,000
Underwriting discount	US\$ 1.05	US\$ 15,750,000
Proceeds, before expenses, to us	US\$ 13.95	US\$ 209,250,000

The underwriters may also purchase up to an additional 2,250,000 ADSs from us at the initial public offering price, less the underwriting discount, within 30 days from the date of this prospectus to cover over-allotments.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the ADSs through the book-entry transfer facilities of The Depository Trust Company in New York, New York on February 12, 2007.

CIBC World Markets

Piper Jaffray

Needham & Company, LLC

RBC Capital Markets

Prospectus dated February 6, 2007

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You should rely only on the information contained in this prospectus or to which we have referred you. Neither we nor the underwriters have authorized anyone to provide you with information that is different from that contained in this prospectus. This prospectus may only be used where it is legal to offer and sell these securities. Unless otherwise indicated, the information in this prospectus is only current as of the date of this prospectus.

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PROSPECTUS SUMMARY

You should read the entire prospectus carefully, including the Risk Factors section beginning on page 11 and the audited consolidated financial statements and the accompanying notes to these financial statements beginning on page F-1 before making an investment decision.

JA Solar Holdings Co., Ltd.

Overview

We are an emerging and fast-growing manufacturer of high-performance solar cells based in China. We use advanced processing technologies to produce high quality solar cells. We sell our products to solar module manufacturers who assemble and integrate our solar cells into modules and systems that convert sunlight into electricity. We currently sell our products to customers primarily in China, and we have sold our products to customers in Germany, Sweden, Spain, South Korea and the United States. We currently purchase almost all of our wafer supplies from Jinglong Group, which is owned by the shareholders of our largest shareholder, Jinglong BVI. Jinglong Group is the largest producer and supplier of monocrystalline wafers in China with more than ten years' operating history in the silicon processing business.

We have technical expertise for solar cell production, established supplier relationships and scalable low-cost manufacturing capabilities. Our monocrystalline solar cells have generally achieved conversion efficiency rates in the range of 16.0% to 16.5%, and the highest conversion efficiency rate achieved by our monocrystalline solar cells to date was 17.47%, as tested by the Photovoltaic and Wind Power System Quality Test Center of the Chinese Academy of Sciences. Access to supplies of silicon wafers, the most important raw material for manufacturing solar cells, is crucial to the success of solar cell manufacturers, including us. We have entered into a long-term supply contract with Jinglong Group with an initial term of 54 months starting in July 2006. We believe we have contractually secured an adequate supply of silicon wafers from Jinglong Group to meet a large portion of our anticipated production needs for 2007. We have also entered into a 31-month wafer supply agreement with ReneSola Ltd., or ReneSola, in September 2006 and a 54-month wafer supply agreement with M.SETEK Co., Ltd., or M.SETEK, in December 2006, and are in discussions with other potential suppliers to secure additional supplies of silicon wafers to meet our remaining anticipated production needs for 2007 and beyond. We believe our China-based operations allow us to lower our operating costs and expand our manufacturing facilities efficiently relative to solar cell producers located in higher cost locations.

We were established in May 2005 and commenced commercial operations in April 2006 with the opening of our first solar cell manufacturing line located in Hebei province which has a rated manufacturing capacity of 25 MW per annum. With our experienced technical and production teams, we reached full production capacity on our first manufacturing line in July 2006. We installed two additional manufacturing lines each with a rated manufacturing capacity of 25 MW per annum in the same facilities, which became fully operational in October 2006 and resulted in us having a total rated manufacturing capacity of 75 MW per annum. We plan to construct four additional manufacturing lines in our planned new facilities in Shanghai to increase our total rated manufacturing capacity to 175 MW per annum by the end of the third quarter of 2007. Jinglong Group has agreed to set up new wafer production facilities to supply our planned Shanghai facilities in an adjacent location in Shanghai. Since commencement of commercial operations, our monthly production output has grown from approximately 0.6 MW in April 2006 to approximately 4.5 MW in September 2006, and we manufactured approximately 5.6 MW, 5.0 MW and 6.4 MW in October, November and December 2006, respectively.

We became profitable within three months after we commenced commercial operations in April 2006. We generated revenues of RMB 347.1 million (US\$43.9 million) and net income of RMB 55.0 million (US\$7.0 million) in the nine months ended September 30, 2006.

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Recent Developments

Since September 2006, we have entered into long-term wafer supply agreements with ReneSola and M.SETEK, which we expect will help us meet a substantial majority of our anticipated production needs for 2007. During this time, we have also entered into customer agreements for the supply of our solar cells with a number of new customers, including PowerLight Corporation, a wholly-owned subsidiary of SunPower Corporation, and Crown Renewable Energy, LLC. We believe that our current customer agreements cover the majority of our planned production for 2007. For more detailed discussions relating to these supply and customer contracts, see [Business Raw Materials and Utilities Silicon Wafers Long-term Supply Agreements with Jinglong Group and Others](#) and [Business Markets and Customers](#).

Industry Background

The solar power market has grown significantly in the past decade. According to Solarbuzz LLC, an independent solar energy research and consulting company, the global solar power market, as measured by annual solar power system installations, increased from 345 MW in 2001 to 1,460 MW in 2005, representing a compounded annual growth rate, or CAGR, of 43.4%, while solar power industry revenues grew from approximately US\$2.0 billion in 2000 to approximately US\$9.8 billion in 2005, representing a CAGR of 37.4%. Despite the rapid growth, solar energy constitutes only a small fraction of the world's energy output and therefore is expected to have significant growth potential. Solarbuzz projects that annual solar power industry revenues will reach US\$18.6 billion by 2010, representing a CAGR of 13.7%, from 2005.

Solar power generation has emerged as one of the most rapidly growing renewable sources of electricity. Solar power generation has several advantages over other forms of electricity generation, including:

Reduced dependence on fossil fuels. Solar power electricity generation does not consume fossil fuels and therefore increases in solar power generation reduce dependence on fossil fuels.

Environmental advantages. Solar power is pollution free during use and therefore has less impact on the environment as compared to other forms of electricity production.

Matching peak time output with peak time demand. When connected to a grid, solar energy can effectively supplement electricity supply from an electricity transmission grid during times of peak demand.

Modularity and scalability. As the electricity generating capacity of a solar system is a function of the number of solar modules installed, applications of solar technology are rapidly scalable and versatile.

Flexible locations. Solar power production facilities can be installed where grid connection or fuel transport is difficult, costly or impossible, and the installation of power production facilities at the customer site reduces investment in production and transportation infrastructure.

Government incentives. A growing number of countries have established incentive programs for the development of solar power.

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Our Competitive Strengths

We believe that our following competitive strengths enable us to compete effectively and to capitalize on growth opportunities in the solar power market:

Access to solar wafers through long-term supply agreements. We have contractually secured silicon wafer supplies from Jinglong Group, the largest producer and supplier of monocrystalline silicon wafers in China, in amounts adequate to meet a large portion of our anticipated production needs for 2007.

Advanced solar cell technology. We use advanced processing technologies to produce high quality solar cells and our monocrystalline solar cells have generally achieved conversion efficiency rates in the range of 16.0% to 16.5%.

Low overhead and operating costs. Our location in China provides us with access to low-cost utilities, rent and research and development and manufacturing personnel. Our proximity to our principal raw material supplier enables us to effectively manage our inventory and minimize transportation costs of raw materials.

Scalable manufacturing capacity. We have demonstrated the ability to cost-effectively scale our production facilities to manufacture solar cells in large volumes in a relatively short period of time.

Ability to quickly broaden and diversify our customer base. Leveraging our management's experience and familiarity with the solar power industry, we have broadened our customer base from less than ten customers as of June 30, 2006 to approximately 50 customers as of December 31, 2006. In addition, while we currently sell our products to customers primarily in China, we have sold our products to customers in Germany, Sweden, Spain, South Korea and the United States.

Our Strategies

Our objective is to become a leader in developing and manufacturing low-cost, high-performance solar cell products. We intend to achieve this objective by pursuing the following strategies:

Extend existing supply agreements and secure new supply commitments. We intend to extend our contractual relationship with existing silicon wafer suppliers and to expand our sources of supplies by entering into new supply agreements with other suppliers.

Grow revenue and expand manufacturing capacity. We have achieved a total rated manufacturing capacity of 75 MW per annum in October 2006 and we intend to construct four new manufacturing lines in Shanghai to increase our total rated manufacturing capacity to 175 MW per annum by the end of the third quarter of 2007.

Enter into manufacturing arrangements with OEM customers. We plan to enter into manufacturing arrangements with customers who have their own wafer supplies, under which we will be obligated to sell to these customers all or a substantial portion of the solar cells manufactured from their wafer supplies.

Further enhance our technology through focused research and development efforts. We intend to further enhance our technology to improve solar cell efficiency and lower manufacturing costs by increasing our investment in research and development and through cooperation with our suppliers and customers.

Build JA Solar into a leading brand. We intend to build JA Solar into a leading solar cell brand by emphasizing our product features that include a combination of high performance, stable supplies and competitive prices.

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Expand sales in new and existing markets and diversify customer base. We plan to expand our sales in China and overseas markets, including Germany, Sweden, Spain, South Korea and the United States, and to diversify and grow our customer base to include some of the largest established players in the global solar power industry.

Our Challenges

We believe that the following are some of the major risks and uncertainties that may materially affect us:

Our extremely limited operating history. We were established in May 2005 and commenced commercial operations in April 2006. We face challenges and risks as an early-stage company seeking to develop and manufacture new products in a rapidly growing market, and we cannot assure you that we will be successful in addressing these challenges and risks.

Our ability to remedy the control deficiencies in our internal control over financial reporting. During the course of the preparation and external audit of our financial statements as of and for the period from inception (May 18, 2005) to December 31, 2005 and as of and for the nine-month period ended September 30, 2006, we and our independent registered public accounting firm identified a number of deficiencies in our internal control over financial reporting, including a number of material weaknesses and significant deficiencies. If we fail to remedy these control deficiencies and significantly improve our internal control over financial reporting, we may be unable to timely and accurately record, process and report financial data or comply with disclosure and other reporting obligations.

Our dependence on Jinglong Group for the supply of silicon wafers. We currently purchase almost all of our silicon wafer supplies from Jinglong Group. Our rapid expansion requires us to significantly increase our supplies of silicon wafers. We may not be able to obtain adequate supply of wafers from Jinglong Group or other sources to meet our production needs.

Prepayment arrangements to our suppliers expose us to the credit risk of our suppliers and may increase our costs and expenses. We make the prepayments to our suppliers without receiving collateral for such payments. As a result, our claims for such payments would rank as unsecured claims, which exposes us to the credit risks of our suppliers in the case of an insolvency or bankruptcy of such suppliers. In addition, if the market price of silicon wafers were to decrease after we prepay our suppliers, we will not be able to adjust any historical payment insofar as it relates to a future delivery at a fixed price. In addition, if demand for our solar cell products decreases, we may incur costs associated with carrying excess materials.

Current industry-wide shortage of polysilicon. Polysilicon is the essential material from which silicon wafers are made. There is currently an industry-wide shortage of polysilicon, which has resulted in limited availability of silicon wafers and significant price increases in both polysilicon and silicon wafers.

Our ability to significantly increase manufacturing capacity and output. We are susceptible to risks associated with rapid business expansion and may not be able to successfully carry out our planned expansions. Our failure to significantly increase manufacturing capacity and output may result in our inability to meet customer demand, lower profitability and a loss in market share.

Intense competition in the solar power market. The solar power market is intensely competitive and rapidly evolving. We face competition from photovoltaic divisions of large conglomerates, integrated manufacturers of photovoltaic products and other solar power product manufacturers, many of which have greater resources than us.

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Limited adoption of photovoltaic technology and insufficient demand for solar power products. The solar power industry is at a relatively early stage of development and we are not certain of the extent to which solar power products will be adopted. If photovoltaic technology proves unsuitable for widespread adoption or if sufficient demand for solar power products fails to develop, we may not be able to grow our business or maintain our profitability.

Reduction or elimination of government subsidies and economic incentives for on-grid solar power applications. The near-term growth of the market for on-grid solar power applications depends in a large part on the availability and size of government subsidies and economic incentives. We face risks and challenges associated with the reduction or elimination of such subsidies and incentives.

Market volatilities. Future increases in the supply of polysilicon, increased competition and other changing market conditions, such as reduced demand for solar power products in the end user markets, may cause a decline in the demand and average selling prices of solar cells, and may increase the level of our earnings volatility and reduce our profitability.

Please see **Risk Factors** and other information in this prospectus for a detailed discussion of these risks and uncertainties.

Corporate Information

Our principal executive offices are located at Jinglong Group Industrial Park, Jinglong Street, Ningjin, Hebei Province 055550, the People's Republic of China. Our telephone number at this address is (86) 319-580-0760 and our fax number is (86) 319-580-0754.

Investor inquiries should be directed to us at the address and telephone number of our principal executive offices set forth above. Our website is www.jasolar.com, which currently is only available in Chinese. The information contained on our website is not part of this prospectus. Our agent for service of process in the United States is CT Corporation System, located at 111 Eighth Avenue, New York, New York 10011.

Conventions Applicable to This Prospectus

Unless otherwise indicated, references in this prospectus to:

China and the PRC are to the People's Republic of China, excluding, for the purposes of this prospectus only, Taiwan and the special administrative regions of Hong Kong and Macau;

conversion efficiency are to the ability of solar power products to convert sunlight into electricity; conversion efficiency rate is commonly used in the solar power industry to measure the percentage of light energy from the sun that is actually converted into electricity;

cost per watt and price per watt are to the cost and price of solar power products, respectively, relative to the number of watts of electricity a solar power product generates;

JA Solar, we, us, our company and our are to JA Solar Holdings Co., Ltd., its predecessor entities and its consolidated subsidiaries;

JA BVI are to JA Development Co., Ltd., our directly wholly-owned subsidiary, a British Virgin Islands company;

JA China are to JingAo Solar Co., Ltd., our predecessor and indirectly wholly-owned subsidiary in China. We conduct substantially all our businesses through JA China;

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Jinglong BVI are to Jinglong Group Co., Ltd., a British Virgin Islands company and our largest shareholder;

Jinglong Group are to Jinglong Industry and Commerce Group Co., Ltd. and its consolidated subsidiaries. Jinglong Group is controlled by the shareholders of Jinglong BVI;

photovoltaic effect are to a process by which sunlight is converted into electricity;

rated manufacturing capacity are to the total amount of solar power products that can be made by a manufacturing line per annum operating at its maximum possible rate and is measured in megawatts, or MW;

RMB and Renminbi are to the legal currency of the PRC;

US\$ and U.S. dollars are to the legal currency of the United States;

voltage or volts are to the rating of the amount of electrical pressure that causes electricity to flow in the power line; and

watts are to the measurement of total electrical power, where kilowatts or KW means one thousand watts and megawatts or MW means one million watts.

Unless otherwise indicated, information in this prospectus assumes that the underwriters do not exercise their over-allotment option to purchase additional ADSs.

This prospectus contains translations of certain Renminbi amounts into U.S. dollars at specified rates. All translations from Renminbi to U.S. dollars were made at the noon buying rate in The City of New York for cable transfers in Renminbi per U.S. dollar as certified for customs purposes by the Federal Reserve Bank of New York. Unless otherwise stated, the translation of Renminbi into U.S. dollars has been made at the noon buying rate in effect on September 29, 2006, which was RMB 7.9040 to US\$1.00. We make no representation that the Renminbi or dollar amounts referred to in this prospectus could have been or could be converted into dollars or Renminbi, as the case may be, at any particular rate or at all. See Risk Factors Risks Related to Doing Business in China Fluctuation in the value of the Renminbi may have a material adverse effect on our business and on your investment. On February 5, 2007, the noon buying rate was RMB 7.7602 to US\$1.00.

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The Offering

This offering	15,000,000 ADSs offered by us. The ordinary shares underlying the ADSs to be offered by us are fully fungible and rank pari passu in all respects with all other ordinary shares issued by us.
ADSs	Each ADS represents three ordinary shares, par value US\$0.0001 per share, that will be held on deposit with the custodian for The Bank of New York, as depositary. As an ADS holder, you will not be treated as one of our shareholders. You will have rights as provided in the deposit agreement. Under the deposit agreement, you may instruct the depositary to vote the ordinary shares underlying your ADSs. You must pay a fee for each issuance or cancellation of an ADS, distribution of securities by the depositary or any other depositary service. For more information about our ADSs, see "Description of American Depositary Shares" in this prospectus and the deposit agreement, which is an exhibit to the registration statement that includes this prospectus.
Depositary	The Bank of New York.
ADSs outstanding immediately after this offering	15,000,000 ADSs (or 17,250,000 ADSs if the underwriters exercise the over-allotment option in full).
Ordinary shares outstanding immediately after this offering	131,520,000 ordinary shares (or 138,270,000 ordinary shares if the underwriters exercise the over-allotment option in full), after giving effect to the conversion of our series A convertible preference shares.
Offering price	The initial public offering price is US\$15.00.
Use of proceeds	<p>We estimate that we will receive net proceeds from this offering of approximately US\$206.6 million (or US\$238.0 million if the underwriters exercise the over-allotment option in full), after deducting the underwriting discounts and estimated offering expenses payable by us. We intend to use our net proceeds from this offering for the following purposes:</p> <ul style="list-style-type: none"> US\$100 million to prepay for raw materials pursuant to our long-term wafer supply agreement with M.SETEK; approximately US\$20 million to prepay for raw materials from other suppliers, including Jinglong Group; approximately US\$20 million to purchase manufacturing equipment and construct certain operating facilities for our planned Shanghai facilities to expand our manufacturing capacity; approximately US\$19 million to repay our short-term debt obligations;

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approximately US\$10 million to enhance our research and development capabilities;
and

the remaining amount to be used for working capital and other general corporate
purposes.

See Use of Proceeds.

Risk factors See Risk Factors in this prospectus beginning on page 11 and other information included in this prospectus for a discussion of the risks you should carefully consider before deciding to invest in our ADSs.

Nasdaq Global Market symbol Our ADSs have been approved for listing on the Nasdaq Global Market under the symbol JASO.

Over-allotment option We have granted the underwriters a 30-day option to purchase up to 2,250,000 additional ADSs to cover any over-allotments.

Dividend policy We do not intend to pay any cash dividends on our ordinary shares in the foreseeable future. We intend to retain most, if not all, of our available funds and any future earnings for use in the operation and expansion of our business. Our board of directors has complete discretion as to whether we will pay dividends in the future subject to approval by our shareholders.

Deposit and withdrawal of our ordinary shares The depositary will issue ADSs, subject to the satisfaction of certain conditions, if you or your broker deposits ordinary shares or evidence of rights to receive ordinary shares with the custodian. You may turn in your ADSs at the depositary's corporate trust office and, upon payment of its fees and expenses and of any taxes or charges, the depositary will deliver the underlying ordinary shares and any distributions thereon to an account designated by you.

Dividends and other distributions The depositary agrees to pay you any cash dividend or other distribution it receives on our ordinary shares or other deposited securities after deducting its fees and expenses.

Lock-up We, our directors, executive officers and certain of our other existing shareholders have agreed with the underwriters not to sell, transfer or dispose of any ADSs, ordinary shares or similar securities for a period of 180 days after the date of this prospectus. See Underwriting.

Payment and settlement The underwriters expect to deliver our ADSs through the book-entry transfer facilities of The Depository Trust Company in New York, New York on or about four business days after the date on which the offer price of the ADSs in this offering is determined.

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

The summary consolidated financial data presented below as of December 31, 2005 and September 30, 2006 and for the period from inception of our business (May 18, 2005) to December 31, 2005 and the nine-month period ended September 30, 2006 have been prepared in accordance with generally accepted accounting principles in the United States, or U.S. GAAP, and are derived from our audited consolidated financial statements included elsewhere in this prospectus. Results for the nine months ended September 30, 2006 are not necessarily indicative of the results that may be expected for the full year. The historical results are not necessarily indicative of results to be expected in any future period.

	For the period from inception to December 31, 2005 RMB	For the nine months ended September 30, 2006 RMB US\$ ⁽¹⁾	
Consolidated Statements of Operations Data:			
Revenue from third parties		255,709,240	32,351,878
Revenue from related parties		91,344,893	11,556,793
Total revenues		347,054,133	43,908,671
Cost of revenues		(258,429,361)	(32,696,022)
Gross profit		88,624,772	11,212,649
Selling, general and administrative expenses ⁽²⁾	(2,638,340)	(30,769,792)	(3,892,939)
Research and development expenses	(383,468)	(711,878)	(90,066)
Total operating expenses	(3,021,808)	(31,481,670)	(3,983,005)
Income/ (loss) from operations	(3,021,808)	57,143,102	7,229,644
Interest expense		(2,835,986)	(358,804)
Interest income	38,965	425,018	53,773
Foreign exchange gain/ (loss)	(128,152)	256,250	32,420
Income/ (loss) before income taxes	(3,110,995)	54,988,384	6,957,033
Income tax benefit/ (expense)			
Net income/ (loss)	(3,110,995)	54,988,384	6,957,033
Preferred shares accretion		(489,600)	(61,943)
Preferred shares beneficial conversion charge		(34,732,133)	(4,394,248)
Allocation of net income to participating preferred shareholders		(233,246)	(29,510)
Net income available to ordinary shareholders	(3,110,995)	19,533,405	2,471,332
Net income/(loss) per share:			
Basic	(0.04)	0.24	0.03
Diluted	(0.04)	0.24	0.03
Weighted average number of shares outstanding:			
Basic	80,000,000	80,000,000	80,000,000

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Diluted	80,000,000	80,000,000	80,000,000
Consolidated Statements of Cash Flows Data:			
Cash flows (used in) or provided by:			
Operating activities	(1,635,016)	(57,801,518)	(7,312,945)
Investing activities	(37,971,977)	(83,995,789)	(10,626,998)
Financing activities	50,699,555	204,840,478	25,916,052

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	For the period from inception to December 31, 2005	For the nine months ended September 30, 2006
Other Consolidated Financial Data (in percentages)		
Gross margin		25.5%
Operating margin		16.5%
Net margin		15.8%
Selected Operating Data		
Products sold (in units)		5,226,239
Products sold (in MW)		12.61
Average selling price per watt (in RMB)		27.00
Average selling price per watt (in US\$) ⁽¹⁾		3.42

	As of December 31, 2005 RMB	As of September 30, 2006 RMB	US\$ ⁽¹⁾
Consolidated Balance Sheet Data:			
Cash and cash equivalents	10,970,605	73,532,762	9,303,234
Account receivable from third party customers		37,546,177	4,750,275
Inventories		105,848,430	13,391,755
Advances to related party supplier		46,380,354	5,867,960
Other current assets	455,088	9,039,533	1,143,666
Total current assets	11,425,693	272,347,256	34,456,890
Property and equipment, net	39,392,413	126,103,343	15,954,370
Intangible asset, net	8,250,000	7,493,134	948,018
Total assets	59,068,106	405,943,733	51,359,278
Total debt		100,000,000	12,651,822
Total liabilities	2,479,546	173,813,769	21,990,609
Preferred shares		110,339,961	13,960,015
Total shareholders' equity	56,588,560	121,790,003	15,408,654

- (1) Translations of RMB amounts into U.S. dollars were made at a rate of RMB 7.9040 to US\$1.00, the noon buying rate for U.S. dollars in effect on September 29, 2006 in New York City for cable transfers of Renminbi as certified for customs purposes by the Federal Reserve Bank of New York.
- (2) Includes RMB 16,531,542 (US\$2,091,541) in share-based compensation cost for the nine months ended September 30, 2006.

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RISK FACTORS

You should consider carefully all of the information in this prospectus, including the risks and uncertainties described below, before you decide to buy our ADSs. Any of the following risks could have a material adverse effect on our business, prospects, financial condition and results of operations. In any such case, the trading price of our ADSs could decline, and you could lose all or part of your investment.

Risks Related to Our Business

Our extremely limited operating history makes it difficult to evaluate our future prospects and results of operations.

We have only been in existence since May 2005. We completed our first solar cell manufacturing line in March 2006 and made our first commercial shipment of solar cells in April 2006. In addition, for the nine months ended September 30, 2006, we bought substantially all of our supplies of silicon wafers, the key raw material from which we manufacture our solar cells, from Jinglong Group, a PRC company controlled by the same shareholders of Jinglong BVI, our largest shareholder. Our future success will require us to scale our manufacturing capacity beyond our existing capacity, and our business model and ability to achieve satisfactory manufacturing yields at higher volumes are unproven. To address these risks, we must, among other things, continue to respond to competitive developments, attract, retain and motivate qualified personnel, implement and successfully execute expansion plan and improve our technologies. We cannot assure you that we will be successful in addressing such risks. Although we have experienced revenue growth in recent periods, we cannot assure you that our revenue will continue to increase or continue at their current level. For example, in October 2006, we experienced a decline in monthly sales volume in watts and average selling price per watt of our solar cell products of approximately 1.2 MW and RMB 0.6, or approximately 25.3% and 2.2%, respectively, from those in September 2006. The average selling price per watt of our solar cell products declined further by RMB 1.6, or approximately 6.1%, in November 2006 compared to October 2006. Our extremely limited operating history makes the prediction of future results of operations difficult, and therefore, past revenue growth experienced by us should not be taken as indicative of the rate of revenue growth, if any, that can be expected in the future. We believe that period to period comparisons of our operating results are not meaningful and that the results for any period should not be relied upon as an indication of future performance. You should consider our business and prospects, in light of the risks, uncertainties, expenses and challenges that we will face as an early-stage company seeking to develop and manufacture new products in a rapidly growing market.

If we are unable to remediate the material weaknesses and significant deficiencies in our internal control over financial reporting, we may be unable to timely and accurately record, process and report financial data or comply with disclosure and other reporting obligations.

During the course of the preparation and external audit of our financial statements as of and for the period from inception (May 18, 2005) to December 31, 2005 and as of and for the nine-month period ended September 30, 2006, we and our independent registered public accounting firm identified a number of control deficiencies in our internal control over financial reporting, including a number of material weaknesses and significant deficiencies.

Control deficiencies exist when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements in financial reporting on a timely basis. Material weakness is defined as a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected.

Among the material weaknesses identified was a lack of an effective control environment, including (i) an insufficient number of finance personnel with an appropriate level of knowledge, experience and training in the

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application of GAAP and in internal controls over financial reporting commensurate with our reporting requirements, (ii) a lack of an appropriate level of control consciousness as it relates to the establishment and maintenance of an oversight function and communication of internal controls, policies and procedures, assignment of roles and responsibilities, and the necessary lines of communications within its organizational structure to support its activities, (iii) a lack of effective monitoring activities, and (iv) a lack of an effective risk assessment process.

The control environment sets the tone of an organization, influences the control consciousness of its people, and is the foundation of all other components of internal control over financial reporting. Accordingly, the material weakness in our control environment contributed to the development of additional material weaknesses, that are discussed below:

ineffective controls over procedures used to enter transaction totals into the general ledger and initiate, authorize, record and process journal entries into the general ledger as well as record recurring and nonrecurring adjustments to the financial statements, due to (i) untimely and inadequate journal entry review and approval by a senior accounting officer, (ii) a lack of appropriate policies and procedures surrounding timely and complete preparation and approval of account analyses and reconciliations with adequate support, and (iii) a lack of effective controls over the preparation and review of the consolidated financial statements and disclosures. Specifically, effective controls were not designed and in place over the process related to identifying and accumulating all required supporting information to ensure the completeness and accuracy of the consolidated financial statements and disclosures;

inadequate controls and procedures used (i) to evaluate the creditworthiness of related party suppliers to which we advance funds in order to determine a provision, if necessary, and (ii) to ensure that transactions and arrangements with related parties are appropriately identified and summarized in the accounting records and disclosed in the financial statements;

ineffective controls over accounting for income taxes, including the determination of deferred income tax assets and liabilities and related valuation allowance, including a lack of effective controls to review and monitor the accuracy of the components of the income tax provision calculations and related deferred income taxes and to monitor the differences between the income tax basis and the financial reporting basis of assets and liabilities to effectively reconcile the deferred income tax balances;

inadequate policies and procedures related to accounting and disclosure for complex contracts, including a lack of adequate controls (i) to identify and centrally accumulate all new significant contracts for review by relevant parties (e.g. our accounting department), (ii) to determine and accurately record the accounting implications of significant contracts, and (iii) to ensure ongoing compliance with terms and conditions of significant contracts;

a lack of adequately designed controls over our revenue cycle, including lack of effective controls over (i) documenting approval for exceptions to terms of standard sales contracts, (ii) a lack of evidence documenting our evaluation and approval to extend and monitor credit terms to customers when, on an exception basis, credit is granted to customers, (iii) documenting verification of shipment quantities to sales orders, (iv) documenting methodology for determining doubtful accounts reserve, and (v) adequate disclosure of related party revenues and accounts receivables in the financial statements;

a lack of adequately designed controls over the inventory cycle, including lack of effective controls over (i) adequate written instructions for periodic physical inventory counts, (ii) timely reconciliation of physical counts to financial records, (iii) timely maintenance of perpetual inventory records including cutoff procedures, (iv) control over transfers within the production process, (v) documentation of policies and procedures surrounding inventory costing, (vi) documentation of accounting policy, methodology and procedures used to evaluate excess, slow moving, obsolete inventory reserves as well

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as inventory whose carrying value is in excess of net realizable value including consideration of the impact of advances to related party supplier for future inventory purchases has on these provisions;

a lack of adequately designed controls over fixed assets, the related depreciation expense, and leased property and equipment, including lack of adequate controls to (i) periodically perform property and equipment inventory counts, (ii) transfer equipment from construction in progress to fixed assets, (iii) properly capitalize interest expense, (iv) properly calculate depreciation expense of fixed assets, and (v) verify the completeness and accuracy of leased property and equipment and that future obligations related to such leases were properly disclosed;

a lack of adequately designed controls over the payroll cycle, including a lack of policies and procedures for (i) approving new employees into the payroll process (including personal information and proper approval for employees' salaries), (ii) review of time cards submitted by employees for validity and accuracy, and (iii) timely reconciliation of payroll records to the general ledger; and

a lack of adequately designed controls over the purchase cycle (i) to document the review of goods received compared with purchase order amounts, (ii) to document inspection of quality of raw materials received by warehouse personnel, (iii) to periodically review accounts payable to vendor statements and (iv) cutoff of expenses at period end.

In addition, we and our independent registered public accounting firm identified significant deficiencies in our internal control over financial reporting. Significant deficiencies are defined as a control deficiency, or combination of control deficiencies, that adversely affects the company's ability to initiate, authorize, record, process, or report external financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the company's annual or interim financial statements that is more than inconsequential will not be prevented or detected. Specifically, the following significant deficiencies were identified:

a lack of adequately designed controls over cash and cash equivalents, including a lack of (i) documenting authority for opening and closing bank accounts, (ii) documenting approval for bank signatories, (iii) timely performance of reconciliation and resolution of bank accounts and reconciling items and (iv) adequate segregation between cash custody and accounting duties; and

a lack of adequate human resources policies and procedures to address hiring, training, promoting and compensating employees. Material weaknesses and significant deficiencies in our internal control over financial reporting could result in a material misstatement of our financial statements that will not be prevented or detected. As a result, we have begun taking actions and measures to significantly improve our internal control over financial reporting in order to obtain reasonable assurance regarding the reliability of our financial statements. However, we have not yet implemented all of these actions and measures and tested them. Furthermore, we cannot assure you if or when we will be able to remedy these control deficiencies, that our independent registered public accounting firm will agree with our assessment, or that additional material weaknesses or significant deficiencies in our internal control over financial reporting will not be identified in the future. If the control deficiencies we have identified recur, or if we identify additional deficiencies or fail to implement new or improved controls successfully in a timely manner, we may be unable to issue timely and accurate financial reports and investors could lose confidence in the reliability of our financial statements, which in turn could negatively impact the trading price of our ADSs, or otherwise harm our reputation.

We are committed to continuing to improve our internal control processes. However, any control system, regardless of how well designed, operated and evaluated, can provide only reasonable, not absolute, assurance that its objectives will be met. As we continue to evaluate and work to improve our internal control over financial

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reporting, we may take additional actions and measures to address any control deficiencies identified by us or our independent registered public accounting firm.

Under current and proposed rules and regulations implementing Section 404 of the U.S. Sarbanes-Oxley Act of 2002, or SOX 404, we expect to be required to, beginning with the fiscal year ending December 31, 2007, deliver a report that assesses the effectiveness of our internal control over financial reporting, and our independent registered public accounting firm will be required to audit and report on the effectiveness of our internal control over financial reporting. We have a substantial effort ahead of us to complete the documentation and testing of our internal control over financial reporting, and to remediate any material weaknesses identified during that process. We may not be able to complete the required management assessment by our reporting deadline. An inability to complete this assessment in a timely manner or at all would result in receiving something other than an unqualified report from our independent registered public accounting firm with respect to our assessment of internal control over financial reporting. In addition, if material weaknesses are identified and not remediated, we would not be able to conclude that our internal control over financial reporting was effective, which would result in the inability of our independent registered public accounting firm to deliver an unqualified report on the effectiveness of our internal control over financial reporting. Inferior internal control over financial reporting could cause investors to lose confidence in the reliability of our financial statements, and such conclusion could negatively impact the trading price of our ADSs or otherwise harm our reputation.

We have previously operated as a private PRC company and have no experience attempting to comply with U.S. public company obligations. In addition, we only recently began to prepare our financial reports in accordance with U.S. GAAP. Attempting to comply with these requirements will increase our costs and require additional management resources, and we still may fail to comply.

We only recently began to prepare our financial reports in accordance with U.S. GAAP and only our chief financial officer, who was hired in July 2006, has prior experience applying U.S. GAAP. While we are in the process of expanding our accounting and finance staff, we expect to encounter substantial difficulty attracting qualified staff with requisite experience due to the high level of competition for experienced financial professionals. In the short term, we are providing training for our current staff with respect to U.S. GAAP. However, our training may not be effective.

We will face increased legal, accounting, administrative and other costs and expenses as a public company that we did not incur as a private company. Compliance with the U.S. Sarbanes-Oxley Act of 2002, as well as other rules of the SEC, the Public Company Accounting Oversight Board and the Nasdaq Global Market, will result in a significant initial cost to us as well as an ongoing increase in our legal, audit and financial compliance costs, and we still may fail to comply.

We currently depend on Jinglong Group for the supply of our silicon wafer requirements. If Jinglong Group fails to deliver to us sufficient quantities of silicon wafers that meet our timing, quality and cost requirements, we may not be able to find suitable alternative suppliers in a timely manner and we may lose customers, market share and revenue.

Our basic raw material in producing solar cells is silicon wafers. We have entered into a long-term silicon wafer supply agreement with Jinglong Group, a PRC company controlled by the shareholders of Jinglong BVI, including our chairman, Baofang Jin, to meet a large portion of our anticipated production needs for 2007. We currently buy almost all our silicon wafer requirements from Jinglong Group. See [Related Party Transactions](#) [Transactions with Jinglong Group](#) [Wafer Supply Agreement](#).

Jinglong Group has historically been able to meet our silicon wafer requirements. However, when we install four additional manufacturing lines in Shanghai, which we expect to complete by the end of the third quarter of 2007, we will be required to significantly increase the number of wafers we purchase from Jinglong Group or other suppliers if we intend to operate these manufacturing lines at their full capacity. We cannot assure you that

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we will be able to renew our supply agreement with Jinglong Group at commercially reasonable terms or at all when our current agreement expires or that we will be able to secure adequate supply of silicon wafers from Jinglong Group or other sources. In addition, to make silicon wafers, Jinglong Group must purchase its polysilicon requirements from polysilicon suppliers. There are a limited number of polysilicon suppliers and currently the solar power industry is experiencing a shortage of polysilicon. Jinglong Group has advised us that it has had an established supply relationship with Hemlock Semiconductor Corporation, or Hemlock, one of the world's leading suppliers of polysilicon. However, we cannot assure you that Jinglong Group will always be able to obtain sufficient polysilicon to satisfy its contractual obligations to us.

Our inability to obtain silicon wafers at commercially reasonable prices or at all would materially and adversely affect our ability to meet existing and future customer demand and could cause us to lose customers and market share, and could cause us to generate lower than anticipated revenue or any revenue at all, thereby materially and adversely affecting our business, financial condition and results of operations.

Prepayment arrangements for procurement of silicon wafers from M.SETEK, Jinglong Group and other existing and new suppliers expose us to the credit risks of such suppliers and may also significantly increase our costs and expenses, either of which could in turn have a material adverse effect on our financial condition, results of operations and liquidity.

We make prepayments for procurement of silicon wafers without receiving collateral to secure such payments. Our claims for such payments would rank as unsecured claims, which exposes us to the credit risks of our suppliers in the case of an insolvency or bankruptcy of such suppliers. Under such circumstances, our claims against the suppliers would rank below those of secured creditors, which would undermine our chances of obtaining the return of the prepayments. Accordingly, a default by our suppliers may have a material adverse effect on our financial condition, results of operations and liquidity. Subsequent to this offering, we may be exposed to significantly greater supplier credit risk as a result of our wafer supply agreement with M.SETEK, a privately-held Japanese company with which we have had no prior direct business relationship. In connection with the planned expansion of M.SETEK's polysilicon and wafer production capacity in Japan, we entered into a 54-month wafer supply agreement with M.SETEK in December 2006, under which we intend to make a prepayment of US\$100 million in the second quarter of 2007, subject to the completion by us of a credit risk assessment of M.SETEK. This prepayment is expected to provide M.SETEK with a significant portion of its capital expenditure requirements for its planned capacity expansion. Upon the prepayment by us of US\$100 million, M.SETEK has agreed to supply to us 100,000 wafers per month from July to December 2007, with planned additional monthly supplies scheduled until the end of 2011. We intend to make this prepayment with US\$100 million from the net proceeds of this offering. Under the terms of the agreement, the unit price is set at US\$5.00 per wafer for July 2007 to December 2007 and will be renegotiated on an annual basis based on market conditions. M.SETEK has agreed to credit future invoices US\$1.00 against our US\$100 million prepayment for each of the first 100 million silicon wafers it will deliver to us, regardless of any future price adjustments above or below the initial unit price of US\$5.00 per wafer. See also Business Raw Materials and Utilities Silicon Wafers Long-term Supply Agreements with Jinglong Group and Others. As a result, we will be subject to a significant credit risk with regard to our US\$100 million prepayment in the case of an insolvency or bankruptcy of M.SETEK during a substantial portion of the entire term of this agreement. In addition, should M.SETEK default on its obligations under the agreement we may not be able to recover all or a portion of our prepayment. The agreement may fail to provide us with sufficient contractual protection as it contains insignificant penalties in the event of a default by M.SETEK and no representations or warranties from M.SETEK. Furthermore, M.SETEK is not obliged in any way under the terms of the agreement to use the prepayment in furtherance of its expansion plans. In addition, we may be forced to take legal action in the PRC or in Japan, where M.SETEK is located, to initiate a claim or enforce a judgment against M.SETEK and such legal actions may cost considerable time and expense and may not be ultimately successful. Accordingly, we cannot assure you that we would be able to recover all or any portion of our outstanding prepayment or when any such recovery might occur, all of which may have a material adverse effect on our financial condition, results of operations and liquidity. Although we believe M.SETEK is not a related party, our chairman, Baofang Jin, is an indirect shareholder and the general manager of M.SETEK's joint venture in China, Ningjin Songgong.

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In addition, to allow Jinglong Group to prepay for a portion of its polysilicon requirements to its suppliers, we have agreed to prepay Jinglong Group monthly for specified quantities of silicon wafers at agreed prices under our wafer supply agreement with Jinglong Group that went into effect on July 1, 2006. See **Related Party Transactions** **Transactions with Jinglong Group** **Wafer Supply Agreement**. As of September 30, 2006, we had approximately RMB 46.4 million in advances to Jinglong Group. In September 2006, we also entered into a 31-month wafer supply agreement with ReneSola which requires us to make a prepayment of RMB 32.1 million in January 2007, representing 30% of the agreed total payments of RMB 107.1 million for wafer supplies to be delivered in 2007. We intend to make this prepayment with cash on hand in January 2007. See **Business** **Raw Materials and Utilities** **Silicon Wafers** **Long-term Supply Agreements with Jinglong Group and Others**. If the market price of silicon wafers were to decrease after we prepay M.SETEK, Jinglong Group or other suppliers, we will not be able to adjust any historical payment insofar as it relates to a future delivery at a fixed price. Additionally, if demand for our solar cell products decreases, we may incur costs associated with carrying excess materials. Each of such events may have a material adverse effect on our financial condition and results of operations. To the extent that we are not able to pass these increased costs and expenses to our customers, our business, results of operations and financial condition may be materially and adversely affected. Moreover, we may not be able to recover such prepayments and would suffer losses should Jinglong Group or other supplier fail to fulfill its contractual delivery obligations to us.

We are susceptible to the current industry-wide shortage of polysilicon, which could adversely affect our ability to meet existing and future customer demand for our products and cause us to lose customers and market share, generate lower than anticipated revenues and manufacture our products at higher than expected costs.

Polysilicon is the essential raw material to make silicon wafers. Polysilicon is created by refining quartz or sand, and is melted and grown into crystalline ingots. Silicon wafers are then sliced from crystalline ingots. There is currently an industry-wide shortage of polysilicon, which has resulted in limited availability of silicon wafers and significant price increases in both polysilicon and silicon wafers. As demand for solar cells has increased, many participants or companies in the solar power industry have announced plans to add additional manufacturing capacity. When the additional manufacturing capacity becomes operational, it will further increase the demand for polysilicon and may further exacerbate the current shortage. Polysilicon is also used in the semiconductor industry generally and any increase in demand from that sector could compound the shortage. Polysilicon and silicon wafer suppliers have been adding manufacturing capacity in response to the growing demand in recent years. However, building polysilicon production facilities generally requires significant capital and it typically takes an average of 18 to 24 months to construct. As a result, polysilicon and silicon wafer suppliers are generally willing to expand only if they are certain of sufficient customer demands to justify such capital commitment. Increasingly, polysilicon and silicon wafer suppliers are requiring customers to make prepayments for raw materials well in advance of their shipment, which, in turn, leads to significant working capital commitment from solar cell product manufacturers.

We expect that polysilicon demand will continue to exceed supply for the foreseeable future. In order to meet our silicon wafer requirements, we have entered into long-term silicon wafer supply agreements with Jinglong Group, ReneSola and M.SETEK. See **Business** **Raw Materials and Utilities** **Silicon Wafers** **Long-term Supply Agreements with Jinglong Group and Others**. We also purchase supplies of ingots or polysilicon from third party suppliers and engage Jinglong Group to process wafers from such ingots and polysilicon for us. We cannot assure you that we will be able to secure sufficient quantities of silicon wafers to meet our planned manufacturing requirements. Further increases in the demand for silicon wafers may cause us to encounter shortages or delays in obtaining adequate supplies of silicon wafers, which could materially and adversely affect our ability to operate at full production capacity and our ability to meet existing and future customer demand, resulting in decreased revenues and loss of customers. Furthermore, increases in prices of polysilicon and silicon wafers have increased and may continue to increase our manufacturing cost, and if we cannot pass such cost increase to our customers, our results of operations could be materially and adversely affected.

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Furthermore, partly as a result of the industry-wide shortage, we may, from time to time, face the prospect of a shortage of silicon wafers and late or failed delivery of silicon wafers from our suppliers. We may experience actual shortage of silicon wafers or late or failed delivery in the future for the following reasons, among others. First, the terms of our wafer supply agreements with, or purchase orders to, our third-party suppliers may be altered or cancelled by the suppliers with limited or no penalty to them, and in such cases we may not be able to recover damages fully or at all. Second, other than with Jinglong Group, we generally do not have a history of long-term relationships with suppliers who may be able to meet our silicon wafers needs consistently or on an emergency basis. Third, many of our competitors also purchase silicon wafers from our third-party suppliers and have had longer and stronger relationships with, as well as greater buying power and bargaining leverage over, our suppliers.

If we fail to obtain delivery of silicon wafers in amounts and according to time schedules as agreed with the suppliers, or at all, we may be forced to reduce production or secure alternative sources, which may not provide silicon wafers in amounts required by us or at comparable or affordable prices, or at all. Our failure to obtain the required amounts of silicon wafers on time and at affordable prices can seriously hamper our ability to meet our contractual obligations to deliver our products to our customers. Any failure by us to meet such obligations could have a material adverse effect on our reputation, retention of customers, market share, business and results of operations and may subject us to claims from our customers and other disputes. In addition, our failure to obtain sufficient silicon wafers will result in underutilization of our existing and planned production facilities and an increase in our marginal production cost, and may prevent us from implementing capacity expansion as currently planned. Any of the above events could have a material adverse effect on our growth, profitability and results of operations.

Our future success substantially depends on our ability to significantly increase our manufacturing capacity, output and sales. Our ability to achieve our expansion goals is subject to a number of risks and uncertainties. In addition, we may not be able to manage our expansion effectively.

Our future success depends on our ability to significantly increase our manufacturing capacity, output and sales. We intend to build four solar cell manufacturing lines in Shanghai which we expect to become operational by the end of the third quarter of 2007, each with a rated manufacturing capacity of 25 MW per annum. We intend to lease from Jinglong Group the land and buildings to be used for our planned Shanghai manufacturing facilities. Jinglong Group has paid a portion of the required land grant fees but has not obtained the required land use right certificates for these real properties from the relevant PRC authorities. Consequently, we cannot legally lease any of these real properties from Jinglong Group unless and until Jinglong Group has obtained their land use right certificates. We cannot assure you whether Jinglong Group will obtain these land use right certificates in a timely manner, or at all. As a result, we may not be able to build or operate our Shanghai facilities as planned, or at all. In addition, our ability to establish or successfully operate our additional manufacturing capacity and increase output is subject to other significant risks and uncertainties, including:

our ability to raise sufficient funds to build and maintain adequate working capital to operate new manufacturing facilities;

our ability to secure adequate supplies of silicon wafers, including our ability to maintain adequate working capital to make prepayments on such supplies;

delays and cost overruns associated with the build-out of any additional facilities due to factors, many of which may be beyond our control, such as delays in government approvals, problems with equipment vendors or raw material suppliers and equipment malfunctions and breakdowns;

diversion of significant management attention and other resources; and

failure to execute our expansion plan effectively.

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If we are unable to establish or successfully operate additional manufacturing capacity or increase our manufacturing output, we may be unable to expand our business as planned. If we are unable to carry out our planned expansions, we may not be able to meet customer demand, which could result in lower profitability and a loss in market share. Moreover, we cannot assure you that if we do increase our manufacturing capacity and output we will be able to generate sufficient customer demand for our products to support our increased production levels. In addition, to manage the potential growth of our operations, we will be required to improve our operational and financial systems, procedures and controls, and expand, train and manage our growing employee base. Furthermore, our management will be required to initiate, maintain and expand our relationships with new and existing customers, suppliers and other third parties. We cannot assure you that we are able to improve our operations, personnel, systems, internal procedures and controls to adequately support our future growth. If we are unable to manage our growth effectively, we may not be able to take advantage of market opportunities, execute our business strategies or respond effectively to competitive pressures.

Our senior management has worked together for a short period of time, which may make it difficult for you to evaluate their effectiveness and ability to address challenges.

Due to our limited operating history and recent additions to our management team, certain of our senior management and employees have worked together at our company for a relatively short period of time. For example, both our chief financial officer, Mr. Hexu Zhao, and our chief operating officer, Mr. Zhilong Zhang, joined us in July 2006. As a result of these circumstances, it may be difficult for you to evaluate the effectiveness of our senior management and their ability to address future challenges to our business.

There are potential conflicts of interest between us and our largest shareholder, Jinglong BVI.

Jinglong BVI, which is controlled by the shareholders of Jinglong Group, is and will continue to be our largest shareholder after the completion of this offering. In addition, Mr. Baofang Jin, our chairman of the board of directors, is affiliated with Jinglong BVI and is also the president of Jinglong Group. Jinglong Group currently provides a number of products and services to us, including silicon wafer supply and real property leases. Our transactions with Jinglong Group are governed by a number of contracts between Jinglong Group and us, the terms of which were negotiated on an arm's length basis. See **Related Party Transactions** **Transactions with Jinglong Group**. However, the interest of Jinglong BVI may conflict with our own interest with respect to our transactions with Jinglong Group. As a result, we may have limited ability to negotiate with Jinglong Group over the terms of the agreements because Jinglong BVI may exert significant influence on our affairs through the board which could cause us to take actions that may not be in our best interests. In addition, Jinglong BVI may be able to prevent us from taking actions to enforce or exercise our rights under the agreements we entered into with Jinglong Group. Furthermore, we cannot assure you that our transactions with Jinglong Group will always be concluded on terms favorable to us or maintained at the current level or at all in the future.

We currently sell a significant portion of our solar cell products to a limited number of customers. Our dependence on these customers may cause significant fluctuations or declines in our revenues.

We currently sell a substantial portion of our products to a limited number of customers, most of which are module manufacturers based in China. For the nine months ended September 30, 2006, approximately 47% of our total revenues were derived from sales of our solar cell products to our three largest customers, two of which, Shanghai Chaoji Sun Power Technology Development Co., Ltd. and Shanghai Huinong Co., Ltd., were our related parties until August 2006. See **Related Party Transactions** **Transactions with Other Related Parties**. In January 2007, we signed our largest long-term customer agreement to date with PowerLight Corporation, or PowerLight, a wholly-owned subsidiary of SunPower Corporation, under which we have agreed to supply PowerLight with a total of 120 MW of solar cells through the end of 2009. We anticipate that our dependence on a limited number of customers will continue for the foreseeable future. Consequently, any one of the following

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events may cause material fluctuations or declines in our revenues and have a material adverse effect on our results of operations:

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

selection of our competitor's products by one or more of our significant customers;

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.

Because we compete in a highly competitive market and many of our competitors have greater resources than us, we may not be able to compete successfully.

The solar power market is intensely competitive and rapidly evolving. We expect to face increased competition, which may result in price reductions, reduced margins or loss of market share. In the global market, our competitors include photovoltaic divisions of large conglomerates, such as BP Solar International Inc., Schott AG, Sharp Corporation, Mitsubishi Electric Corporation and Sanyo Electric Co., Ltd., specialized cell and module manufacturers such as Motech Industries, Inc., E-Ton Solar Tech Co., Ltd., Q-Cells AG, as well as integrated manufacturers of photovoltaic products such as SolarWorld AG. In the Chinese market, we compete with Suntech Power Co., Ltd., CEEG Nanjing PV-Tech Co. Ltd., Solarfun Power Holdings Co., Ltd., Tianwei Yingli New Energy Resources Co., Ltd. and Jiangyin Jetion Science & Technology Co., Ltd. Some of our competitors have also become vertically integrated, from upstream silicon wafer manufacturing to solar power system integration. We expect to compete with future entrants to the photovoltaic market that offer new technological solutions. We may also face competition from semiconductor manufacturers, several of which have already announced their intention to start production of solar cells. Many of our competitors are developing or currently producing products based on new photovoltaic technologies, including amorphous silicon, ribbon, sheet and nano technologies, which they believe will ultimately cost the same as or less than crystalline silicon technologies similar to ours. In addition, the entire photovoltaic industry also 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 incentive programs.

Many of our existing and potential competitors have substantially greater financial, technical, manufacturing and other resources than we do. Our competitors' greater size and longer operating history in some cases provides them with a competitive advantage with respect to manufacturing costs because of their economies of scale and their ability to purchase raw materials at lower prices. For example, those of our competitors that also manufacture semiconductors may source both semiconductor grade silicon wafers and solar grade silicon wafers from the same supplier. As a result, such competitors may have stronger bargaining power with the supplier and have an advantage over us in pricing as well as securing silicon wafer supplies at times of shortages. Many of our competitors also have greater brand name recognition, more established distribution networks and larger customer bases. In addition, many of our competitors have well-established relationships with our existing and potential 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 and respond more quickly to evolving industry standards and changes in market conditions than we can. Our failure to adapt to changing market conditions and to compete successfully with existing or new competitors may materially and adversely affect our financial condition and results of operations.

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If we do not achieve satisfactory yields or quality in our production of solar cells, our sales could decrease and our relationships with our customers and our reputation may be harmed.

The manufacture of solar cells is a highly complex process. Minor deviations in the manufacturing process can cause substantial decreases in yields, affect the quality of the product and in some cases, cause production to be suspended or yield products unfit for commercial sale. This often occurs during the production of new products or the installation and start-up of new process technologies or equipment. We plan to construct our second solar cell manufacturing facilities with four manufacturing lines, each with a rated manufacturing capacity of 25 MW per annum, in Shanghai which we expect to become operational by the end of the third quarter of 2007. As we expand our manufacturing capacity and add additional manufacturing lines or facilities into production, we may experience lower yields and conversion efficiencies initially as is typical with any new equipment or process. We also expect to experience lower yields initially if we modify our manufacturing processes by utilizing thinner wafers. If we do not achieve satisfactory yields or quality, our product costs could increase, our sales could decrease and our relationships with our customers and our reputation could be harmed, any of which could have a material adverse effect on our business and results of operations.

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

As part of our growth strategy, we plan to expand our sales in new and existing markets, including overseas markets. Any international marketing, distribution and sale of our products will expose us to a number of risks, including:

fluctuations in currency exchange rates;

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

increased costs associated with maintaining marketing efforts in various countries;

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

inability to obtain, maintain or enforce intellectual property rights; and

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

If we are unable to effectively manage these risks, we may not be able to successfully expand our business abroad and grow our businesses as we have planned.

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

The solar power market is at a relatively early stage of development and the extent to which solar power products will be widely adopted is uncertain. Market data in the solar power industry are not as readily available as those in other more established industries where trends can be assessed more reliably from data gathered over a longer period of time. Many factors may affect the viability of widespread adoption of photovoltaic technology and demand for solar power products, including:

cost-effectiveness of solar power products compared to conventional and other non-solar energy sources and products;

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performance and reliability of solar power products compared to conventional and other non-solar energy sources and products;

availability of government subsidies and incentives to support the development of the solar power industry;

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

fluctuations in economic and market conditions that affect the viability of conventional and non-solar alternative energy sources, such as increases or decreases in the prices of oil and other fossil fuels; and

capital expenditures by end users of solar power products, which tend to decrease when the economy slows down.

The solar power market also competes with other sources of renewable energy and conventional power generation. If prices for conventional and other renewable energy resources decline, or if these resources enjoy greater policy support than solar power, the solar power market could suffer. If photovoltaic technology proves unsuitable for widespread adoption or if demand for solar power products fails to develop sufficiently, we may not be able to grow our business or generate sufficient revenues to sustain our profitability. In addition, demand for solar power products in our target markets may not develop or may develop to a lesser extent than we anticipated.

Our failure to further refine our technology and manufacturing processes and develop and introduce new solar power products could render our products uncompetitive or obsolete, and reduce our sales and market share.

The solar power industry is rapidly evolving and becoming more competitive. We will need to invest significant financial resources in research and development to keep pace with technological advances in the solar power industry and to effectively compete in the future. However, research and development activities are inherently uncertain, and we might encounter practical difficulties in commercializing our research results. A variety of competing photovoltaic technologies that other companies may develop could prove to be more cost-effective and have better performance than solar power products that we develop. Therefore, our development efforts may be rendered obsolete by the technological advances of others. Breakthroughs in photovoltaic technologies that do not use crystalline silicon could mean that companies such as us that rely entirely on crystalline silicon would encounter a sudden, sharp drop in sales. Our failure to further refine our technology and develop and introduce new solar power products could render our products uncompetitive or obsolete, and result in a decline in our market share as well as our revenues and profits.

One of the alternative technologies in the production of solar cells is thin film technology, which involves depositing several thin layers of silicon or more complex materials on a substrate such as glass to make a solar cell. The use of thin film technology in the production of solar cells would significantly reduce the consumption of silicon materials and manufacturing costs. Some universities, research institutions and companies in the solar power industry have devoted resources to the research and development on commercialization of thin film technology in the production of solar cells. New developments in commercialization of thin film technology may render our existing technologies obsolete and our products uncompetitive, which would result in loss in our profitability and market share and could materially and adversely affect our business, financial condition and results of operations.

In addition, any new development or adjustment in the manufacturing processes may affect our ability to maintain our competitive position. For example, we currently only produce monocrystalline solar cells because our wafer supplies are monocrystalline. If our new suppliers provide us with multicrystalline silicon wafers, we believe that we are capable of producing multicrystalline solar cells by making minor adjustments in our manufacturing processes. However, we cannot assure you that we can competitively produce solar cells from

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multicrystalline silicon wafers. Any failure to refine our manufacturing processes to competitively produce new solar cell products may result in a loss of our market share and revenue, which could materially and adversely affect our business, financial condition and results of operations.

The reduction or elimination of government subsidies and economic incentives could cause our revenue to decline.

We believe that the near-term growth of the market for on-grid applications, where solar power is used to supplement a customer's electricity purchased from the utility network, depends in a large part on the availability and size of government subsidies and economic incentives. The solar power market is segmented into two main application types: on-grid applications and off-grid applications. In the year of 2005, on-grid application represented 86.4% of the whole solar power market, according to Solarbuzz. The reduction or elimination of government and economic incentives may adversely affect the growth of this market or result in increased price competition, both of which could cause our revenue to decline and materially and adversely affect our business, financial conditions and results of operations.

Today, the cost of solar power exceeds the cost of power furnished by the electric utility grid in many locations. As a result, government bodies in many countries, most notably Germany, Spain, Japan and the U.S., have provided incentives in the form of 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 dependency on other forms of energy. These government economic incentives could be reduced or eliminated altogether. For example, Germany has been a strong supporter of solar power products and systems and political changes in Germany could result in significant reductions or eliminations of incentives, including the reduction of feed-in tariffs over time. In addition, the Spanish government has recently announced a proposed legislation, which is expected to be passed into law by January 2007, to reduce the feed-in tariff from the current rate of 0.44 per KW to 0.33 per KW over the next 25 years. Some solar program incentives expire, decline over time, are limited in total funding or require renewal of authority. Reductions in, or eliminations or expirations of, these governmental subsidies and economic incentives could result in decreased demand for our products and cause our revenue to decline.

In addition, despite governmental subsidies and economic incentives, these countries may from time to time experience a slowdown in demand for photovoltaic products. For example, Germany has recently experienced a significant slowdown in demand for photovoltaic products, which has led to worldwide declines in photovoltaic product shipments, prices and margins. This has had a material adverse effect on the level of growth of our sales and revenues in the months of October and November 2006.

Future increases in the supply of polysilicon, increased competition and other changing market conditions may cause a decline in the demand and average selling prices of solar cells and may potentially increase the level of our earnings volatility and reduce our profitability.

Due to the current shortage of polysilicon, solar cell manufacturers are experiencing over-capacity, with an average capacity utilization rate of 78% in 2005, according to Solarbuzz. However, it is expected that the polysilicon supply constraints will ease in 2008 as silicon producers increase their production. Any significant increase in the polysilicon supply may allow higher utilization of existing and planned solar cell production capacity which could result in significant downward pressure on the average selling prices of solar cells. In addition, increased competition from existing solar cell producers and new market participants as well as changes in other market conditions, such as reduced demand for solar power products in the end user markets, may cause a decline in the demand and average selling prices of solar cells from time to time. In October 2006, we experienced a decline in monthly sales volume in watts and average selling prices per watt of our solar cell products of approximately 1.2 MW and RMB 0.6, or approximately 25.3% and 2.2%, respectively, from those in September 2006. The average selling price per watt of our solar cell products declined further by RMB 1.6, or approximately 6.1%, in November 2006 compared to October 2006. Since September 2006, at the request of our

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customers in China, we have agreed to terminate or amend the terms of some of our long-term customer agreements. Further declines in solar cell demand or selling prices could result in increases in the level of our earnings volatility and reductions in our profitability, which would materially and adversely affect our business, financial condition and results of operations.

An increase in interest rates could make it difficult for end-users to finance the cost of a solar power system and could reduce the demand for our solar cells.

Many of our end-users depend on debt financing to fund the initial capital expenditure required to purchase and install a solar power system. As a result, an increase in interest rates could make it difficult for our end-users to secure the financing necessary to purchase and install a solar power system on favorable terms, or at all, and thus lower demand for our solar cells and reduce our net sales. In addition, we believe that a significant percentage of our end-users install solar power systems as an investment, funding the initial capital expenditure through a combination of equity and debt. An increase in interest rates could lower an investor's return on investment in a solar power system, or make alternative investments more attractive relative to solar power systems, and, in each case, could cause these end-users to seek alternative investments.

We obtain certain manufacturing equipment from sole suppliers and if such equipment is damaged or otherwise unavailable, our ability to deliver products on time will suffer, which in turn could result in order cancellations and loss of revenue.

Some of our equipment used in the manufacture of our solar cell products has been developed and made specifically for us, is not readily available from alternative vendors and would be difficult to repair or replace if it were to become damaged or stop working. In addition, we obtain some equipment from sole suppliers. If any of these suppliers were to experience financial difficulties or go out of business, or if there were any damage to or a breakdown of our manufacturing equipment at a time when we are manufacturing commercial quantities of our products, our business would suffer. In addition, a supplier's failure to supply our ordered equipment in a timely manner, with adequate quality and on terms acceptable to us, could delay the capacity expansion of our manufacturing facilities and otherwise disrupt our production schedule or increase our costs of production.

Problems with product quality or product performance in our solar cells could result in a decrease in revenue, unexpected expenses and loss of market share.

While we employ quality assurance procedures at key manufacturing stages to identify and resolve quality issues, our solar cells may contain defects that are not detected until after they are shipped or installed. These defects could cause us to incur significant re-engineering costs, divert the attention of our engineering personnel from product development efforts, lead to returns of, or requests to return, our products and significantly affect our customer relations and business reputation. If we deliver solar cells with errors or defects, or if there is a perception that our solar cells contain errors or defects, our credibility and the market acceptance and sales of our solar power products could be harmed.

The success of our business depends on the continuing efforts of our key personnel and our business may be severely disrupted if we lose their services.

Our future success depends, to a significant extent, on our ability to attract, train and retain qualified technical personnel, particularly those with expertise in the solar power industry. There is substantial competition for qualified technical personnel, and there can be no assurance that we will be able to attract or retain our qualified technical personnel. If we are unable to attract and retain qualified technical personnel, our business may be materially and adversely affected.

We rely heavily on the continued services of our executive officers, including Mr. Huaijin Yang, our chief executive officer, and Dr. Ximing Dai, our chief technology officer. We do not maintain key man life insurance

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on any of our executive officers. If one or more of our executive officers are unable or unwilling to continue in their present positions, we may not be able to replace them easily or at all. As a result, our business may be severely disrupted and we may incur additional expenses to recruit and retain new officers. In addition, if any of our executives joins a competitor or forms a competing company, we may lose some or all of our customers. We believe our future success will depend upon our ability to retain these key employees and our ability to attract and retain other skilled managerial, engineering and sales and marketing personnel. Each of our executive officers and other key personnel have entered into employment agreements with us, which contain confidentiality and non-competition provisions. However, if any disputes arise between our employees and us, we cannot assure you, in light of uncertainties associated with the PRC legal system, the extent to which any of these agreements could be enforced in China, where some of our executive officers reside and hold some of their assets. See Risks Related to Doing Business in China Uncertainties with respect to the PRC legal system could have a material adverse effect on us.

Our failure to protect our intellectual property rights may undermine our competitive position, and litigation to protect our intellectual property rights may be costly and may not be resolved in our favor.

We seek to protect our proprietary manufacturing processes, documentation and other written materials primarily through intellectual property laws and contractual restrictions. However, we have not obtained patent protection for our technology related to the manufacture of our solar cells. Instead, we rely on trade secrets and other similar protections. We also require employees and consultants with access to our proprietary information to execute confidentiality agreements with us. The steps taken by us to protect our proprietary information may not be adequate to prevent misappropriation of our technology. In addition, our proprietary rights may not be adequately protected because:

people may not be deterred from misappropriating our technologies despite the existence of laws or contracts prohibiting it;

policing unauthorized use of our intellectual property may be difficult, expensive and time-consuming, and we may be unable to determine the extent of any unauthorized use; and

enforcement under intellectual property laws in China may be slow and difficult in light of the application of such laws and the uncertainties associated with the PRC legal system. See Risks Related to Doing Business in China Uncertainties with respect to the PRC legal system could have a material adverse effect on us.

Reverse engineering, unauthorized copying or other misappropriation of our proprietary technologies could enable third parties to benefit from our technologies without paying us for doing so. Any inability to adequately protect our proprietary rights could harm our ability to compete, to generate revenue and to grow our business.

We cannot assure you that infringement of our intellectual property rights by other parties does not exist now or that it will not occur in the future. To protect our intellectual property rights and to maintain our competitive advantage, we may file suits against parties who we believe infringe our intellectual property. Such litigation may be costly and may divert management attention as well as expend our other resources away from our business. In certain situations, we may have to bring suit in foreign jurisdictions, in which case we are subject to additional risks as to the result of the proceedings and the amount of damage that we can recover. An adverse determination in any such litigation will impair our intellectual property rights and may harm our business, prospects and reputation. In addition, we have no insurance coverage against litigation costs and would have to bear all costs arising from such litigation to the extent we are unable to recover them from other parties. The occurrence of any of the foregoing could have a material adverse effect on our business, results of operations and financial condition.

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

Our success also 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 photovoltaic technology patents involve complex scientific, legal and factual questions and analysis and, therefore, may be highly uncertain. Although we are not currently aware of any parties pursuing or intending to pursue infringement claims against us, we cannot assure you that we will not be subject to such claims in the future. Also, because patent applications in many jurisdictions are kept confidential for 18 months before they are published, we may be unaware of other persons' pending patent applications that relate to our products or processes. Our suppliers such as Jinglong Group may also become subject to infringement claims, which in turn could negatively impact our business. 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 deferring or limiting their purchase or use of our products until resolution of such litigation. The occurrence of any of the foregoing could have a material adverse effect on our business, results of operations and financial condition.

Although a substantial portion of our solar cells are used in products sold outside China, we currently have no intention to apply for any patents outside China. Our business, results of operations and financial condition would be materially and adversely affected if our sales outside China were to be restricted by intellectual property claims by third parties.

We do not have, and have not applied for, any patent for our proprietary technologies outside China although we believe a substantial portion of our solar cells are used in products sold outside China. As a result, others may independently develop substantially equivalent technologies, or otherwise gain access to our proprietary technologies, and obtain patents for such intellectual properties in other jurisdictions, including the countries to which our solar cell products are sold ultimately. If any third parties are successful in obtaining patents for technologies that are substantially equivalent or the same as the technologies we use in our solar cell products in any of our markets before we do and enforce their intellectual property rights against us, our ability to sell products containing the allegedly infringing intellectual property in those markets will be materially and adversely affected. If we are required to stop selling such allegedly infringing products, seek license and pay royalties for the relevant intellectual properties, or redesign such products with non-infringing technologies, our business, results of operations and financial condition may be materially and adversely affected.

Changes to existing regulations over the utility sector and the solar power industry may present technical, regulatory and economic barriers to the purchase and use of solar power products, which may significantly reduce demand for our products.

The market for power generation products is heavily influenced by government regulations and policies concerning the electric utility industry, as well as the internal policies of electric utilities companies. These regulations and policies often relate to electricity pricing and technical interconnection of end user-owned power generation. In a number of countries, these regulations and policies are being modified and may continue to be modified. End users' purchases of alternative energy sources, including solar power products, could be deterred by these regulations and policies, which could result in a significant reduction in the potential demand for our solar power products. For example, utility companies commonly charge fees to larger, industrial customers for disconnecting from the electricity transmission grid or for having the capacity to use power from the electricity transmission grid for back-up purposes. These fees could increase end users' costs of using our solar power

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products and make products that use our solar cells less desirable, thereby having an adverse effect on our business, prospects, results of operations and financial condition.

We anticipate that products that use our solar cells and their installation will be subject to oversight and regulation in accordance with national and local ordinances relating to building codes, safety, environmental protection, utility interconnection and metering and related matters in various countries. It is also burdensome to track the requirements of individual localities and design equipment to comply with the varying standards. Any new government regulations or utility policies pertaining to products that use our solar cells may result in significant additional expenses to us and end users and, as a result, could cause a significant reduction in demand for our solar cells and the products that use our solar cells.

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

We use, generate and discharge toxic, volatile and otherwise hazardous chemicals and wastes in our research and development and manufacturing activities, and we are subject to regulations and periodic monitoring by local environmental protection authorities and are required to comply with all PRC national and local environmental protection laws and regulations. Under PRC environmental regulations, we are required to obtain a pollutant discharging permit and a safety appraisal, which includes a permit for the storage and use of hazardous chemicals and a permit for the use of atmospheric pressure containers, with relevant governmental authorities after we have completed the installation of our manufacturing lines but before the manufacturing lines commence commercial production. We are also required to undergo an environmental protection examination and obtain approval with relevant governmental authority within three months of the launch of trial production and before the manufacturing lines commence full operation. The relevant governmental authorities have the right to impose fines or a deadline to cure any non-compliance, or order us to cease the production if we fail to comply with these requirements.

We obtained the pollutant discharging permit, the safety appraisal and the environmental protection examination and approval only after we had commenced full operation of our manufacturing lines, which was not in compliance with the relevant PRC environmental regulations. We were not imposed any fines, which may be up to RMB 50,000 (US\$6,326) under the relevant environmental regulations, or other penalties by or from the environmental authorities for these past non-compliances. However, if we fail to comply with relevant environmental regulations in the future, we may be required to pay fines, suspend production or cease operation. In addition, if more stringent regulations are adopted in the future, the costs of compliance with these new regulations could be substantial. Any failure by us to control the use of, or to adequately restrict 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 significant losses resulting from operating hazards, product liability claims or business interruptions.

As with other solar power product manufacturers, our operations involve the use, handling, generation, processing, storage, transportation and disposal of hazardous materials, which may result in fires, explosions, spills and other unexpected or dangerous accidents causing personal injuries or death, property damages, environmental damages and business interruptions. We do not currently carry any third-party liability insurance against claims relating to personal injury, property or environmental damage arising from accidents on our properties or relating to our operations. Any occurrence of these or other accidents in our operation could have a material adverse effect on our business, financial condition or results of operations.

We are also exposed to risks associated with product liability claims in the event that the use of the solar power products we sell results in injury. Although our solar cell products do not generate electricity without being incorporated into modules or other solar power devices, it is possible that users could be injured or killed

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by modules or other devices incorporating our solar cells, whether by product malfunctions, defects, improper installation or other causes. We only commenced commercial shipment of our products in April 2006 and, due to limited historical experience, we are unable to predict whether product liability claims will be brought against us in the future or the effect of any resulting adverse publicity on our business. Moreover, we do not have any product liability insurance and may not have adequate resources to satisfy a judgment in the event of a successful claim against us. The successful assertion of product liability claims against us could result in potentially significant monetary damages and require us to make significant payments.

In addition, the normal operation of our manufacturing facilities may be interrupted by accidents caused by operating hazards, power supply disruptions, equipment failures, as well as natural disasters. For example, our manufacturing facilities in Ningjin experienced a scheduled five-day power outage in November 2006 due to an overhaul of the power grid in the Ningjin area. As the insurance industry in China is still in an early stage of development, business interruption insurance available in China offers limited coverage compared to that offered in many other countries. We do not have any business interruption insurance. Any business disruption or natural disaster could result in substantial costs and diversion of resources, and our business and results of operations may be materially and adversely affected.

As we have granted and will continue to grant employee share options to certain of our directors, officers, employees and consultants, our net income will be adversely affected.

On August 18, 2006, we adopted our 2006 stock incentive plan, under which we may grant options to purchase up to a maximum of 8,656,000 ordinary shares, plus a number of ordinary shares equal to 10% of any additional share capital of us issued following the effective date of such stock option plan to certain of our directors, employees and consultants. On August 21, 2006, we granted options to purchase 1,728,000 ordinary shares to certain of our directors, employees and consultants. In accordance with Statement No. 123 (Revised 2004), Share-Based Payment, or SFAS 123(R), of the Financial Accounting Standards Board, which requires all companies to recognize, as an expense, the fair value of share options and other share-based compensation to employees at the beginning of the first annual or interim period after June 15, 2005, we are required to account for compensation costs for all share options including share options granted to our directors, employees and consultants using a fair-value based method and recognize expenses in our consolidated statement of operations in accordance with the relevant rules under U.S. GAAP, which may have a material and adverse effect on our reported earnings. Moreover, the additional expenses associated with share-based compensation may reduce the attractiveness of such incentive plan to us. However, if we reduce the scope of our 2006 stock incentive plan, we may not be able to attract and retain key personnel, as share options are an important employee recruitment and retention tool. As we have granted and will continue to grant employee share options or other share-based compensation in the future, our net income will be adversely affected.

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.

All of our business operations are conducted in China and most 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. The Chinese economy differs from the economies of most developed countries in many respects, including:

the amount of government involvement;

the level of development;

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the growth rate;

the control of foreign exchange; and

the allocation of resources.

While the Chinese economy has grown significantly in the past 20 years, the growth has been uneven, both geographically and among various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall Chinese economy, but may also have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations that are applicable to us.

The Chinese economy has been transitioning from a planned economy to a more market-oriented economy. Although in recent years the PRC government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises, a substantial portion of the productive assets in China is still owned by the PRC government. The continued control of these assets and other aspects of the national economy by the PRC government could materially and adversely affect our business. The PRC government also exercises significant control over Chinese economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Efforts by the PRC government to slow the pace of growth of the Chinese economy could result in decreased capital expenditure by solar energy users, which in turn could reduce demand for our products.

Any adverse change in the economic conditions or government policies in China could have a material adverse effect on the overall economic growth and the level of renewable energy investments and expenditures in China, which in turn could lead to a reduction in demand for our products and consequently have a material adverse effect on our businesses.

Uncertainties with respect to the PRC legal system could have a material adverse effect on us.

We conduct substantially all of our business through our subsidiary, JingAo Solar Co., Ltd., or JA China, which is a limited liability company established in China. JA China 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 these laws and regulations are relatively new and 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.

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

We primarily rely on dividends paid to us by our operating subsidiary, JA China, for our cash requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders, to service any debt we may incur and to pay our operating expenses. The payment of dividends by entities organized in China is subject to limitations. Regulations in the PRC currently permit payment of dividends by JA China only out of accumulated profits as determined in accordance with accounting standards and regulations in China. JA China is also required to set aside at least 10.0% of its after-tax profit based on PRC accounting standards each year to its general reserves until the accumulative amount of such reserves reach 50.0% of its registered capital. These

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reserves are not distributable as cash dividends. In addition, at the discretion of its board of directors, JA China may allocate a portion of its after-tax profits to its staff welfare and bonus funds, which may not be distributed to equity owners except in the event of liquidation. Further, if JA China incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us.

Fluctuation in the value of the Renminbi may have a material adverse effect on our business and on your investment.

The change in value of the Renminbi against the U.S. dollar, Euro 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 appreciation of the Renminbi from approximately RMB 8.2765 per US\$1.00 as of July 21, 2005 to RMB 7.7602 per US\$1.00 as of February 5, 2007. 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 significant portion of our costs and expenses is denominated in Renminbi, the revaluation in July 2005 and potential future revaluation has and could further increase our costs. In addition, as we primarily rely on dividends paid to us by our operating subsidiary, any significant revaluation of the Renminbi may have a material adverse effect on our revenues and financial condition, and the value of, and any dividends payable on, our ADSs in foreign currency 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 ordinary 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, an appreciation in the value of the Renminbi against foreign currencies could make our solar cells more expensive for our international customers as well as reduce the competitiveness of our PRC customers in the international market, thus potentially leading to a reduction in our sales and profitability. Furthermore, many of our competitors are foreign companies that could benefit from such a currency fluctuation, making it more difficult for us to compete with these companies.

PRC regulations on currency exchange and foreign investment may limit our ability to receive and use our revenues effectively and may delay or prevent us from using the proceeds of this offering to make loans or additional capital contributions to our PRC operating subsidiaries.

Substantially all of our revenues and a significant portion of our 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 ordinary shares. Under China's existing foreign exchange regulations, our PRC subsidiary, JA China, 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 JA China under the capital account continue to be subject to significant foreign exchange controls and require the approval of PRC governmental authorities, including the SAFE. To utilize the proceeds of this offering in the manner described in "Use of Proceeds," as an offshore holding company of our PRC operating subsidiaries, we may make loans to our PRC subsidiaries, or we may make additional capital contributions to our PRC subsidiaries. Any loans to our PRC subsidiaries are subject to PRC

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regulations. For example, loans by us to our subsidiaries in China, which are foreign-invested enterprises, to finance their activities cannot exceed statutory limits and must be registered with the SAFE.

We may also decide to finance our subsidiaries by means of capital contributions. These capital contributions must be approved by the PRC Ministry of Commerce or its local counterparts. We cannot assure you that we will be able to obtain these government approvals on a timely basis, if at all, with respect to future capital contributions by us to our subsidiaries. If we fail to receive such approvals, our ability to use the proceeds of this offering and to capitalize our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

Our business benefits from certain PRC government incentives. Expiration of, or changes to, these incentives could have a material adverse effect on our operating results.

In accordance with Income Tax Law of China for Enterprises with Foreign Investment and Foreign Enterprises, or the Income Tax Law, and the related implementing rules, foreign invested enterprises established in the PRC are generally subject to an enterprise income tax rate of 33.0%, which includes a 30.0% state income tax and a 3.0% local income tax. Our operating subsidiary, JA China, was established as a foreign-invested enterprise in the PRC and is thus subject to PRC enterprise income tax of 33.0%. The PRC government has provided certain incentives to foreign invested companies in order to encourage foreign investments, including tax exemptions, tax reductions and other measures. Under the Income Tax Law and the related implementing rules, foreign-invested enterprises engaging in manufacturing businesses with a term of operation exceeding ten years may, subject to approval from local taxation authorities, be entitled to a two-year tax exemption from PRC enterprise income taxes starting from the year they become profitable, and a 50% tax reduction for the three years thereafter. As a result, we expect that JA China will be entitled to a two-year enterprise income tax exemption for 2006 and 2007, and will receive a 50% enterprise income tax reduction for 2008, 2009 and 2010, assuming that we will be profitable for each of these years.

In December 2006, the PRC government officially submitted a draft new Enterprise Income Tax Law that would impose a single income tax rate of 25% for most domestic enterprises and FIEs. The draft contemplates various transition periods for existing preferential tax policies. The draft is subject to change and may end up not being enacted by the PRC government. If the proposed Enterprise Income Tax Law is enacted, it is expected to be effective as of January 1, 2008, and could eliminate or significantly shorten the period in which we enjoy our preferential tax treatment.

When our currently available tax benefits expire or otherwise become unavailable as a result of the enactment of the Enterprise Income Tax Law or any other reasons, the effective income tax rate of JA China will increase significantly, and any increase of JA China's income tax rate in the future could have a material adverse effect on our financial condition and results of operations. Moreover, our historical operating results may not be indicative of our operating results for future periods as a result of the expiration of the tax benefits currently available to us.

We face risks related to health epidemics and other outbreaks.

Our business could be adversely affected by the effects of avian flu, SARS or another epidemic or outbreak. China reported a number of cases of SARS in April 2004. In 2005 and 2006, there have been reports on the occurrences of avian flu in various parts of China, including a few confirmed human cases. 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. These could include our ability to travel or ship our products outside China, as well as temporary closure of our manufacturing facilities. Such closures or travel or shipment restrictions would severely disrupt our business operations and adversely affect our 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.

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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 subsidiaries, limit our PRC subsidiaries' ability to distribute profits to us, or otherwise adversely affect us.

In October 2005, the PRC State Administration of Foreign Exchange, or SAFE, issued a circular concerning foreign exchange regulations on investments by PRC residents in China through special purpose companies incorporated overseas. The circular states that, if PRC residents use assets or equity interests in their domestic entities as capital contribution to establish offshore companies or inject assets or equity interests of their PRC entities into offshore companies to raise capital overseas, such PRC residents must register with local SAFE branches with respect to their overseas investments in offshore companies and must also file amendments to their registrations if their offshore companies experience material events, such as changes in share capital, share transfer, mergers and acquisitions, spin-off transactions or use of assets in China to guarantee offshore obligations. We believe our shareholders who are PRC residents as determined by the relevant branch of SAFE have registered with the relevant branch of SAFE with respect to their investments in us and our acquisition of their interests in JA China as currently required. However, we cannot provide any assurances that their existing registrations have fully complied with, and they will make necessary amendments to their registration to fully comply with, all applicable registrations or approvals required by these SAFE circulars. The failure or inability of our PRC resident shareholders to comply with the registration procedures set forth therein may subject these PRC resident shareholders to fines and legal sanctions, restrict our cross-border investment activities, or limit our PRC subsidiary's ability to distribute dividends to our company.

As it is uncertain how SAFE will interpret or implement its circular, we cannot predict how this circular and other SAFE circulars will affect our business operations or future strategies. For example, we may be subject to more stringent review and approval process with respect to our foreign exchange activities, such as remittance of dividends and foreign currency-denominated borrowings, which may adversely affect our business and prospects.

A new PRC rule on mergers and acquisitions may require us to obtain approvals by the PRC government and regulatory authorities for this offering.

On August 8, 2006, six PRC government and regulatory authorities, including the PRC Ministry of Commerce and the Chinese Securities Regulatory Commission, or the CSRC, promulgated a rule entitled Provisions regarding Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the New M&A Rule, which became effective on September 8, 2006. The New M&A Rule purports, among other things, that an offshore special purpose vehicle, or SPV, formed for the listing purpose through acquisition of a PRC domestic entity and controlled by PRC residents should obtain approval from the CSRC prior to publicly listing its securities on an overseas stock market. However, the New M&A Rule does not expressly provide that approval from the CSRC is required for the offshore listing of a SPV which acquires, directly or indirectly, equity interest or shares of a domestic PRC entity held by domestic companies or individuals by cash payment, nor does it expressly provide that approval from CSRC is not required for the offshore listing of a SPV which has fully completed its acquisition of equity interest of a domestic PRC entity prior to September 8, 2006. On September 21, 2006, the CSRC published a notice on its official website specifying documents and materials required to be submitted to the CSRC by the SPVs seeking approval for their overseas listing of securities. It is unclear whether the provisions in the New M&A Rule regarding the offshore listing and trading of the securities of a SPV applies to an offshore company such as us which has acquired the equity interest of a PRC domestic entity in cash and has completed the acquisition of the equity interest of a PRC domestic entity prior to the effective date of the New M&A Rule. In this respect, we and our PRC counsel, Tian Yuan Law Firm, consulted with the International Department of the CSRC, which department examines and approves offshore listings by PRC enterprises, and its preliminary response was that the New M&A Rule has no retroactive effect and as a result, our offshore listing would not be subject to the approval of the CSRC because the acquisition of the equity interest of JA China by JA BVI was approved and completed before September 8, 2006. Based on the results of such inquiry as well as its interpretation of the New M&A Rule, our PRC counsel, Tian Yuan Law Firm, has

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advised us that the CSRC approval is not required for this offering and our listing on the Nasdaq Global Market. However, we cannot assure you that the relevant PRC government agency, including the Ministry of Commerce or other applicable departments of the CSRC, would reach the same conclusion as our PRC counsel. If the CSRC or another PRC regulatory body subsequently determines that we need to obtain the CSRC's approval for this offering and our listing on the Nasdaq Global Market, we may face sanctions by the CSRC or other PRC regulatory agencies. In such an event, 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. The CSRC or other PRC regulatory agencies may also take actions requiring us, or making it advisable for us, to halt this offering before settlement and delivery of the ADSs offered by this prospectus.

The New M&A Rule also established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex, including requirements in some instances that the Ministry of Commerce be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. In the future, we may grow our business in part by acquiring complementary businesses, although we do not have any plans to do so at this time. Complying with the requirements of the New M&A Rule to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from the Ministry of Commerce, may delay or inhibit the completion of such transactions, which could affect our ability to expand our business or maintain our market share.

Risks Related to This Offering

There has been no public market for our ordinary shares or ADSs prior to this offering, and you may not be able to resell our ADSs at or above the price you paid, or at all.

Before this initial public offering, there was no public market for our ADSs or ordinary shares. We cannot assure you that an active public market for our ADSs will develop or that the market price of our ADSs will not decline below their initial public offering price. The initial public offering price of our ADSs will be determined by negotiations between us and the underwriters and may not be indicative of prices that will prevail in the trading market. You may be unable to resell your ADSs at a price that is attractive to you.

The market price for our ADSs may be volatile.

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

announcements of technological or competitive developments;

regulatory developments in our target markets affecting us, our customers, our potential customers or our competitors;

announcements regarding patent litigation or the issuance of patents to us or our competitors;

announcements of studies and reports relating to the conversion efficiencies of our products or those of our competitors;

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 photovoltaic technology companies;

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addition or departure of our executive officers and key research personnel;

fluctuations in the exchange rate between the U.S. dollar and RMB;

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

sales or perceived sales of additional ordinary shares or ADSs.

In addition, the securities markets have 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 have a material adverse effect on the market price of our ADSs.

Because the initial public offering price is substantially higher than our net tangible book value per share, you will incur immediate and substantial dilution.

If you purchase ADSs in this offering, you will pay more for your ADSs than the amount paid by our existing shareholders for their ordinary shares on a per ADS basis. As a result, you will experience immediate and substantial dilution of approximately US\$9.64 per ADS (assuming no exercise by the underwriters of options to acquire additional ADSs), representing the difference between our net tangible book value per ADS as of September 30, 2006, after giving effect to this offering and an initial public offering price of US\$15.00 per ADS. In addition, you may experience further dilution to the extent that our ordinary shares are issued upon the exercise of share options.

Substantial future sales or perceived sales of our ADSs in the public market could cause the price of our ADSs to decline.

Sales of our 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. Upon completion of this offering (assuming no exercise by the underwriters of options to acquire additional ADSs), we will have 131,520,000 ordinary shares outstanding, including 45,000,000 ordinary shares represented by 15,000,000 ADSs. All ADSs sold in this offering will be freely transferable without restriction or additional registration under the Securities Act of 1933, as amended, or the Securities Act, except to the extent acquired by persons deemed to be our affiliates. The remaining ordinary shares outstanding after this offering will be available for sale, upon the expiration of the 180-day lock-up period beginning from the date of this prospectus and, in the case of the ordinary shares that certain option holders will receive when they exercise their share options, until the later of (i) August 21, 2007, the first anniversary of the grant date, and (ii) the expiration of the aforementioned 180-day lock-up period, subject to volume and other restrictions as applicable under Rule 144 and Rule 701 under the Securities Act. Any or all of these shares (other than those held by certain option holders) may be released prior to expiration of the lock-up period at the discretion of the underwriters. To the extent shares are sold into the market either prior to or after the expiration of the lock-up period, the market price of our ADSs could decline.

Our second amended and restated articles of association will contain anti-takeover provisions that could have a material adverse effect on the rights of holders of our ordinary shares and ADSs.

We have adopted our second amended and restated articles of association, which will become effective immediately upon trading of our ADSs on the Nasdaq Global Market. Our second amended and restated articles of association will limit the ability of others to acquire control of our company or cause us to engage in change-of-control transactions. These provisions could have the effect of depriving our shareholders of an opportunity to sell their shares at a premium over prevailing market prices by discouraging third parties from seeking to obtain control of our company in a tender offer or similar transaction. For example, our board of directors has the authority, without further action by our shareholders, to issue preferred shares in one or more

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series and to fix their designations, powers, preferences, privileges, and relative participating, optional or special rights and the qualifications, limitations or restrictions, 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 ordinary shares, in the form of ADS or otherwise. Preferred shares could be issued quickly with terms calculated to delay or prevent a change in control of our company or make removal of management more difficult. If our board of directors decides to issue preferred shares, the price of our ADSs may fall and the voting and other rights of the holders of our ordinary shares and ADSs may be materially and adversely affected.

As at the date of this prospectus, our authorized share capital consists of 493,480,000 ordinary shares, par value US\$0.0001 each, of which 80,000,000 ordinary shares are currently issued and outstanding, and 6,520,000 Series A preference shares, par value US\$0.0001 each, all of which are currently issued and outstanding. Immediately after the completion of this public offering (assuming no exercise by the underwriters of options to acquire additional ADSs), we will have 131,520,000 ordinary shares and no preferred shares issued and outstanding. Our articles of association authorizes our board of directors to approve from time to time the issuance of additional ordinary shares of one or more classes or series of ordinary or preference shares as it shall determine subject to applicable regulatory requirements, to the extent that such shares are authorized but unissued. Our board of directors may issue such class or series of preferred shares without further shareholder approval. Issuance of additional ordinary or preference shares may dilute the voting power of holders of ordinary shares and may be used as an anti-takeover device without further action on the part of the shareholders.

Holders of ADSs have fewer rights than shareholders and must act through the depositary to exercise those rights.

Holders of ADSs do not have the same rights of our shareholders and may only exercise the voting rights with respect to the underlying ordinary shares in accordance with the provisions of the deposit agreement. Under our second amended and restated articles of association, which will become effective upon commencement of the trading of our ADSs on the Nasdaq Global Market, the minimum notice period required to convene a general meeting will be ten days. When a general meeting is convened, you may not receive sufficient notice of a shareholders meeting to permit you to withdraw your ordinary shares to allow you to cast your vote with respect to any specific matter. In addition, the depositary and its agents may not be able to send voting instructions to you or carry out your voting instructions in a timely manner. We will make all reasonable efforts to cause the depositary to extend voting rights to you in a timely manner, but we cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depositary to vote your ADSs. Furthermore, the depositary and its agents will not be responsible for any failure to carry out any instructions to vote, for the manner in which any vote is cast or for the effect of any such vote. As a result, you may not be able to exercise your right to vote and you may lack recourse if your ADSs are not voted as you requested. In addition, in your capacity as an ADS holder, you will not be able to call a shareholder meeting.

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

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

Your right to participate in any future rights offerings may be limited, which may cause dilution to your holdings and you may not receive cash dividends if it is impractical to make them available to you.

We may from time to time distribute rights to our shareholders, including rights to acquire our securities. However, we cannot make rights available to you in the United States unless we register the rights and the

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securities to which the rights relate under the Securities Act or an exemption from the registration requirements is available. Also, under the deposit agreement, the depository bank will not make rights available to you unless the distribution to ADS holders of both the rights and any related securities are either registered under the Securities Act, or exempted from registration under the Securities Act. We are under no obligation to file a registration statement with respect to any such rights or securities or to endeavor to cause such a registration statement to be declared effective. Moreover, we may not be able to establish an exemption from registration under the Securities Act. Accordingly, you may be unable to participate in our rights offerings and may experience dilution in your holdings.

In addition, the depository of our ADSs has agreed to pay to you the cash dividends or other distributions it or the custodian receives on our ordinary shares or other deposited securities after deducting its fees and expenses. You will receive these distributions in proportion to the number of ordinary shares your ADSs represent. However, the depository may, at its discretion, decide that it is inequitable or impractical to make a distribution available to any holders of ADSs. For example, the depository may determine that it is not practicable to distribute certain property through the mail, or that the value of certain distributions may be less than the cost of mailing them. In these cases, the depository may decide not to distribute such property and you will not receive such distribution.

We are a Cayman Islands company and, because judicial precedent regarding the rights of shareholders is more limited under Cayman Islands law than that under U.S. law, you may have less protection for your shareholder rights than you would under U.S. law.

Our corporate affairs will be governed by our second amended and restated articles of association, which, will become effective upon the trading of our ADSs on the Nasdaq Global Market, the Cayman Islands Companies Law and the common law of the Cayman Islands. The rights of shareholders to take action against the directors, actions by minority shareholders and the fiduciary responsibilities of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as that from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedent in some jurisdictions in the United States. In particular, the Cayman Islands has a less developed body of securities laws than the United States. In addition, some U.S. states, such as Delaware, have more fully developed and judicially interpreted bodies of corporate law than the Cayman Islands.

As a result of all of the above, public shareholders may have more difficulty in protecting their interests in the face of actions taken by management, members of the board of directors or controlling shareholders than they would as shareholders of a U.S. public company.

You may have difficulty enforcing judgments obtained against us.

We are a Cayman Islands company and substantially all of our assets are located outside of the United States. Substantially all of our current operations are conducted in the PRC. In addition, most of our directors and officers are nationals and residents of countries other than the United States. A substantial portion of the assets of these persons are located outside the United States. As a result, it may be difficult for you to effect service of process within the United States upon these persons. It may also be difficult for you to enforce in U.S. courts judgments obtained in U.S. courts based on the civil liability provisions of the U.S. federal securities laws against us and our officers and directors, most of whom are not residents in the United States and the substantial majority of whose assets are located outside of the United States. In addition, there is uncertainty as to whether the courts of the Cayman Islands or the PRC would recognize or enforce judgments of U.S. courts against us or such persons predicated upon the civil liability provisions of the securities laws of the United States or any state. In addition, it is uncertain whether such Cayman Islands or PRC courts would be competent to hear original actions

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brought in the Cayman Islands or the PRC against us or such persons predicated upon the securities laws of the United States or any state. See Enforcement of Civil Liabilities.

We have not determined any specific use for a portion of the net proceeds to us from this offering and we may use such portion of the net proceeds in ways with which you may not agree.

We have not allocated a portion of the net proceeds to us from this offering to any specific purpose. Rather, our management will have considerable discretion in the application of such portion of the net proceeds received by us. See Use of Proceeds. You will not have the opportunity, as part of your investment decision, to assess whether such proceeds are being used appropriately. You must rely on the judgment of our management regarding the application of such proceeds we receive from this offering. Such proceeds we receive may be used for corporate purposes that do not improve our profitability or increase our share price. Such proceeds we receive from this offering may also be placed in investments that do not produce income or that may lose value.

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SPECIAL NOTE ON FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that relate to future events, including our future operating results and conditions, our prospects and our future financial performance and condition. The forward-looking statements are contained principally in the sections entitled Prospectus Summary, Risk Factors, Use of Proceeds, Management's Discussion and Analysis of Financial Condition and Results of Operations and Business. These statements involve known and unknown risks, uncertainties and other factors, including those listed under Risk factors, which may cause our actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by the forward-looking statements.

Forward-looking statements typically are identified by words or phrases such as may, will, expect, anticipate, aim, estimate, intend, believe, potential, continue, is/are likely to or other similar expressions or the negative of these words or expressions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, among other things, statements relating to:

our expectations regarding the worldwide demand for electricity and the market for solar energy;

our beliefs regarding the inability of traditional fossil fuel-based generation technologies to meet the demand for electricity;

our beliefs regarding the importance of environmentally friendly power generation;

our expectations regarding governmental incentives for the deployment of solar energy;

our beliefs regarding the solar power industry revenue growth;

our expectations with respect to advancements in our technologies;

our beliefs regarding the low-cost advantage of solar cell production in China;

our beliefs regarding the competitiveness of our solar power products;

our expectations regarding the scaling of our solar power capacity;

our expectations with respect to increased revenue growth and our ability to achieve profitability resulting from increases in our production volumes;

our expectations with respect to our ability to secure raw materials in the future;

our expectations with respect to our ability to develop relationships with customers in our target markets;

our future business development, results of operations and financial condition; and

competition from other manufacturers of solar power products and conventional energy suppliers.

This prospectus also contains data related to the solar power market worldwide and in China. These 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 have a material adverse effect on 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

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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 turns out to be incorrect, actual results may be materially different from the projections based on these assumptions. Therefore, you should not rely upon forward-looking statements as predictions of future events.

The forward-looking statements made in this prospectus relate only to events or information as of the date on which the statements are made in this prospectus. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events. You should read this prospectus and the documents that we reference in this prospectus and have filed as exhibits to the registration statement, of which this prospectus is a part, completely and with the understanding that our actual future results may be materially different from what we expect.

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We estimate that we will receive net proceeds of approximately US\$206.6 million from this offering, after deducting the estimated underwriting discount and offering expenses payable by us. If the underwriters' over-allotment option is exercised in full, the net proceeds we will receive will be approximately US\$238.0 million.

We intend to use the net proceeds of this offering for the following purposes:

US\$100 million to prepay for raw materials pursuant to our long-term wafer supply agreement with M.SETEK;

approximately US\$20 million to prepay for raw materials from other suppliers, including Jinglong Group;

approximately US\$20 million to purchase manufacturing equipment and construct certain operating facilities for our planned Shanghai facilities to expand our manufacturing capacity;

approximately US\$19 million to repay our short-term debt obligations;

approximately US\$10 million to enhance our research and development capabilities; and

the remaining amount to be used for working capital and other general corporate purposes.

We intend to use US\$100 million of the net proceeds of this offering to prepay for raw materials pursuant to our long-term wafer supply agreement with M.SETEK. See **Business** **Raw Materials and Utilities** **Silicon Wafers** **Long-term Supply Agreements with Jinglong Group and Others** and **Risk Factors** **Risks Related to Our Business** **Prepayment arrangements for procurement of silicon wafers from M.SETEK, Jinglong Group and other existing and new suppliers expose us to the credit risks of such suppliers and may also significantly increase our costs and expenses, either of which could in turn have a material adverse effect on our financial condition, results of operations and liquidity.** We have been advised by M.SETEK that it will use our prepayment to satisfy a portion of its capital expenditure requirements in connection with the expansion of its polysilicon and wafer production capacity in Japan. To the extent M.SETEK is unable to source additional funding to meet the balance of its capital expenditure requirements or is otherwise unable to expand its capacity as planned, its ability to satisfy its delivery requirements with us may be materially and adversely affected, which may in turn have a material and adverse effect on our ability to secure wafer supply. Although we believe M.SETEK is not a related party, our chairman, Baofang Jin, also is an indirect shareholder and the general manager of Ningjin Songgong Semiconductor Co., Ltd., or Ningjin Songgong, a joint venture of M.SETEK in China.

The following table sets forth a summary of our outstanding short-term debt obligations that we intend to repay using part of the net proceeds we will receive from this offering. The proceeds of these loans have been, and will be, prior to the completion of this offering, used primarily for purchase of or prepayment for raw materials.

Lender	Date of borrowing	Due date	Principal (in RMB)	Interest rate
Agricultural Bank of China	October 2006	October 2007	50,000,000	6.12%
Bank of China	December 2006	December 2007	50,000,000	6.12%
Bank of China	January 2007	January 2008	50,000,000	6.12%

To utilize the proceeds of this offering, as an offshore holding company, we are permitted, under PRC regulations, to provide funding to our PRC subsidiaries only through loans or capital contributions. Subject to satisfaction of applicable government registrations and approval requirements, we may extend inter-company loans or make additional capital contributions to our PRC subsidiaries to fund their capital

expenditures or working capital. We cannot assure you that we will be able to obtain these government registrations or approvals

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on a timely basis, if at all. See Risk Factors Risks Related to Doing Business in China PRC regulations on currency exchange and foreign investment may limit our ability to receive and use our revenues effectively and may delay or prevent us from using the proceeds of this offering to make loans or additional capital contributions to our PRC operating subsidiaries.

The foregoing represents our current intentions with respect to the use and allocation of the net proceeds of this offering based upon our present plans and business conditions, but our management will have significant flexibility and discretion in applying the net proceeds. The occurrence of unforeseen events or changed business conditions could result in application of the net proceeds of this offering in a manner other than as described above.

Pending use of the net proceeds, we intend to invest our net proceeds in interest bearing, investment-grade debt instruments or bank deposits.

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DIVIDEND POLICY

We have never declared or paid any dividends on our ordinary shares. We do not anticipate paying any cash dividends in the foreseeable future. We currently intend to retain future earnings, if any, to finance operations and to expand our business.

Our board of directors has complete discretion on whether to pay 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 conditions, contractual restrictions and other factors that the board of directors may deem relevant. Cash dividends on our ADSs, if any, will be paid in U.S. dollars.

As we are a holding company incorporated in the Cayman Islands, we primarily rely on dividends paid to us by JA China, our wholly owned subsidiary in the PRC, for our cash requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders, service any debt we may incur and pay our operating expenses. PRC regulations currently permit payment of dividends only out of accumulated profits, if any, as determined in accordance with PRC accounting standards and regulations. Under current PRC laws and regulations, JA China is required to allocate at least 10% of its after-tax profits each year, if any, to fund a statutory reserve until such reserve reaches 50% of JA China's registered capital, which totaled RMB 120.0 million (US\$15.0 million) as of September 30, 2006. These reserves are not distributable as cash dividends. In addition, at the discretion of its board of directors, JA China may allocate a portion of its after-tax profits to its staff welfare and bonus funds. These reserve funds may not be distributed as cash dividends. Further, if JA China incurs debt in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us.

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The following table shows our capitalization as of September 30, 2006:

on an actual basis; and

as adjusted to reflect the automatic conversion of all our outstanding preference shares into 6,520,000 ordinary shares upon the closing of this offering and our sale of 15,000,000 ADSs in this offering at the initial public offering price of US\$15.00, after deducting the underwriting discount and estimated offering expenses payable by us.

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

	As of September 30, 2006			
	Actual	As adjusted		
	RMB	US\$(¹)	RMB	US\$(¹)
Debt (short-term bank borrowings)	100,000,000	12,651,822	100,000,000	12,651,822
Preference shares (par value US\$0.0001 per share; 6,520,000 shares authorized, issued and outstanding)	110,339,961	13,960,015		
Shareholders' equity:				
Ordinary shares (par value US\$0.0001 per share; 493,480,000 shares authorized, 80,000,000 issued and outstanding, 131,520,000 shares issued and outstanding on an as adjusted basis)	66,212	8,377	106,958	13,532
Additional paid-in capital	105,068,135	13,293,033	1,849,089,037	233,943,451
Retained earnings	16,655,656	2,107,244	16,655,656	2,107,244
Total shareholders' equity	121,790,003	15,408,654	1,865,851,651	236,064,227
Total capitalization	332,129,964	42,020,491	1,965,851,651	248,716,049

(1) Translations of RMB amounts into U.S. dollars were made at a rate of RMB 7.9040 to US\$1.00, the noon buying rate for U.S. dollars in effect on September 29, 2006 in New York City for cable transfers of Renminbi as certified for customs purposes by the Federal Reserve Bank of New York.

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If you invest in our ADSs, your interest will be diluted to the extent of the difference between the initial public offering price per ADS and our net tangible book value per ADS after the offering. Dilution results from the fact that the per ordinary share offering price of our ADSs is substantially in excess of the book value per ordinary share attributable to the existing shareholders for our presently outstanding ordinary shares.

Our net tangible book value as of September 30, 2006 was RMB 114,296,869 (US\$14,460,636) or RMB 1.43 (US\$0.18) per ordinary share and US\$0.54 per ADS. Our net tangible book value as of September 30, 2006, as adjusted to give effect to the conversion of our preference shares into ordinary shares, as if the conversion occurred on September 30, 2006, was RMB 224,636,830 (US\$28,420,652), or RMB 2.60 (US\$0.33) per ordinary share and US\$0.99 per ADS. Net tangible book value represents total consolidated tangible assets less total consolidated liabilities. Without taking into account any other changes in such net tangible book value after September 30, 2006, other than to give effect to the conversion of our preference shares into ordinary shares upon completion of this offering, our sale of 15,000,000 ADSs in this offering at the initial public offering price of US\$15.00 per ADS and after deducting the underwriting discount and estimated offering expenses, our net tangible book value as of September 30, 2006 would have been US\$235,116,209, or US\$1.79 per share and US\$5.36 per ADS. This represents an immediate increase in net tangible book value of US\$1.46 per ordinary share, or US\$4.37 per ADS, to existing shareholders and an immediate dilution of US\$3.21 per ordinary share, or US\$9.64 per ADS, to investors purchasing ADSs in this offering. Dilution is determined by subtracting net tangible book value per ADS after this offering from the amount of cash paid by a new investor for one ADS. The following table illustrates this per share dilution:

Initial public offering price per ordinary share	US\$ 5.00
Net tangible book value per ordinary share as of September 30, 2006	US\$ 0.18
Net tangible book value per ordinary share as of September 30, 2006, as adjusted to give effect to the conversion of our preference shares into ordinary shares	US\$ 0.33
Increase in net tangible book value per ordinary share attributable to this offering	US\$ 1.46
Net tangible book value per ordinary share after giving effect to this offering, as adjusted to give effect to the conversion of our preference shares into ordinary shares	US\$ 1.79
Dilution per ordinary share to new investors	US\$ 3.21
Dilution per ADS to new investors	US\$ 9.64

The following table summarizes, on a pro forma basis as of September 30, 2006, the differences between existing shareholders and the new investors with respect to the number of ordinary shares purchased from us, the total consideration paid and the average price per share and the average price per ADS, each paid before deducting the underwriting discount and our estimated offering expenses.

	Shares purchased		Total consideration		Average	Average
	Number	Percent	Amount	Percent	price	price
(in thousands, except for percentage and per share and per ADS data)						
Existing holders	86,520,000	65.8%	US\$ 20,750,001	8.4%	US\$ 0.24	US\$ 0.72
New investors	45,000,000	34.2	US\$ 225,000,000	91.6	US\$ 5.00	US\$ 15.00
Total	131,520,000	100.0%	US\$ 245,750,001	100.0%	US\$ 1.87	US\$ 5.61

The discussion and tables above assume no exercise of outstanding stock options. As of September 30, 2006, there were stock options outstanding to purchase a total of 1,728,000 ordinary shares, with a weighted average exercise price of US\$2.147 per share. To the extent that any of these stock options are exercised, there will be further dilution to new investors.

Table of Contents**EXCHANGE RATE INFORMATION**

We conduct almost all of our business operations in and from China in Renminbi. Solely for your convenience, this prospectus contains translations of Renminbi amounts into U.S. dollar amounts at US\$1.00 = RMB 7.9040, the noon buying rate for U.S. dollars in effect on September 29, 2006 in New York City for cable transfers of Renminbi as certified for customs purposes by the Federal Reserve Bank of New York. We will make periodic reports to our shareholders in U.S. dollars by using the then-current exchange rates. We make no representation that any amounts in Renminbi or U.S. dollar could be or could have been converted into each other at any particular rate or at all. The PRC government imposes controls over its foreign exchange in part through direct regulation of the conversion of Renminbi into foreign currency as we have disclosed in Risk Factors Risks Related to Doing Business in China Fluctuation in the value of Renminbi may have a material adverse effect on our business and on your investment and PRC regulations on currency exchange and foreign investment may limit our ability to receive and use our revenues effectively and may delay or prevent us from using the proceeds of this offering to make loans or additional capital contributions to our PRC operating subsidiaries.

The following table sets forth, for the periods indicated, the noon buying rates for U.S. dollars in New York City for cable transfers in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York:

Period	Period End	Noon buying rate		
		Average ⁽¹⁾	High	Low
(RMB per US\$1.00)				
2002	8.2800	8.2772	8.2800	8.2700
2003	8.2767	8.2771	8.2800	8.2765
2004	8.2765	8.2768	8.2774	8.2764
2005	8.0702	8.1826	8.2765	8.0702
2006	7.8041	7.9579	8.0702	7.8041
August	7.9538		8.0000	7.9538
September	7.9040		7.9545	7.8965
October	7.8785		7.9168	7.8728
November	7.8340		7.8750	7.8303
December	7.8041		7.8350	7.8041
2007 (through February 5)	7.7602		7.8127	7.7555
January	7.7714		7.8127	7.7705
February (through February 5)	7.7602		7.7602	7.7555

Source: Federal Reserve Bank of New York.

(1) Determined by averaging the noon buying rates on the last business day of each month or the elapsed portion thereof during the relevant period.

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ENFORCEABILITY OF CIVIL LIABILITIES

We are incorporated in the Cayman Islands as an exempted company with limited liability. We are incorporated in the Cayman Islands because of the following benefits:

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 Cayman Islands. These disadvantages include:

the Cayman Islands has a less developed body of securities laws as compared to that of the United States and these securities laws provide significantly less protection to investors; and

the Cayman Islands companies may not have standing to sue before the federal courts of the United States.

Our constituent 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.

Almost all of our assets are located in China. A majority of our directors and 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 of 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.

Conyers, Dill and Pearman, our counsel as to the laws of the Cayman Islands, and Tian Yuan Law Firm, our counsel as to Chinese law, have advised us respectively that there is uncertainty as to whether the courts of the Cayman Islands or 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 the Cayman Islands or China respectively against us or our directors or officers predicated upon the securities laws of the United States or any state in the United States.

Conyers, Dill and Pearman has further advised us that the courts of the Cayman Islands would recognize as a valid judgment, a final and conclusive judgment in personam obtained in the federal or state courts in the United States under which a sum of money is payable, other than a sum payable in respect of multiple damages, taxes, or other charges of a like nature or in respect of a fine or other penalty, and would give a

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judgment based thereon provided that (i) such courts had proper jurisdiction over the parties subject to such judgment, (ii) such courts did not contravene the rules of natural justice of the Cayman Islands, (iii) such judgment was not obtained by fraud; (iv) the enforcement of the judgment would not be contrary to the public policy of the Cayman Islands;

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(v) no new admissible evidence relevant to the action is submitted prior to the rendering of the judgment by the courts of the Cayman Islands; and (vi) there is due compliance with the correct procedures under the laws of the Cayman Islands.

Tian Yuan Law Firm has further advised us that the recognition and enforcement of foreign judgments are provided for under PRC Civil Procedures Law. Under the PRC Civil Procedures Law, courts in China may recognize and enforce foreign judgments based either on treaties between China and the country where the judgment is rendered or on reciprocity arrangements for the recognition and enforcement of foreign judgments between jurisdictions. If there are neither treaties nor reciprocity arrangements between China and a foreign jurisdiction where a judgment is rendered, according to the PRC Civil Procedures Law, matters relating to the recognition and enforcement of a foreign judgment in China may be resolved through diplomatic channels. China does not have any treaties or other arrangements that provide for the reciprocal recognition and enforcement of foreign judgments with the United States or the Cayman Islands. As a result, it is generally difficult to recognize and enforce in China a judgment rendered by a court in either of these two jurisdictions.

Table of Contents**SELECTED CONSOLIDATED FINANCIAL AND OPERATING DATA**

You should read the following selected consolidated financial and operating data in conjunction with our audited 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 selected consolidated financial data presented below as of December 31, 2005 and September 30, 2006 and for the period from inception (May 18, 2005) to December 31, 2005 and the nine-month period ended September 30, 2006 have been prepared in accordance with U.S. GAAP and are derived from our audited consolidated financial statements included elsewhere in this prospectus. Results for the nine months ended September 30, 2006 are not necessarily indicative of the results that may be expected for the full year. The historical results are not necessarily indicative of results to be expected in any future period.

	For the period from inception to December 31, 2005 RMB	For the nine months ended September 30, 2006 RMB US\$ ⁽¹⁾	
Consolidated Statements of Operations Data:			
Revenue from third parties		255,709,240	32,351,878
Revenue from related parties		91,344,893	11,556,793
Total revenues		347,054,133	43,908,671
Cost of revenues		(258,429,361)	(32,696,022)
Gross profit		88,624,772	11,212,649
Selling, general and administrative expenses ⁽²⁾	(2,638,340)	(30,769,792)	(3,892,939)
Research and development expenses	(383,468)	(711,878)	(90,066)
Total operating expenses	(3,021,808)	(31,481,670)	(3,983,005)
Income/ (loss) from operations	(3,021,808)	57,143,102	7,229,644
Interest expense		(2,835,986)	(358,804)
Interest income	38,965	425,018	53,773
Foreign exchange gain/ (loss)	(128,152)	256,250	32,420
Income/ (loss) before income taxes	(3,110,995)	54,988,384	6,957,033
Income tax benefit/ (expense)			
Net income/ (loss)	(3,110,995)	54,988,384	6,957,033
Preferred shares accretion		(489,600)	(61,943)
Preferred shares beneficial conversion charge		(34,732,133)	(4,394,248)
Allocation of net income to participating preferred shareholders		(233,246)	(29,510)
Net Income available to ordinary shareholders	(3,110,995)	19,533,405	2,471,332
Net income/(loss) per share:			
Basic	(0.04)	0.24	0.03
Diluted	(0.04)	0.24	0.03
Weighted average number of shares outstanding:			
Basic	80,000,000	80,000,000	80,000,000

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Diluted	80,000,000	80,000,000	80,000,000
Consolidated Statements of Cash Flows Data:			
Cash flows (used in) or provided by:			
Operating activities	(1,635,016)	(57,801,518)	(7,312,945)
Investing activities	(37,971,977)	(83,995,789)	(10,626,998)
Financing activities	50,699,555	204,840,478	25,916,052

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	For the period from inception to December 31, 2005	For the nine months ended September 30, 2006
Other Consolidated Financial Data (in percentages)		
Gross margin		25.5%
Operating margin		16.5%
Net margin		15.8%
Selected Operating Data		
Products sold (in units)		5,226,239
Products sold (in MW)		12.61
Average selling price per watt (in RMB)		27.00
Average selling price per watt (in US\$ ⁽¹⁾)		3.42

	As of December 31, 2005 RMB	As of September 30, 2006 RMB	US\$ ⁽¹⁾
Consolidated Balance Sheet Data:			
Cash and cash equivalents	10,970,605	73,532,762	9,303,234
Account receivable from third party customers		37,546,177	4,750,275
Inventories		105,848,430	13,391,755
Advances to related party supplier		46,380,354	5,867,960
Other current assets	455,088	9,039,533	1,143,666
Total current assets	11,425,693	272,347,256	34,456,890
Property and equipment, net	39,392,413	126,103,343	15,954,370
Intangible asset, net	8,250,000	7,493,134	948,018
Total assets	59,068,106	405,943,733	51,359,278
Total debt		100,000,000	12,651,822
Total liabilities	2,479,546	173,813,769	21,990,609
Preferred shares		110,339,961	13,960,015
Total shareholders' equity	56,588,560	121,790,003	15,408,654

- (1) Translations of RMB amounts into U.S. dollars were made at a rate of RMB 7.9040 to US\$1.00, the noon buying rate for U.S. dollars in effect on September 29, 2006 in New York City for cable transfers of Renminbi as certified for customs purposes by the Federal Reserve Bank of New York.
- (2) Includes RMB 16,531,542 (US\$2,091,541) in share-based compensation cost for the nine months ended September 30, 2006.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS**

The following discussion and analysis of our financial condition and results of operations are based upon and should be read in conjunction with our consolidated financial statements and the related notes included in this prospectus. This discussion contains forward-looking statements that involve risks, uncertainties and assumptions. We caution you that our business and financial performance are subject to substantial risks and uncertainties. Our actual results could differ materially from those projected in the forward-looking statements as a result of various factors, including those set forth under the caption "Risk Factors" and elsewhere in this prospectus.

Overview

We are an emerging and fast-growing manufacturer of high-performance solar cells based in China. We conduct our business through our indirectly wholly-owned subsidiary JingAo Solar Co., Ltd., or JA China, and operate and manage our business as a single segment. We commenced our business through JA China in May 2005. Pursuant to a recapitalization plan, all of the former shareholders of JA China transferred their equity interests in JA China to JA Development Co., Ltd., or JA BVI, our wholly-owned subsidiary incorporated under the laws of the British Virgin Islands. This recapitalization is accounted for as a legal reorganization of entities under common control, in a manner similar to a pooling-of-interest. Accordingly, our consolidated financial statements have been prepared as if the current corporate structure had been in existence throughout the periods presented.

We derive revenues primarily from sales of solar cells to solar module manufacturers. We made our first commercial shipment in April 2006 from our first solar cell manufacturing line located in Ningjin, Hebei province, which has a rated manufacturing capacity of 25 MW per annum. By the end of July 2006, our first solar cell manufacturing line was operating at its full capacity. We have installed two additional manufacturing lines each with a rated manufacturing capacity of 25 MW per annum in the same facilities, which became fully operational in October 2006 and resulted in us having a total rated manufacturing capacity of 75 MW per annum. We generated revenues of RMB 347.1 million (US\$43.9 million) and net income of RMB 55.0 million (US\$7.0 million) for the nine months ended September 30, 2006.

We have an extremely limited operating history, which may not provide a meaningful basis to evaluate our business. You should consider the risks and difficulties frequently encountered by early-stage companies, such as us, in new and rapidly evolving markets, such as the solar power market. Recent growth in our results of operations should not be taken as indicative of the rate of growth, if any, that can be expected in the future. In addition, our limited operating history provides a limited historical basis to assess the impact that critical accounting policies may have on our business and our financial performance.

Factors Affecting our Results of Operations

We believe that the following factors have had, and we expect that they will continue to have, a significant effect on the development of our business, financial condition and results of operations.

Industry Demand

Demand for solar cells is critical to our business and revenue growth. The solar power market has experienced significant growth in the past few years. According to Solarbuzz, the global solar power market, as measured by annual solar power system installations, increased from 345 MW in 2001 to 1,460 MW in 2005, representing a CAGR of 43.4%, while solar power industry revenues grew from approximately US\$2.0 billion in 2000 to approximately US\$9.8 billion in 2005, representing a CAGR of 37.4%. Despite the rapid growth, solar power industry may have significant growth potential due to its advantages over other forms of electricity generation and

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because it still constitutes only a small portion of the world's energy output. Solarbuzz projects that annual solar power industry revenues will reach US\$18.6 billion by 2010, representing a CAGR of 13.7% from 2005.

Capacity Expansion

We have been expanding our manufacturing capacity since inception, and we intend to further expand our manufacturing capacity by constructing more manufacturing lines. We commenced commercial production of our first solar cell manufacturing line located in Ningjin, Hebei province with a rated manufacturing capacity of 25 MW per annum in April 2006. With our experienced technical and production teams, we were able to achieve full manufacturing capacity in July 2006. We have installed two additional manufacturing lines each with a rated manufacturing capacity of 25 MW per annum in the same facility, which became fully operational in October 2006. We plan to construct new manufacturing facilities in Shanghai with four manufacturing lines, each with a rated capacity of 25 MW per annum, to increase our total rated manufacturing capacity to 175 MW per annum by the end of the third quarter of 2007. We expect that increases in production capacity will have a significant effect on our financial condition and results of operations by increasing our revenues through increases in the production and sales of solar cells, and lowering our per unit manufacturing costs through economies of scale.

Availability and Price of Silicon Wafers

Silicon wafers are the most important raw material for the manufacturing of solar cell products. Polysilicon is the essential raw material from which silicon wafers are made. There is currently an industry-wide shortage of polysilicon resulting primarily from growing demand of the solar power and semiconductor industries, and limited growth in polysilicon manufacturing capacities. The limited availability of polysilicon and thus silicon wafers has resulted in significant price increases of both polysilicon and silicon wafers. As the solar power industry continues to grow, the availability of silicon wafers will, to a large extent, determine the output of solar cell manufacturers, including us. Failure to obtain sufficient quantities of polysilicon and silicon wafers could reduce the number of solar cells we manufacture and sell, resulting in decreases in our revenues, as well as limit our manufacturing capacity expansion as planned.

The success of our business and our growth strategy depends heavily on securing sufficient supply of silicon wafers to meet our existing and planned production capacity. We currently have a long-term silicon wafer supply agreement with Jinglong Group, the largest producer and supplier of monocrystalline silicon wafers in China. Prices of silicon wafers we purchased from Jinglong Group are determined between us and Jinglong Group based on market conditions in China and we believe silicon wafer prices in the Chinese market are generally higher than those in the international market. Jinglong Group supplied us with approximately 2.7 million silicon wafers in each of October, November and December 2006, and has agreed to supply us with not less than 2.7 million silicon wafers per month until and including April 2007, and not less than 4.0 million silicon wafers per month for the remaining months of 2007. We believe we have contractually secured an adequate supply of silicon wafers from Jinglong Group to meet a large portion of our anticipated production needs for 2007. In addition, we have entered into a 31-month wafer supply agreement with ReneSola Ltd. and a 54-month wafer supply agreement with M.SETEK, and are in discussions with other potential suppliers to secure additional supplies of silicon wafers to meet our remaining anticipated production needs for 2007 and beyond. Under our wafer supply agreement with ReneSola, it has agreed to supply to us 300,000 wafers per month from June 2007 to December 2007. Under wafer supply agreement with M.SETEK, it has agreed to supply to us 100,000 wafers per month from July 2007 to December 2007. See *Business - Raw Materials and Utilities - Silicon Wafers - Long-term Supply Agreements with Jinglong Group and Others*. We also procure supplies of ingots or polysilicon from third parties and engage Jinglong Group to process such ingots and polysilicon into wafers for us. Furthermore, in order to meet a portion of our raw material requirements, we are also in discussions with potential customers who have their own wafer supplies to enter into manufacturing arrangements with them. Under these arrangements, we would obtain silicon wafer supplies from these customers, and would be obligated to sell to these customers all or a substantial portion of the solar cells manufactured with these wafers.

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However, we cannot assure you that we will be able to secure sufficient quantities of silicon wafers to expand our manufacturing capacity as we planned. See **Risk Factors** **Risks Related to Our Business** We are susceptible to the current industry-wide shortage of polysilicon, which could adversely affect our ability to meet existing and future customer demand for our products and cause us to lose customers and market share, generate lower than anticipated revenues and manufacture our products at higher than expected costs.

Pricing of Our Solar Cell Products

Solar cells are priced on the basis of the number of watts of electricity they can generate. Pricing of solar cells is principally affected by manufacturing costs, including the cost of silicon wafers, as well as the overall demand in the solar power industry. Increased economies of scale and improvement in manufacturing technologies in recent years have led to a steady decrease in manufacturing costs and the prices of solar cells.

We enter into short- and long-term sales contracts with customers which contain indicative delivery schedules. We price our products based on the prevailing market price at the time of the contracts with our customers, taking into account the size of the contract, the length of the contract, the strength and history of our relationship with each customer and our capacity utilization. The average selling price of our solar cells was approximately RMB 27.0 (US\$3.42) per watt for the nine months ended September 30, 2006. The average selling price of our solar cells was lower at approximately RMB 26.3 (US\$3.33) per watt in October and at approximately RMB 24.7 (US\$3.13) per watt in November 2006. We expect the prices of solar cell products, including our own products, to decline over time due to increased supplies and reduced manufacturing costs.

Technology Improvement

The improvement of manufacturing technologies is crucial in increasing conversion efficiencies of solar cells. High conversion efficiencies reduce the manufacturing cost per watt of solar cells and increase the gross profit margin of the manufacturer. As a result, solar power companies, including us, are continuously pursuing technology improvements in an effort to increase conversion efficiencies.

Our monocrystalline solar cells have generally achieved conversion efficiency rates in the range of 16.0% to 16.5%. The highest conversion efficiency rate achieved with solar cells produced by us to date was 17.47%, as tested by the Photovoltaic and Wind Power System Quality Test Center of the Chinese Academy of Sciences. We intend to further enhance our research and development efforts on process technologies in solar cell production which can increase conversion efficiency of solar cells and reduce production costs. As part of the strategy to achieve this, we plan to build a research and development center in Shanghai.

Customer Agreements

For the nine months ended September 30, 2006, approximately 98.7% of our total sales revenue was generated from sales to customers based in China. During this period, sales to our three largest customers represented approximately 47% of our total revenues, of which two were our related parties until August 2006 that represented approximately 35% of total revenues. See **Risk Factors** **Risks Related to Our Business** We currently sell a significant portion of our solar cell products to a limited number of customers. Our dependence on these customers may cause significant fluctuations or declines in our revenues and **Related Party Transactions** **Transactions with Other Related Parties**.

In January 2007, we signed our largest long-term customer agreement to date with PowerLight, a wholly-owned subsidiary of SunPower Corporation, under which we have agreed to supply PowerLight with a total of 120 MW of solar cells through the end of 2009. In January 2007, we also signed a long-term sales agreement with Crown Renewable Energy, under which we have agreed to supply Crown Renewable Energy with a total of 45 MW of solar cells through the end of 2009. See **Business** **Markets and Customers**. As a result, we expect increased direct sales to third party overseas customers to account for a significant portion of our revenue going

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forward. These agreements are in line with our overall growth strategy and expansion plans. The terms of these agreements are not materially different from those of our other existing customer agreements.

Critical Accounting Policies

The discussion and analysis of our operating results and financial condition are based on our audited financial statements, which we have prepared in accordance with U.S. GAAP. The preparation of financial statements in conformity with U.S. GAAP requires our management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting periods. We base our estimates and assumptions on historical experience and various other factors that we believe to be reasonable under the circumstances, the result of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Our management evaluates these estimates on an ongoing basis. Actual results may differ from these estimates as facts, circumstances and conditions change or as a result of different assumptions.

In reviewing our financial statements, our management considers (i) the selection of critical accounting policies; and (ii) the judgments and other uncertainties affecting the application of those critical accounting policies.

The selection of critical accounting policies, the judgments and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing our financial statements. Our principal accounting policies are set forth in detail in Note 2 to our audited consolidated financial statements included elsewhere in this prospectus. We believe the following critical accounting policies involve the most significant judgments and estimates used in the preparation of our financial statements.

Revenue recognition. We recognize revenue from the sale of solar cells at the time of shipment, at which point title and risk of loss passes to the purchasers. We sell our products at agreed upon prices to our customers, which reflect prevailing market prices. Our considerations for recognizing revenue are based on the following:

Persuasive evidence that an arrangement (sale contract) exists between a willing customer and us that outlines the terms of the sale (including customer information, product specification, quantity of goods, purchase price and payment terms). The customer does not have a right of return and we do not provide any warranty on our products.

Shipping terms are FOB shipping point from the Company's premises. At this point the customer takes title to the goods and is responsible for all risks and rewards of ownership.

Our price to the customer is fixed and determinable as specifically outlined in the sales contract.

The Group assessed collectibility based on the customers' payment and credit histories. All credits extended to customers are pre-approved by management.

We extend credit terms only to a limited number of customers and receive cash for the majority of the sales transactions before we deliver our products which we record as advances from customers. For customers to which we provide credit terms, we assess a number of factors to determine whether collection from them is probable, including past transaction history with them and their credit-worthiness. If we determine that collection is not reasonably assured, we defer the recognition of revenue until collection becomes reasonably assured, which is generally upon receipt of payment.

Impairment of long-lived assets. We evaluate our long-lived assets and finite-lived intangible asset for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not

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be recoverable. When these events occur, we assess the recoverability of the long-lived assets by comparing the carrying amount of the assets to future undiscounted net cash flow expected to result from the use of the assets and its eventual disposition. If the sum of the expected undiscounted cash flows is less than the carrying amount of the assets, we would recognize an impairment loss based on the fair value of the assets, generally using the expected future discounted cash flows. No impairment charge was recognized for the period from inception of business to December 31, 2005 and the nine-month period ended September 30, 2006.

Inventory. Our inventories comprise raw materials, work in progress and finished goods. We state inventories at the lower of cost or market value. Cost of inventories is determined by the weighted-average cost method. Provisions are made for excess, slow moving and obsolete inventory as well as inventory whose carrying value is in excess of net realizable value. No provision was recognized as of December 31, 2005 and September 30, 2006.

Net intangible asset. Our intangible asset comprises technical know-how contributed by one of our shareholders upon formation of JA China and purchased accounting software. Technical know-how is carried at cost, less accumulated amortization. The technical know-how includes the design of our manufacturing lines, selection of manufacturing equipment, and specific technologies and methods for efficiency enhancement underlying the manufacturing processes. Amortization is calculated on a straight-line basis over the estimated useful life of the technical know-how of eight years. Purchased accounting software is being amortized on a straight-line basis over the estimated life of five years. Amortization expense for the period from inception of business to December 31, 2005 and the nine months ended September 30, 2006 was RMB 0.8 million and RMB 0.8 million (US\$0.1 million), respectively.

Allowance for doubtful accounts. We make provisions against accounts receivable to the extent collection is considered to be doubtful. Accounts receivable in the balance sheets are stated net of such provision, if any. As of December 31, 2005 and September 30, 2006, we did not record any allowance for doubtful accounts.

Share-based Compensation. Prior to December 31, 2005, we did not have share-based compensation arrangements. We adopted a stock incentive plan in 2006 and granted options to certain employees and non employees under the incentive plan.

Grants to Employees

We account for the grant of employees share-based compensation in accordance with SFAS No. 123 (revised 2004), Share-Based Payment, or SFAS No. 123(R), which requires all share-based payments to employees and directors, to be recognized in the financial statements based on their grant date fair values.

The compensation expense is recognized over the applicable service period in accordance with the guidance provided by FIN No. 28, Accounting for Stock Appreciation Rights and Other Variable Stock Option or Award Plans – an interpretation of APB Opinions No. 15 and 25. FIN No. 28 provides a graded vesting method over the vesting periods of the share options. The graded vesting method provides for vesting of portions of the overall awards at interim dates and results in accelerated vesting as compared to the straight-line method.

The determination of the fair value of share-based awards and related share-based compensation expense requires input of subjective assumptions, including but not limited to the valuation model adopted, risk-free interest rate, expected life of the share-based awards, stock price volatility, and expected forfeiture rate. The selection of an appropriate valuation technique or model depends on the substantive characteristics of the instrument being valued. Risk free interest rates are decided based on the yield to maturity of U.S. government bonds as at respective dates of grant of options. Expected life of stock options granted is based on the average between the vesting period and the contractual term for each grant, taking into account assumptions used by comparable companies. Volatility is measured using a combination of historical daily price changes of comparable companies stock over the respective expected life of the option and implied volatility derived from traded options of comparable companies. Forfeiture rate is estimated based on our expectation for the future.

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The assumptions used in calculating the fair value of share-based awards and related share-based compensation represent management's best estimations, but these estimates involve inherent uncertainties and the application of management judgment. As a result, if factors change or we utilize different assumptions, our share-based compensation expense could be materially different for any period.

The fair value of the ordinary shares was determined retrospectively to the time of grant. Determining the fair value of our ordinary shares requires making complex and subjective judgments. Management is responsible for determining the fair value and considered a number of factors including valuations. Our approach to valuation is based on a discounted future cash flow approach which involves complex and subjective judgments regarding projected financial and operating results, our unique business risks, our operating history and prospects at the time of grant. These judgments are consistent with the plans and estimates that we use to manage the business. There is inherent uncertainty in making these estimates and if we make different judgments or adopt different assumptions, material differences could result in the timing and amount of the share-based compensation expenses recorded because the estimated fair value of the underlying ordinary shares for the options granted would be different.

Grants to Non-Employees

We account for equity instruments issued to the non-employee consultant in accordance with the provisions of SFAS No. 123(R) and Emerging Issues Task Force, or EITF, Issue No. 96-18, Accounting for Equity Instruments That are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services. All transactions in which goods or services are the consideration received for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable. The measurement date of the fair value of the equity instrument issued is the date on which the counterparty's performance is complete. We believe that our assumptions, including the risk-free interest rate and expected life used to determine fair value, are appropriate. However, if different assumptions had been used, the fair value of the equity instruments issued to non-employee vendors would have been different from the amount we computed and recorded, which would have resulted in either an increase or decrease in the compensation expense.

Convertible Redeemable Preferred Shares. In August 2006, we issued convertible redeemable preferred shares. We have determined the fair value of our ordinary shares as of the commitment date in determining the beneficial conversion feature amount. Since the preferred shares are convertible immediately upon issuance, we have amortized the entire beneficial conversion charge upon issuance.

The fair value of the ordinary shares was determined retrospectively to the commitment date. Determining the fair value of our ordinary shares requires making complex and subjective judgments. Management is responsible for determining the fair value and considered a number of factors including valuations. Our approach to valuation is based on a discounted future cash flow approach which involves complex and subjective judgments regarding projected financial and operating results, our unique business risks, our operating history and prospects at the time of grant. These judgments are consistent with the plans and estimates that we use to manage the business. There is inherent uncertainty in making these estimates and if we make different judgments or adopt different assumptions, material differences could result in the amount of the beneficial conversion charge recorded because the estimated fair value of the ordinary shares would be different.

The assumptions used in calculating the fair value of the ordinary shares and related beneficial conversion charge represent management's best estimations, but these estimates involve inherent uncertainties and the application of management judgment. As a result, if factors change or we utilize different assumptions, our beneficial conversion charge amount could be materially different for any period.

Income taxes. We account for income taxes under the asset and liability method. We recognize deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial

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statements carrying amounts of existing assets and liabilities and their respective tax assets bases and operating loss and tax credit carryforwards. We measure deferred tax assets and liabilities 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. We recognize the effect on deferred tax assets and liabilities of a change in tax rates in income in the period that includes the enactment date. A valuation allowance is provided 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. As of December 31, 2005 and September 30, 2006, we recorded a full valuation allowance to reduce our net deferred tax assets to RMB 0.

Advances to related party supplier. We make advance payments to Jinglong Group to secure our raw material needs of silicon wafers, which are then offset against future purchases. The balance of the advances generally covers next month's supply of materials required by us. We do not require collateral or other security against our advances to Jinglong Group. As of September 30, 2006, we determined that no provision is required for potential losses against advances to Jinglong Group.

Revenues

We derive revenues primarily from sales of solar cell products to solar module manufacturers, which will then assemble and integrate our products into modules and systems. We currently sell a substantial portion of our products to a limited number of customers, most of which are module manufacturers based in China. For the nine months ended September 30, 2006, sales to our three largest customers accounted for approximately 47% of our total revenues (two of which were our related parties until August 2006, and sales to them accounting for approximately 35% of our total revenues), and sales to our largest customer, a related party of ours until August 2006, accounted for approximately 23% of our total revenues. Since we commenced commercial production in April 2006, we have attempted to expand and diversify our customer base, which has increased from a total of ten customers as of June 30, 2006 to 36 customers as of September 30, 2006, and to approximately 50 customers as of December 31, 2006. In addition, while our direct sales to overseas customers only accounted for 1.3% of our total sales revenue for the nine months ended September 30, 2006, we have sold our products to customers in Germany, Sweden, Spain, South Korea and the United States.

From April 2006 to September 2006, we sold a total of approximately 5.2 million pieces of solar cells with a total power output of approximately 12.61 MW at an average selling price of RMB 27.0 (US\$3.42) per watt. The following table sets forth our production volumes, sales volumes and approximate average selling prices in each of September, October and November 2006.

Month	Production		Sales volume		Average selling price per watt	
	Units (in thousands)	Watts	Units (in thousands)	Watts	RMB	US\$
September 2006	1,897.7	4,544.9	1,938.9	4,679.6	26.9	3.41
October 2006	2,372.7	5,649.4	1,455.5	3,494.7	26.3	3.33
November 2006	2,109.3	5,039.8	2,119.8	5,118.8	24.7	3.13

Our sales volume and average selling price in October 2006 have declined from those in September 2006 due to weakened market demand, increased competition and changes in other market conditions. Our average selling price continued to decline in November 2006. Since September 2006, at the request of our customers in China, we have agreed to terminate or amend the terms of some of our long-term customer contracts. See Risk Factors Risks Related to Our Business Future increases in the supply of polysilicon, increased competition and other changing market conditions may cause a decline in the demand and average selling prices of solar cells and may potentially increase the level of our earnings volatility and reduce our profitability. The decline in our November 2006 production from October 2006 was due to a scheduled five-day power outage we experienced in

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early November 2006 when the power grid in the Ningjin area underwent an overhaul. See Risk Factors Risks Related to Our Business We have limited insurance coverage and may incur significant losses resulting from operating hazards, product liability claims or business interruptions.

Cost of Revenues and Operating Expenses

For the nine months ended September 30, 2006, our cost of revenues and our operating expenses as a percentage of our total revenues were 74.5% and 9.1%, respectively. Our cost of revenues primarily consists of silicon wafers, other direct raw materials and other cost of revenues. The following table sets forth our cost of revenues in terms of amount and as a percentage of total cost of revenues for the periods indicated:

	From inception to		Nine months ended September 30, 2006		
	December 31, 2005 RMB	%	RMB	US\$	%
Silicon wafers			231,529,443	29,292,693	89.6%
Other			26,899,918	3,403,329	10.4
Total cost of revenues			258,429,361	32,696,022	100.0%

Silicon wafers. Silicon wafers are the most important raw material of our solar cell products. For the nine months ended September 30, 2006, cost of silicon wafers accounted for approximately 89.6% of our cost of revenues. We expect that the cost of silicon wafers will continue to constitute a significant portion of our cost of revenues in the foreseeable future.

Other. Other cost of revenues consists primarily of other direct raw materials used in the manufacturing of solar cell products, direct labor, depreciation of manufacturing equipment and facilities, facilities rental expenses and overhead expenses. For the nine months ended September 30, 2006, other cost of revenues accounted for approximately 10.4% of our cost of revenues.

Our operating expenses consist of selling, general and administrative expenses and research and development expenses. The following table sets forth our operating expenses in terms of amount and as a percentage of our total operating expenses for the periods indicated:

	From inception to		Nine months ended		
	December 31, 2005 RMB	%	September 30, 2006 RMB	US\$	%
Selling, general and administrative expenses	2,638,340	87.3%	30,769,792	3,892,939	97.7%
Research and development expenses	383,468	12.7	711,878	90,066	2.3
Total operating expenses	3,021,808	100.0%	31,481,670	3,983,005	100.0%

Selling, general and administrative expenses. Selling expenses primarily consist of promotional and other sales and marketing expenses and salaries and benefits for our sales and marketing personnel. General and administrative expenses primarily consist of leasing expenses associated with our administrative offices, salaries and benefits for our administrative, finance and human resources personnel, business travel expenses, fees and expenses of auditing and other professional services. Compensation cost of RMB 16.5 million relating to our stock options granted to certain employees and consultants in August 2006 is included as part of our selling, general and administrative expenses. Our selling, general and administrative expenses accounted for 87.3% and 97.7% of our total operating expenses for the period from the inception of our business to December 31, 2005 and the nine months ended September 30, 2006, respectively. We expect that selling expenses will increase in absolute terms as we add more sales and marketing personnel and increase our sales and marketing efforts to accommodate the growth of our business and expansion of our customer base. We also expect general and administrative expenses to increase in absolute terms as a result of the expansion of our business as well as becoming a public company in the United States upon completion of this offering.

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Research and development expenses. Research and development expenses primarily consist of compensation and benefits for research and development personnel. Research and development expenses are expensed when incurred. Our research and development expenses accounted for 12.7% and 2.3% of our total operating expenses for the period from the inception of business to December 31, 2005 and the nine months ended September 30, 2006, respectively. We believe that research and development is critical to the success of our business and as a result, we intend to increase our investments in research and development. As part of our business strategy, we plan to build a research and development center in Shanghai.

Internal Control over Financial Reporting

During the course of the preparation and external audit of our financial statements as of and for the period from inception (May 18, 2005) to December 31, 2005 and as of and for the nine-month period ended September 30, 2006, we and our independent registered public accounting firm identified a number of control deficiencies in our internal control over financial reporting, including a number of material weaknesses and significant deficiencies. See Risk Factors Risks Related to Our Business. If we are unable to remediate the material weaknesses and significant deficiencies in our internal control over financial reporting, we may be unable to timely and accurately record, process and report financial data or comply with disclosure and other reporting obligations.

Because of the material weaknesses and significant deficiencies identified by us and our independent registered public accounting firm, we performed additional procedures so that our consolidated financial statements as of and for the period from May 18, 2005 (inception date) through December 31, 2005 and as of and for the nine-month period ended September 30, 2006 would be presented in accordance with U.S. GAAP. The additional procedures included, but were not limited to the following:

The December 31, 2005 reporting process was significantly extended, allowing us sufficient time to conduct additional analyses and make additional adjustments as necessary to ensure the accuracy of financial reporting.

We have hired an executive vice president and chief financial officer and five other accounting and finance staff members who have conducted a variety of manual procedures including: (i) extensive review of account reconciliations and analyses; (ii) reassessments of key judgments and estimates; (iii) review of certain material manual journal entries including all post-closing adjustments; (iv) completion of a comprehensive financial statement disclosure checklist; (v) performance of a credit analysis for the advance to a related party supplier and interviewed senior executives to confirm all related party information and disclosures; (vi) review of all key accounting policies and the accounting methods applied to significant contracts; (vii) review of all sales contracts to ensure appropriate revenue recognition; (viii) assessment of the collectibility of the remaining accounts receivable balance; (ix) review of the reconciliation of physical inventory counts to the financial records, review of the inventory costing, preparation of a roll-forward analysis of costs of goods sold, and assessment of whether any provision was required against current inventory balances; (x) recalculation of the computation of capitalized interest; (xi) review of the fixed asset subsidiary ledger and recalculation of depreciation expense; (xii) review of departmental list of employees and performed analysis on payroll expense and accruals; (xiii) review of open invoice files and subsequent cash payments to ensure proper cutoff; and (xiv) management interviews of senior executives to confirm there were no suspected, alleged or known instances of fraud.

We have concluded the additional procedures described above provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements. Until remediation of our material weaknesses, we will continue to perform and rely on the additional procedures described above and other measures as needed to assist us with meeting the objectives otherwise fulfilled by an effective internal control environment.

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We have engaged in, and will continue to engage in, substantial efforts to address the material weaknesses and significant deficiencies in our internal control over financial reporting. We have taken the following on-going initiatives that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting subsequent to June 30, 2006:

During the third quarter of 2006, we significantly expanded our accounting and finance ranks with an executive vice president and chief financial officer who joined us in June 2006. In addition, we hired five accounting and finance personnel during August and September 2006, including (i) a finance manager to lead the period-end financial close process among other responsibilities; (ii) an accounting manager to lead general accounting area including accounts reconciliation, analysis, inventory process management among other responsibilities; and (iii) two university graduates with accounting degrees and one staff member with 10 years of accounting clerk experience to assist in the general accounting areas. Furthermore, we intend to hire, and have allocated resources to hire, a corporate financial controller and inventory costing manager. Our general plan for hiring and training of accounting and finance personnel is intended to ensure that we will have sufficient personnel with knowledge, experience and training in the application of generally accepted accounting principles commensurate with the our financial reporting requirements.

During the third quarter of 2006, we retained the services of external accounting consultants, other than our independent registered public accounting firm, with relevant U.S. GAAP accounting experience, skills and knowledge and working under the supervision and direction of our management, to supplement our accounting personnel during the third quarter of 2006 and year-end 2006 financial close and reporting process.

During the third quarter of 2006, we retained the services of external internal control consultants, other than our independent registered public accounting firm, with relevant experience, skills and knowledge and working under the supervision and direction of our management, to supplement our existing personnel and to assist with (i) performing a root cause analysis of identified internal control deficiencies; (ii) performing a preliminary risk assessment with regard to the requirements of Section 404 of the Sarbanes-Oxley Act, or SOX 404; (iii) remediation of existing internal controls; and (iv) preparation for compliance with SOX 404.

During the third quarter of 2006, we began implementing a finance transformation initiative. This initiative is designed to (i) develop and implement remediation strategies to address the existing material weaknesses, (ii) improve operational performance of our finance and accounting processes, (iii) implement a new information system for accounting and financial reporting, (iv) establish greater organizational accountability and lines of approval, and (v) develop an organizational model that better supports our redesigned processes and operations and prepare for compliance with SOX 404. This effort will be supported by both the addition of resources and expertise to our accounting and finance organization and assistance from external consultants with our implementation of information systems, U.S. GAAP accounting and external financial reporting, remediation of existing internal controls deficiencies and preparation for compliance with SOX 404.

During the third quarter of 2006, we established a policies and procedures review process within the office of the chief financial officer. We are identifying a list of key policies and procedures that we have begun to revise, create and apply. Additionally, we expect to ensure proper communication and training so that policies and procedures are consistently implemented and can be monitored effectively.

We have appointed three independent directors to our board and have established an audit committee, a compensation committee and a nominating and corporate governance committee within our board. Our audit committee is composed solely of independent directors and our compensation and nominating and corporate governance committees each consists of three independent directors and one management director. We also intend to set up an internal audit department to enhance our internal auditing functions.

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Material weaknesses and significant deficiencies in our internal control over financial reporting could result in a material misstatement of our financial statements that will not be prevented or detected. As a result, we have begun to take action to improve our internal control over financial reporting in order to obtain reasonable assurance regarding the reliability of our financial statements. However, we have not yet implemented all of these measures and tested them. Furthermore, we cannot assure you if or when we will be able to remedy these control deficiencies, that our independent registered public accounting firm will agree with our assessment, or that additional material weaknesses or significant deficiencies in our internal control over financial reporting will not be identified in the future. If the control deficiencies we have identified recur, or if we identify additional deficiencies or fail to implement new or improved controls successfully in a timely manner, we may be unable to issue timely and accurate financial reports and investors could lose confidence in the reliability of our financial statements, which in turn could negatively impact the trading price of our ADSs, or otherwise harm our reputation.

We are committed to continuing to improve our internal control processes. However, any control system, regardless of how well designed, operated and evaluated, can provide only reasonable, not absolute, assurance that its objectives will be met. As we continue to evaluate and work to improve our internal control over financial reporting, we may determine to take additional measures to address any control deficiencies identified by us or our independent registered public accounting firm.

Under current and proposed rules and regulations implementing SOX 404, we expect to be required to, beginning with the fiscal year ending December 31, 2007, deliver a report that assesses the effectiveness of our internal control over financial reporting, and our independent registered public accounting firm will be required to audit and report on the effectiveness of our internal control over financial reporting. We have a substantial effort ahead of us to complete the documentation and testing of our internal control over financial reporting, and to remediate any material weaknesses identified during that process. We may not be able to complete the required management assessment by our reporting deadline. An inability to complete this assessment would result in receiving something other than an unqualified report from our independent registered public accounting firm with respect to our assessment of internal control over financial reporting. In addition, if material weaknesses are identified and not remediated, we would not be able to conclude that our internal control over financial reporting was effective, which would result in the inability of our independent registered public accounting firm to deliver an unqualified report on the effectiveness of our internal control over financial reporting. Inferior internal control over financial reporting could cause investors to lose confidence in the reliability of our financial statements, and such conclusion could negatively impact the trading price of our ADSs or otherwise harm our reputation.

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Results of Operations

The following table sets forth certain consolidated results of operations data in terms of amount and as a percentage of our total revenues for the periods indicated:

From inception to

December 31, 2005