

JA Solar Holdings Co., Ltd.  
Form 20-F  
May 03, 2010

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

\_\_\_\_\_  
FORM 20-F  
\_\_\_\_\_

(Mark One)

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

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

OR

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

FOR THE TRANSITION PERIOD FROM TO

OR

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

DATE OF EVENT REQUIRING THIS SHELL COMPANY REPORT  
FOR THE TRANSACTION PERIOD FROM TO

COMMISSION FILE NUMBER 001-33290

JA Solar Holdings Co., Ltd.  
(Exact name of Registrant as specified in its charter)

\_\_\_\_\_  
The Cayman Islands  
(Jurisdiction of Incorporation or Organization)  
No. 36, Jiang Chang San Road  
Zhabei, Shanghai  
The People's Republic of China  
(Address of Principal Executive Offices)

\_\_\_\_\_  
Ms. Anthea Chung  
JA Solar Holdings Co., Ltd.

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No. 36, Jiang Chang San Road  
Zhabei, Shanghai  
The People's Republic of China  
Tel: +86-21-60955999  
Fax: +86-21-60955727

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

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

Title of Each Class	Name of Each Exchange On Which Registered
American depositary shares, each representing one ordinary share, par value US\$0.0001 per share	The NASDAQ Stock Market LLC
Ordinary shares, par value US\$0.0001 per share	The NASDAQ Stock Market LLC*

\* Not for trading but only in connection with the registration of American depositary shares

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

None  
(Title of Class)

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

None  
(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

Ordinary shares, par value US\$0.0001 per share .....169,018,420

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes  No

Note—Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No



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

Large accelerated filer  Accelerated filer  Non-accelerated filer

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

U.S. GAAP

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

Other

Indicate by check mark which financial statement item the Registrant has elected to follow.

Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

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CERTAIN TERMS AND CONVENTIONS

Unless otherwise indicated, references in this annual report to:

- "ADS" are to American depositary shares, each representing one ordinary share of JA Solar, par value US\$0.0001 per share;
- "China" and the "PRC" are to the People's Republic of China, excluding, for the purposes of this annual report 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 BVI" are to JA Development Co., Ltd., our directly wholly-owned subsidiary, a British Virgin Islands company;
- "JA Fengxian" are to Shanghai JA Solar Technology Co., Ltd., our indirectly wholly-owned subsidiary in Shanghai, China;
- "JA Hebei" are to JingAo Solar Co., Ltd., our predecessor and indirectly wholly-owned subsidiary in China;
- "JA Hong Kong" are to JA Solar Hong Kong Limited, our directly wholly-owned subsidiary in Hong Kong;
- "JA Solar," "we," "us," "the company," "our company" and "our" are to JA Solar Holdings Co., Ltd. and, unless otherwise indicated or as the context may otherwise require, its predecessor entities and its consolidated subsidiaries;
- "JA Solar Yangzhou R&D" are to Yangzhou JA Solar R&D Corporation Limited, our indirectly wholly-owned subsidiary in Jiangsu, China;
  - "JA USA" are to JA Solar USA Inc., our indirectly wholly-owned subsidiary in California, U.S.A.;
- "JA Yangzhou" are to JA Solar Technology YangZhou Co., Ltd., our indirectly wholly-owned subsidiary in Jiangsu, China;
- "JA Zhabei" are to Shanghai JA Solar PV Technology Co., Ltd., our indirectly wholly-owned subsidiary in Shanghai, China;
- "JHY Semiconductor" are to Jing Hai Yang Semiconductor Materials (Donghai) Co., Ltd., a wholly-owned subsidiary of JA Hong Kong, incorporated in Donghai, Jiangsu, China;
- "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;

- "Lehman Entities" are to include Lehman Brothers Holdings Inc. and its subsidiaries, including Lehman Brothers Inc., Lehman Brothers International (Europe), Lehman Brothers Treasury Co. BV and Lehman Brothers OTC Derivatives Inc.
- "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.

### CURRENCIES AND EXCHANGE RATES

Our functional currency is Renminbi. The noon buying rate for U.S. dollars in effect on December 31, 2009 in New York City for cable transfers of Renminbi as certified for customs purposes by the Federal Reserve Bank of New York is at US\$1.00 = RMB 6.8259. We make no representation that any amounts of Renminbi or U.S. dollar could be or could have been converted into each other at any particular rate or at all. See "Item 3. Key Information — D. Risk Factors — Risks Related to Doing Business in China — Fluctuation in the value of the Renminbi versus that of other foreign currencies may have a material adverse effect on our business and on your investment." On April 20, 2010, the noon buying rate was RMB 6.8253 to US\$1.00.

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	Noon buying rate			
	Period End	Average(1)	High	Low
	(RMB per US\$1.00)			
2005	8.0702	8.1826	8.2765	8.0702
2006	7.8041	7.9579	8.0702	7.8041
2007	7.2946	7.5806	7.8127	7.2946
2008	6.8225	6.9193	7.2946	6.7800
2009	6.8259	6.8295	6.8470	6.8176
November	6.8265	6.8271	6.8300	6.8255
December	6.8259	6.8275	6.8299	6.8244
2010				
January	6.8268	6.8269	6.8295	6.8258
February	6.8258	6.8285	6.8330	6.8258
March	6.8258	6.8262	6.8270	6.8254
April (until April 20)	6.8253	6.8253	6.8263	6.8229

Source for 2005-2008: Federal Reserve Bank of New York.

Source for 2009-2010: the H10 statistical release of the Federal Reserve Board.

(1) Annual averages are calculated by averaging the noon buying rates on the last business day of each month. Monthly averages are calculated using the average of the daily rates during the relevant period.

### PART I

ITEM 1.

IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

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## ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

## ITEM 3. KEY INFORMATION

## A. SELECTED FINANCIAL DATA

You should read the following selected consolidated financial and operating data in conjunction with our audited consolidated financial statements and related notes and "Item 5. Operating and Financial Review and Prospects" included elsewhere in this annual report.

The selected consolidated financial data presented below as of December 31, 2008 and 2009 and for the years ended December 31, 2007, 2008 and 2009 have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") and are derived from our audited consolidated financial statements included elsewhere in this annual report, which have been audited by PricewaterhouseCoopers Zhong Tian CPAs Limited Company, an independent registered public accounting firm. Our selected consolidated statement of operations data for the period from inception (May 18, 2005) to December 31, 2005 and for the year ended December 31, 2006 and selected consolidated balance sheet as of December 31, 2005, 2006 and 2007 have been derived from our audited consolidated financial statements that are not included in this annual report on Form 20-F. Historical results are not necessarily indicative of results to be expected in any future period.

	From inception (May 18, 2005) to December 31, 2005	Year ended December 31,			
	RMB	2006 RMB	2007 RMB	2008 RMB	2009 RMB
(in millions, except for share and per share data)					
Consolidated Statements of Operations Data:					
Net revenues					
Solar products	—	565.3	2,532.4	4,794.0	3,367.1
Solar products to related parties	—	131.2	62.2	508.0	5.2
Solar cells processing	—	—	99.1	156.3	406.9
Total revenues	—	696.5	2,693.7	5,458.3	3,779.2
Cost of revenues					
Solar products	—	(524.2)	(2,066.6)	(4,414.2)	(3,079.0)
Solar cells processing	—	—	(26.2)	(52.1)	(220.3)
Total cost of revenues	—	(524.2)	(2,092.8)	(4,466.3)	(3,299.3)
Gross profit	—	172.3	600.9	992.0	479.9

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Selling, general and administrative expenses	(2.6)	(39.7)	(150.3)	(271.5)	(343.3)
Research and development expenses	(0.4)	(1.3)	(4.2)	(28.5)	(45.1)
Total operating expenses	(3.0)	(41.0)	(154.5)	(300.0)	(388.4)
(Loss)/income from operations	(3.0)	131.3	446.4	692.0	91.5
Impairment on available-for-sale securities	—	—	—	(686.3)	—
Change in fair value of derivatives	—	—	—	564.0	(49.1)
Convertible notes buy back gain	—	—	—	203.5	22.9
Interest expense	—	(5.1)	(6.6)	(160.5)	(213.6)
Interest income	0.04	0.8	62.6	42.6	12.0
Foreign exchange gain/(loss)	(0.1)	1.3	(112.8)	(127.3)	10.1
Investment loss	—	—	—	(28.6)	(2.3)
Other income	—	0.1	5.2	3.6	7.8
Income/ (loss) before income taxes	(3.1)	128.4	394.8	503.0	(120.7)
Income tax benefit/ (expense)	—	—	5.6	(23.9)	(8.0)
Net income/ (loss)	(3.1)	128.4	400.4	479.1	(128.7)
Preferred shares accretion	—	(1.6)	(0.5)	—	—
Preferred shares beneficial conversion charge	—	(34.7)	—	—	—
Allocation of net income to participating preferred shareholders	—	(5.7)	(1.7)	—	—
Net income/ (loss) available to ordinary shareholders.	(3.1)	86.4	398.2	479.1	(128.7)
Net income/ (loss) per share:					
Basic	(0.04)	1.08	2.96	3.06	(0.80)
Diluted	(0.04)	1.08	2.93	(2.31)	(0.80)
Weighted average number of shares outstanding:					
Basic	80,000,000	80,000,000	134,525,226	156,380,060	161,643,312
Diluted.	80,000,000	80,166,178	136,721,772	168,785,243	161,643,312
Consolidated Statements of Cash Flows					
Data:					
Cash flows(used in)or provided by					
Operating activities	(1.6)	(61.8)	(1,146.5)	(1,289.2)	1,129.1
Investing activities	(38.0)	(107.6)	(1,641.6)	(419.4)	(557.2)
Financing activities	50.7	254.8	3,519.6	2,610.3	(242.8)
Effect of exchange rate changes on cash and cash equivalents	(0.1)	(0.6)	(91.3)	(94.9)	(4.8)



	2005	2006	As of December 31,		2009
			2007	2008	
	(in millions, except for share and per share data)				
			RMB	RMB	RMB
<b>Consolidated Balance Sheet Data:</b>					
Cash and cash equivalents	11.0	95.8	736.0	1,542.8	1,867.2
Restricted cash	—	—	409.0	33.0	43.6
Short-term investments	—	—	803.1	421.9	—
Account receivable from third party customers, net	—	47.7	28.9	332.0	119.8
Account receivable from related party customers, net	—	—	24.7	23.0	339.5
Inventories, net	—	154.7	157.3	592.0	641.1
Advance to related party suppliers, net	—	39.8	389.9	416.0	50.9
Advance to third party suppliers, net	—	1.6	898.7	264.5	372.4
Other current assets	0.4	6.7	42.3	191.1	202.4
Deferred tax assets	—	—	1.2	14.1	24.4
<b>Total current assets</b>	<b>11.4</b>	<b>346.3</b>	<b>3,491.1</b>	<b>3,830.4</b>	<b>3,661.3</b>
Property and equipment, net	39.4	139.4	532.0	1,369.8	1,724.4
Intangible asset, net	8.3	7.2	6.7	11.8	12.0
Deferred tax assets	—	—	4.4	14.4	25.8
Advances to suppliers, net	—	—	536.3	1,944.9	1,835.4
Prepayment for land use right	—	—	—	44.4	49.5
Derivative assets	—	—	—	4.5	10.5
Deferred issuance cost	—	—	—	59.0	36.1
<b>Total assets</b>	<b>59.1</b>	<b>492.9</b>	<b>4,570.5</b>	<b>7,279.2</b>	<b>7,355.0</b>
Short-term bank borrowings	—	150.0	200.0	490.0	10.0
<b>Total current liabilities</b>	<b>2.5</b>	<b>187.1</b>	<b>433.1</b>	<b>870.8</b>	<b>629.2</b>
Long-term bank borrowings	—	—	—	—	680.0
Convertible notes	—	—	—	1,532.6	1,171.4
<b>Total liabilities</b>	<b>2.5</b>	<b>187.1</b>	<b>434.0</b>	<b>2,524.3</b>	<b>2,639.6</b>
Preferred shares	—	110.0	—	—	—
<b>Total shareholders' equity</b>	<b>56.6</b>	<b>195.8</b>	<b>4,136.5</b>	<b>4,754.9</b>	<b>4,715.4</b>

#### B. CAPITALIZATION AND INDEBTEDNESS

Not applicable.

#### C. REASONS FOR THE OFFER AND USE OF PROCEEDS

Not applicable.

#### D. RISK FACTORS

Our operations and financial results are subject to various risks and uncertainties, including risks related to our supply chain, sales channels, and business including availability of project financing, liquidity, operations, technology and intellectual property, our debt and equity securities and doing business in China. Although we believe that we have identified and discussed below the key risk factors affecting our business, there may be additional risks and uncertainties that are not presently known or that are not currently believed to be significant that may also adversely



affect our business, financial condition, results of operations, cash flows, and trading price of our ADSs as well as our convertible notes.

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### Risks Related to Our Customers

The increase in the global supply of solar cells and modules, and increasing competition, may cause substantial downward pressure on the prices of such products, resulting in lower revenues and earnings.

Global solar cells and modules production materially increased in previous years, and is expected to continue to increase. Many competitors or potential competitors, particularly in China, continue to expand their production creating a potential oversupply of solar cells and modules in key markets. Increases in production and industry competition have resulted, and will continue to result, in downward pressure on the price of solar cells and modules, including our products. Such price reductions could continue to have a negative impact on our revenue and earnings.

The reduction or elimination of government subsidies and economic incentives or change in government policies may have a material adverse effect on our business and prospects.

Demand for our products depends substantially on government incentives aimed to promote greater use of solar power. In many countries in which we are currently, or intend to become, active, the solar power markets, would not be commercially viable without government incentives. This is because the cost of generating electricity from solar power currently exceeds, and we believe will continue to exceed for the foreseeable future, the costs of generating electricity from conventional or non-solar renewable energy sources.

The scope of the government incentives for solar power depends, to a large extent, on political and policy developments relating to environmental concerns in a given country, which could lead to a significant reduction in or a discontinuation of the support for renewable energies in such country. Federal, state and local governmental bodies in many of our key markets, most notably Germany, Italy, Spain, the United States, France, South Korea, Taiwan, India, Japan and China have provided subsidies and economic 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. Policy shifts could reduce or eliminate these government economic incentives altogether. For example, the rapid rises of the German and Spanish markets were largely due to the government policies of those countries that set feed-in tariff terms at attractive rates. However, in September 2008, the Spanish government introduced a cap of 500 MW for the feed-in tariff in 2009, which has resulted in limiting demand in the grid-connected market in Spain. In 2009, the German government reduced solar feed-in tariffs by 9%. In January 2010, Germany proposed a further reduction in solar feed-in tariffs by up to 16% for rooftop systems and an estimated 15% for ground-based systems, which may result in a significant fall in the price of and demand for our products. We believe that in the time of uncertainty of political and policy developments, competition among solar manufacturers could become more fierce. Electric utility companies that have significant political lobbying powers may also seek changes in the relevant legislation in their markets that may adversely affect the development and commercial acceptance of solar energy. A significant reduction in the scope or discontinuation of government incentive programs, especially those in our target markets, could cause demand for our products and our revenues to decline, and have a material adverse effect on our business, financial condition, results of operations and prospects.

The execution of our growth strategy is dependent upon the continued availability of financing to our customers as well as third-party financing arrangements for the end-user of our products, and is affected by general economic conditions.

Given the general economy, particularly the tightening of the credit markets, we have extended credit to many new and existing customers or provided them with improved credit terms, including increasing credit limits and extending the time period before payments are due, ultimately increasing our exposure to credit risk on our account receivable. We recorded our provision for doubtful accounts of RMB nil in 2007, to RMB 24.7 million in 2008 and RMB 41.1 million in 2009. The failure of any of our new or existing customers to meet their payment obligations

under the credit terms granted would materially and adversely affect our financial position, liquidity and results of operations.

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Further, our products are a component of solar systems which are used in both on-grid applications and off-grid applications. Government agencies and the private sector have, from time to time, provided financing on preferential terms to promote the use of solar energy in both on-grid and off-grid applications. We believe that the availability and cost of such financing programs could have a significant effect on the level of sales of solar power products and the availability of financing on favorable terms, or at all, may be limited. If existing financing programs for on-grid and off-grid applications are eliminated or if financing in general become inaccessible or inadequate, the growth of the market for on-grid and off-grid applications may be materially and adversely affected, which could cause our sales of solar cells to decline.

Due to the general reduction in available credit to would-be borrowers and the poor state of economies worldwide, customers may be unable or unwilling to finance the cost of our products, or the parties that have historically provided this financing may cease to do so, or only do so on terms that are substantially less favorable for us or our customers, any of which could materially and adversely affect our revenue and growth in all segments of our business. If economic recovery continues to be slow in the United States or elsewhere, we may experience decreases in the demand for our solar power products, which may harm our operating results. In addition, a rise in interest rates would likely increase the end users of our products cost of financing and could reduce their profits and expected returns on investment in our products. Similarly, the general reduction in available credit to would-be borrowers, the continued poor state of economies worldwide, and the condition of housing markets worldwide, could delay or reduce our sales of products to our customers. Collecting payment from customers facing liquidity challenges may also be difficult.

We cannot assure you when a full economic recovery may occur, or even when an economic recovery does occur, that demand for our products and related services will increase. A protracted disruption in the ability of our significant customers or downstream players to access sources of liquidity could cause serious disruptions to or an overall deterioration in their businesses, which could lead to a significant reduction in their future orders for our products and the inability or failure on their part to meet their payment obligations to us, any of which could have a material adverse effect on our business, financial condition, results of operations and prospects.

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.

Even though we expect our customer base to increase and our revenue streams to further diversify among geographies including Europe and the United States, a substantial portion of our net revenues could continue to depend on sales to a limited number of China customers and the loss of sales to or inability to collect from these customers would have a significant negative impact on our business. We currently sell a substantial portion of our products to module manufacturers based in China. For the year ended December 31, 2009, approximately 55.5% of our total revenues, were derived from sales of our solar cell products to our top ten customers. We anticipate that our dependence on a limited number of customers will continue for the foreseeable future. Consequently, any one of the following events may cause material fluctuations or declines in our revenues 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.

We are in the process of further penetrating the market in China and exploring opportunities in other markets. In light of our efforts to grow, we may face risks associated with the marketing, distribution and sale of our products domestically and internationally, and if we are unable to effectively manage these risks, they could impair our ability to expand our business overall.

Our revenue from customers in China was approximately 76.3% and 73.8% of our overall revenues in 2008 and 2009, respectively. The stability and viability of any existing, new or potential markets are subject to many uncertainties and may 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 and grow our businesses as we have planned.

We generally do not have long-term agreements with our customers and accordingly could lose customers without warning, which could cause our operating results to fluctuate.

Our solar cell products are generally not sold pursuant to long-term agreements with customers, but instead are sold on a purchase order basis. Although we believe that cancellations on our purchase orders to date have been insignificant, our customers may cancel or reschedule purchase orders with us on relatively short notice. Cancellations or rescheduling of customer orders could result in the delay or loss of anticipated sales without allowing us sufficient time to reduce, or delay the incurrence of, our corresponding inventory and operating expenses. In addition, changes in forecasts or the timing of orders from these or other customers expose us to the risks of inventory shortages or excess inventory. These circumstances, in addition to variations in average selling prices, and the fact that our supply agreements are generally long-term in nature and many of our other operating costs are fixed, in turn could cause our operating results to fluctuate and may result in a material adverse effect in our business.

We compete in a highly competitive market and many of our competitors have resources greater than ours.

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. Some of our competitors have 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. Furthermore, many of our competitors are developing or currently producing products based on new photovoltaic technologies, including thin film, ribbon, sheet and nano technologies, which they believe will ultimately cost the same as or less than crystalline silicon technologies used by us. 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.

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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 provide 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. 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.

Problems with product quality or product performance may cause us to incur warranty expenses, damage our market reputation and prevent us from achieving increased sales and market share, or result in a decrease in our revenues and 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.

In addition to our core business of producing solar cells, we also provide solar module assembly services to our customers. With respect to these solar modules, we provide either (i) a 2 or 5 year warranty that the modules will be free from defects in materials and workmanship from the production date, or (ii) a 10 and 25 year performance warranty against declines of more than 10.0% and 20.0% of initial power generation capacity from the time of delivery. As a result of these warranties, we bear the risk of extensive warranty claims long after we have sold our products and recognized revenue. We therefore, in accordance with our own history, industry data and industry practices, accrue 1% of our sales of solar modules as a warranty cost. Because we only recently started to provide our solar module assembly services, the solar modules have been in use for only a relatively short period, we cannot assure you that our assumptions regarding the durability and reliability of our products are reasonable. Our warranty provisions may be inadequate, and we may have to incur substantial expense to repair or replace defective products in the future. Furthermore, widespread product failures may damage our market reputation and cause our sales to decline.

#### Risks Related to Our Supply Chain

Prepayment arrangements for procurement of silicon wafers and/or polysilicon from Jinglong Group (a related party), GCL, Shunda and other 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 face significant specific counterparty risk under long-term supply agreements when dealing with suppliers without a long, stable production and financial history. We make prepayments to these suppliers for procurement of polysilicon, ingots or wafers without receiving collateral to secure such payments. In the event any such supplier experiences financial difficulties, or even bankruptcy, it may be difficult or impossible, or may require substantial time and expense, for us to recover any or all of our prepayments. Our claims for such payments would rank as unsecured claims, which expose 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. In addition, should a supplier to which we make prepayment default on its obligations under the supply contract, we may not be able to recover all or a portion of our outstanding prepayment. Further, even if a supplier refunds our prepayment when it defaults on its obligations under the contract, we may still suffer losses if we do not receive any interest payment on such refunded prepayment and, in the situation where we made prepayment in foreign currencies, we may suffer foreign exchange losses if we would need to exchange the U.S. dollar-denominated refund payment into Renminbi, which may have appreciated against the U.S. dollar. We also face certain operational risks associated with our suppliers. For example, if our suppliers become subject to intellectual property infringement claims by third parties our ability to recover our outstanding prepayments may be materially and adversely affected. Any of the foregoing could materially and adversely affect our results of operations and financial condition.



Fluctuation in the price of polysilicon, increased competition, the global economic crisis and other changing market conditions may cause further decline in the demand and average selling prices of solar cells and may continue to increase the level of our earnings volatility and reduce our profitability.

Fluctuation in the price of polysilicon and wafers may affect the average selling prices of solar cells since any significant increase in the polysilicon and wafer supply may decrease raw material costs, allow higher utilization of existing and planned solar cell production capacity, and allow greater price competition. In addition, increased competition from existing solar cell producers and new market participants as well as changes in other market conditions, such as the reduced demand for solar power products in the end user markets caused by the global economic crisis, may cause a decline in the demand and average selling prices of solar cells from time to time. If we are unable to lower our production cost per watt, to the same extent as the average selling price per watt declines, the level of our earnings volatility would increase and our profitability would decline, which would materially and adversely affect our business, financial condition and results of operations.

We have entered into long-term, firm commitment supply agreements, including prepayment provisions, that could result in excess or insufficient inventories and financial loss and place us at a competitive disadvantage.

To match our estimated customer demand forecasts and growth strategy for the next several years, we have entered into multiple long-term supply agreements. We currently purchase polysilicon, ingots and wafers from a limited number of suppliers, including Jinglong Group and Jiangsu Zhongneng Silicon Technology Development Co., Ltd., a subsidiary of GCL Silicon Technology Holdings Ltd. ("GCL") and Shunda. See "Item 4. Information on the Company — B. Business Overview — Raw Material and Utilities — Silicon Wafers." Some agreements provide for fixed pricing, substantial prepayment obligations, and/or firm purchase commitments that require us to pay for the supply whether or not we accept delivery.

If such agreements require us to purchase more polysilicon, ingots or wafers than required to meet our actual customer demand, over time, the resulting excess inventory could materially and negatively impact our results of operations and financial condition.

If our agreements provide insufficient inventory to meet customer demand, or if our suppliers are unable or unwilling to provide us with the quantities within the contracted timetable, we may purchase additional supply at available market prices which could be greater than expected and could materially and negatively impact our results of operations. Such market prices could also be greater than prices paid by our competitors, placing us at a competitive disadvantage, which could materially and adversely affect our results of operations and financial position. Further, any failure by us to meet obligations to our customers 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. Any such failure may also cause our customers to switch to our competitors as alternative suppliers. Failure to obtain sufficient wafers may also result in underutilization of our existing and planned production facilities and increase our marginal production costs. Any of the above events could have a material adverse effect on our growth, results of operations and financial condition.

If the prices under our long-term supply agreements result in our paying more for such supplies than the current market prices available to our competitors, we may also be placed at a competitive disadvantage, and could materially and adversely affect our results of operations and financial position if we are unable to renegotiate the prices with our suppliers. Furthermore, we may choose not to procure polysilicon, ingots or wafers under certain contracts if we deem the prices under such contracts are unfavorable to us under prevailing market conditions and/or we are unable to renegotiate the price of the polysilicon, ingots or wafers under the supply arrangements to better reflect the relevant market conditions. In the event we choose not to procure polysilicon, ingots or wafers under certain contracts, we have been and may be forced to forfeit certain prepayment amounts which could materially and adversely affect our results of operations, and financial position.

We obtain certain manufacturing equipment from sole or a limited number of 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 or a limited number of 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 and otherwise disrupt our production schedule or increase our costs of production.

#### Risks Related to Technology and Intellectual Property

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. 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.

If we fail to successfully develop and introduce new and enhanced products and services, we may not be able to compete effectively, and our ability to generate revenues will suffer.

The solar power market is characterized by continually changing technology requiring improved features, such as increased efficiency and higher power output and improved aesthetics. Technologies developed by our direct competitors, including thin film solar panels, concentrating solar cells, solar thermal electric and other solar technologies, may provide power at lower costs than our products. We also face competition in some markets from other power generation sources, including conventional fossil fuels, wind, biomass, and hydro. Our failure to further refine our technology and develop and introduce new solar power products could cause our products to become uncompetitive or obsolete, which could reduce our market share and cause our sales to decline. This will require us to continuously develop new solar power products and enhancements for existing solar power products to keep pace with evolving industry standards, competitive pricing and changing customer requirements. As we introduce new or enhanced products or integrate new technology into our products, we will face risks relating to such transitions including, among other things, technical challenges, disruption in customers' ordering patterns, insufficient supplies of new products to meet customers' demand, possible product and technology defects arising from the integration of new technology and a potentially different sales and support environment relating to any new technology. Our failure to manage the transition to newer products or the integration of newer technology into our products could adversely affect our business' operating results and financial condition.

Our efforts to further develop our technology and know-how through increased research and development of crystalline silicon technology may not yield satisfactory results, if any.

We may expend significant financial resources in research and development of crystalline silicon and commercialization of silicon ink technology to effectively compete with other market players in the future. Our research and development efforts are focused on improving conversion efficiencies and enhancing production processes to reduce silicon usage per watt. Research and development activities are inherently uncertain and we might encounter practical difficulties in commercializing our research results, if any. In addition, other companies may develop more cost-effective and better performing products than what our research and development may yield. Therefore, our development efforts may be rendered obsolete by the technological advances of others. For example, breakthroughs in photovoltaic technologies that do not use crystalline silicon could mean that companies such as us that currently rely on crystalline silicon would encounter a sudden, sharp drop in sales. Our failure to further improve our technology, develop and introduce new products or respond to rapid market changes and technology evolutions in the solar energy industry could render our products uncompetitive or obsolete, and reduce our sales and market share.

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;
- 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 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, contractual restrictions, trade secrets and other similar restrictions. However, we have sought patent protection from patent authorities in China and the United States for a limited number of technologies related to our business and may seek further protection in other jurisdictions if deemed necessary. 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 "Item 3. Key Information — D. Risk Factors — 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.



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 may also become subject to infringement claims, which in turn could negatively impact our business as they may no longer be able to fulfill their delivery obligations under their contracts with us or refund our outstanding prepayments in a timely manner or at all. 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 very limited protection for our intellectual property 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 are in the process of obtaining patent protection for certain of our proprietary technologies in the United States and China and may also seek protection in various other jurisdictions, if deemed necessary. In the meantime, 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.

#### Risks Related to Our Operations

We may not be able to increase our growth rate, and we may not be able to manage our future growth effectively.

We may not be able to expand our business or manage future growth. Depending on market conditions, our plans to grow our business will require the successful execution of:

- expanding our existing manufacturing facilities, which would increase our fixed costs and, if such facilities are underutilized, would negatively impact our results of operations;

- ensuring delivery of adequate polysilicon and ingots;



- developing more efficient solar cells;
- enhancing our customer resource management and manufacturing management systems;

- implementing and improving additional and existing administrative, financial and operations systems, procedures and controls, including the implementation of our new ERP system;
- hiring additional employees;
- expanding and upgrading our technological capabilities;
- managing multiple relationships with our customers, suppliers and other third-parties;
- maintaining adequate liquidity and financial resources; and
- continuing to increase our revenues from operations.

We have not had significant international activities and customers; however we plan to expand our international efforts, which subject us to additional business risks, including logistical complexity and political instability.

We sell a substantial portion of our products to customers inside China, and we buy a substantial portion of our raw materials and equipment from vendors located inside China. In addition, all our solar cell production lines are located in China. Our continued focus on expanding our business internationally presents us with additional risks we face in conducting business internationally including:

- multiple, conflicting and changing laws and regulations, export and import restrictions, employment laws, regulatory requirements and other government approvals, permits and licenses;
- difficulties and costs in staffing and managing foreign operations as well as cultural differences;
- potentially adverse tax consequences associated with our permanent establishment of operations in more countries;
- relatively uncertain legal systems, including potentially limited protection for intellectual property rights, and laws, regulations and policies which impose additional restrictions on the ability of foreign companies to conduct business in certain countries or otherwise place them at a competitive disadvantage in relation to domestic companies;
- inadequate local infrastructure and developing telecommunications infrastructures;
- financial risks, such as longer sales and payment cycles and greater difficulty collecting accounts receivable;
- currency fluctuations and government-fixed foreign exchange rates and the effects of currency hedging activity or inability to hedge currency fluctuations; and
- political and economic instability, including wars, acts of terrorism, political unrest, boycotts, curtailments of trade and other business restrictions.

If we are unable to successfully manage any such risks, our business, financial condition and results of operations could be materially and adversely affected.

Our quarterly revenues and operating results may be difficult to predict and could fall below investor expectations, which could cause the market price of our ADSs to decline.

Our quarterly revenues and operation results have fluctuated in the past and may continue to fluctuate significantly depending upon numerous factors, including seasonality of demand for solar power products, changes in market

conditions and industry environment, and changes in government policies or regulations. For example, purchases of solar power products tend to decrease due to severe weather conditions in winter months, which complicates the installation of solar power systems. Many of these factors are beyond our control, making our quarterly results difficult to predict, which could cause the trading price of our ADSs to decline if our operating results for any particular quarter fall below investor expectations.

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.

In addition, as is typical with any new equipment or process, we may experience lower yields and conversion efficiencies in our newly built manufacturing lines. 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 are a young company and our 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. We have since then increased our total rated manufacturing capacity from 25 MW per annum to 800 MW per annum as of December 31, 2009. Our business model and ability to achieve satisfactory financial results at higher manufacturing volumes are unproven. We must, among other things, continue to respond to competitive developments, attract, retain and motivate qualified personnel, implement and successfully execute our business plan and improve our technologies. We cannot assure you that we will be successful in achieving these goals. Our 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.

Our future success is dependent on our initiation, maintenance and expansion of relationships with new and existing customers, suppliers and other third parties, some of which may terminate for reasons beyond our control.

Due to market conditions and other factors beyond our control, certain customer and/or supplier relationships that we entered into for expanding our customer/supplier base may be terminated or suspended. If we are unable to initiate relationships with new customers, suppliers or other third parties, maintain or expand relationships with existing customers, suppliers or other third parties, or resume or replace such relationships, our business, results of operations or financial condition may be materially and adversely affected.

Our future success depends in part on our ability to expand our business into downstream and upstream markets. Any failure to successfully implement this strategy could have a material adverse effect on our growth, business prospects and results of operations in future periods.

Our current business strategy includes plans to expand into upstream and downstream markets, such as solar modules, which we believe are natural extensions of our vertically integrated business model. These expansion plans may include investments in upstream and downstream companies and joint ventures and formation of strategic alliances with third parties. We have already established a manufacturing and R&D centers in Donghai for wafer production and Fengxian for module production. However, our continued pursuit of these expansion plans may require significant capital expenditures going forward, which could be used in pursuit of other opportunities and investments. Our

expansion downstream into solar module production could result in competition with existing customers. We may also face intense competition from companies with greater experience or established presence in the targeted downstream markets or competition from our industry peers with similar expansion plans.

Our senior management has worked together for a relatively 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 changes 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, we have experienced turnover in our senior management ranks and hired or appointed a number of executive officers and senior management in 2009 and 2010, including our chief executive officer and chief technology officer. In light of the foregoing 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. Members of our senior management may not work together effectively as a team to manage our growth successfully, which may expose us to a higher risk of internal control deficiencies and result in us losing market share, business opportunity and revenues.

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. 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 has entered into an employment agreement with us, which contains 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.

As we have awarded and will continue to award employee share options and other share-based compensation to certain of our directors, officers, employees and consultants, our net income will be adversely affected.

Under our 2006 stock incentive plan, we may award stock options and other share-based compensations to purchase up to 10% of our issued share capital to certain of our directors, employees and consultants. As of April 20, 2010, we have awarded 3,852,000 shares of restricted stock and granted options to purchase 17,432,000 ordinary shares to a number of our directors, employees and consultants. See "Item 6. Directors, Senior Management and Employees — B. Compensation — Stock Option Plans."

In accordance with ASC 718, Compensation-Stock Compensation, which requires all companies to recognize, as an expense, the fair value of share options and other share-based compensation to employees, we are required to account for compensation costs for all restricted stocks and 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. Our share-based compensation expenses have a material and adverse effect on our reported earnings for the year during which the share-base compensation are granted and over their vesting periods.



Moreover, the additional expenses associated with share-based compensation may reduce the attractiveness of such incentive plan to us. However, if we stop granting options, or reduce the number of options granted, under our 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. In addition, the decline in the price of our ordinary shares below the exercise price of many of the previously granted options has lessened the effectiveness of the options as a means to retain the services of the option holders. As a result, we have granted more stock options to certain individuals and will continue to grant employee share options or other share-based compensation in the future that may adversely affect our net income.

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 our largest shareholder. In addition, Mr. Baofang Jin, the chairman of our Board of Directors, is a shareholder of Jinglong BVI and is also the chairman of Jinglong Group. Jinglong Group currently provides a number of products and services to us, including silicon wafer supply (on prepayment terms) 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 at what we believe are on an arm's length basis. See "Item 7. Major Shareholders and Related Party Transactions — B. Related Party Transactions." 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 our Board of Directors 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.

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 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.

As we use, generate and discharge toxic, volatile and otherwise hazardous chemicals and wastes in our research and development and manufacturing activities, we are required by PRC law to obtain pollutant discharging permits and undergo government-administered safety examinations with respect to our production facilities. As of the date of this annual report, our pollutant discharging permits are pending renewal by PRC environmental regulatory agencies, which we expect to be completed after these agencies complete their inspection of our new manufacturing lines. So far, we have not been assessed any penalty for any non-compliance with PRC environmental laws and regulations. However, we may be required to pay fines, suspend production or cease operation. 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 by modules or other devices incorporating our solar cells, whether by product malfunctions, defects, improper installation or other causes. While we have not experienced any product liability claims brought against us, we are unable to predict whether such 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. 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, and we do not carry 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.

For strategic reasons and in an effort to maximize returns on our unused capital reserves, we may, from time to time, invest in securities purchased on the open market, which may, due to market forces beyond our control, result in the recognition of losses that will adversely affect our financial results.

For both strategic reasons and in an effort to maximize the return on our unused capital reserves, we have, and may, from time to time invest in certain securities purchased on the open market. The fair value of these securities are driven by market forces beyond our control and may decline over time. To protect the value of our investment and minimize the recognition of losses, if any, we may, from time to time, dispose of such securities at the discretion of our Board of Directors. To the extent that we, in compliance with U.S. GAAP and other applicable rules and

regulations, determine that a decline in the fair value of any of our securities is other-than-temporary, we are obligated to recognize such decline as a loss, which will in turn adversely affect our financial results.

See also "Item 3. Key Information — D. Risk Factors — Risks Related to Liquidity, the 2008 Convertible Note Offering and Our Relationship with the Lehman Entities."

We may incur significant legal expenses in connection with, and allocate management time and attention to, legal actions involving us that may take place from time to time, including the legal actions currently filed against us, and it is possible that we will not be able to prevail in our legal actions.

In December 2008, we learned that we were named as defendant in two putative securities class actions filed in the United States District Court for the Southern District of New York: *Ellenburg v. JA Solar Holdings Co., Ltd., et al.*, Civil Action No. 08 CV 10475 (filed on December 3, 2008) and *Zhang v. JA Solar Holdings Co., Ltd., et al.*, Civil Action No. 08 CV 11366 (filed on December 31, 2008). The complaints in the two actions, which are substantially identical, also name as defendants Mr. Huaijin Yang, our former chief executive officer, and Mr. Daniel Lui, our former chief financial officer and chief strategy officer, and allege that the defendants committed securities fraud in violation of Section 10(b) of the United States Securities and Exchange Act. On April 17, 2009, the court consolidated the two cases, appointed a lead plaintiff, and ordered the lead plaintiff to file a consolidated complaint. The lead plaintiff filed the consolidated complaint on June 1, 2009. We filed a motion to dismiss the consolidated complaint on July 15, 2009. In response, lead plaintiff filed a second amended complaint on August 21, 2009. We moved to dismiss the second amended complaint on October 8, 2009. The lead plaintiff filed a response to our motion to dismiss the second amended complaint on November 5, 2009, and we filed our reply on November 25, 2009. The court ordered an oral argument to be held on April 9, 2010 to hear arguments regarding our motion to dismiss. That oral argument was adjourned to April 20, 2010 and then to April 26, 2010, again at lead plaintiff's request. On April 26, 2010, the oral arguments were heard and we are currently awaiting the ruling. Although we cannot predict the outcome of the litigation, we will defend ourselves vigorously in this litigation and do not believe any loss is probable and estimable.

During these processes, and in other legal actions that may take place from time to time, we may incur significant legal expenses and allocate management time and attention to the legal actions. Despite our expense and efforts, however, no assurance can be provided that we will be able to prevail in our legal actions, or against the plaintiffs in the class action described above.

#### Risks Related to Doing Business in China

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

Substantially all of our business operations are conducted in China. 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;

the growth rate;

the control of foreign exchange; and

the allocation of resources.

While the Chinese economy has grown significantly in the past 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 inside China through our various wholly-owned subsidiaries and are therefore subject to laws and regulations applicable to foreign investment in China, including 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.

Our operating subsidiaries in China are subject to legal limitations in paying dividends to us.

The payment of dividends by entities organized in China is subject to limitations. Regulations in the PRC currently permit payment of dividends by our PRC subsidiaries only out of accumulated profits as determined in accordance with accounting standards and regulations in China. Our subsidiaries are also required to set aside at least 10.0% of their after-tax profits based on PRC accounting standards each year to their general reserves until the accumulative amount of such reserves reach 50.0% of their respective registered capital. In addition, at the discretion of their respective Board of Directors, our PRC subsidiaries may allocate a portion of their after-tax profits to their respective staff welfare and bonus funds, which may not be distributed to equity owners except in the event of liquidation. Further, if our PRC subsidiaries incur debt on their own behalves in the future, the instruments governing the debt may restrict their ability to pay dividends or make other distributions to us. Limitations on the ability of our PRC subsidiaries to pay dividends to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our businesses, pay dividends, or otherwise fund and conduct our business.

Fluctuation in the value of the Renminbi versus that of other foreign currencies 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 6.8259 per US\$1.00 as of December 31, 2009. 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, potential future revaluation could further increase our costs.

In addition, 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 Euros and U.S. dollars into Renminbi for our operations, an appreciation of the Renminbi against the Euros and U.S. dollars would have an adverse effect on the Renminbi amount we receive from the conversion. We cannot predict the impact of future exchange rate fluctuations on our results of operations and may incur net foreign currency losses in the future. 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 may have a negative effect on the U.S. dollar amount available for these purposes.

From time to time, we enter into foreign currency forward contracts with commercial banks to hedge part of our exposure to foreign currency exchange risk for forecasted sales denominated in foreign currencies. As with all hedging instruments, there are risks associated with the use of foreign currency forward contracts. While the use of such foreign currency forward contracts provides us with protection from certain fluctuations in foreign currency exchange, we potentially forgo the benefits that might result from favorable fluctuations in foreign currency exchange. Any default by the counterparties to these transactions could adversely affect our financial condition and results of operations. Furthermore, these financial hedging transactions may not provide adequate protection against future foreign currency exchange rate fluctuations and, consequently, such fluctuations could adversely affect our financial condition and results of operations.

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. We cannot predict the impact of future exchange rate fluctuations on our results of operations and may continue to incur net foreign currency losses in the future. Although we intend to reduce the effect of exchange rate exposure through hedging arrangements, we cannot assure you that such hedging activities will be effective in managing our foreign exchange risk exposure. Continued fluctuations in exchange rates, particularly among the U.S. dollar, Euro and the Renminbi could result in foreign exchange losses and affect our gross and net profit margins.

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 from our fundraising activities 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 subsidiaries are able to pay dividends in foreign currencies, without prior approval from the State Administration of Foreign Exchange ("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 our PRC subsidiaries 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 our initial public offering and our follow-on offering 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 regulations. For example, loans by us to our subsidiaries in China, which are foreign-invested enterprises ("FIEs"), to finance their activities cannot exceed statutory limits and must be registered with the SAFE.

We may also finance our subsidiaries by means of capital contributions. These capital contributions must be approved by the PRC Ministry of Commerce or its local counterparts ("MOFCOM"). 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 we have received from our initial public offering and our follow-on 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.

Under the previous Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises ("FEIT Law") and the related implementation rules which was repealed on 1 January 2008, Foreign Invested Enterprises ("FIEs") established in the PRC are generally subject to FEIT at a state tax rate of 30% plus a local tax rate of 3% on PRC taxable income. Our operating subsidiary, JA Hebei, was established as a FIE in the PRC and is thus subject to PRC enterprise income tax of 33%. The PRC government has provided certain incentives to FIEs in order to encourage foreign investments, including tax exemptions, tax reductions and other measures. Under the FEIT Law and the related implementation rules, FIEs are entitled to be exempted from FEIT for a 2-year period starting from their first profit-making year followed by a 50% reduction of FEIT payable for the subsequent three years, provided that they fall into the category of production-oriented enterprises with an operational period of more than 10 years in China, subject to approval from and modification by local taxation authorities. Specifically, with respect to income generated by assets acquired by JA Hebei during the fiscal years 2005 and 2006, JA Hebei will receive a two-year enterprise income tax exemption for 2006 and 2007, as well as a 50% enterprise income tax reduction for 2008, 2009 and 2010. With respect to income generated by assets newly acquired by JA Hebei during 2007, JA Hebei will receive a two-year enterprise income tax exemption for 2007 and 2008, as well as a 50% enterprise income tax reduction for 2009, 2010 and 2011, subject to the approval of the provincial tax authority. JA Hebei has obtained the approval of the relevant county-level and provincial-level tax authority in this regard, which, however, may be subject to PRC central government's further policies, decisions or rulings.

In March 2007, the National People's Congress of China enacted a new Corporate Income Tax Law of the People's Republic of China (or "CIT Law"), which became effective on January 1, 2008 and replaced the FEIT Law. The CIT Law imposes a unified income tax rate of 25% on all domestic enterprises and FIEs unless they qualify under certain limited exceptions. The CIT Law provides a transition period to FIEs, during which they are permitted to grandfather their existing preferential income tax treatment until such treatment expires in accordance with its current terms. In December 2007, the State Council promulgated the Notice on Implementation of Corporate Income Tax regarding Transition Period Preferential Treatment (the "Transition Period Implementation Rules"). In general, the CIT law does not affect the preferential tax treatment enjoyed by JA Hebei during the 5-year transition period. However, the CIT law and the Transition Period Implementation Rules did not clearly address the application of the transitional preferential policies to assets acquired through new capital injection made to a qualified entity after March 16, 2007, the date of enactment of the new CIT law. If future guidance is issued by the State Taxation Administration to clarify this issue and it is determined that capital injection made after March 16, 2007 does not qualify for a separate "two plus three" tax holiday, the tax rate of JA Hebei as well as the income tax liability of JA Hebei could increase for



2008 and 2009. In addition, when our currently available tax benefits expire or otherwise become unavailable, the effective income tax rate of JA Hebei will increase significantly, and any increase of JA Hebei's income tax rate in the future could have a material adverse effect on our financial condition and results of operations.

Dividends we receive from our operating subsidiaries located in the PRC may be subject to PRC withholding tax.

The newly enacted CIT Law provides that a maximum income tax rate of 20% may be applicable to dividends payable to non-PRC investors that are "non-resident enterprises," to the extent such dividends are derived from sources within the PRC, and the State Council has reduced such rate to 10% through the implementation regulations. We are a Cayman Islands holding company and substantially all of our income may be derived from dividends we receive from our operating subsidiaries located in the PRC. Thus, dividends paid to us by our subsidiaries in China may be subject to the 10% income tax if we are considered as a "non-resident enterprise" under the CIT Law. If we are required under the CIT Law to pay income tax for any dividends we receive from our subsidiaries, it will materially and adversely affect the amount of dividends, if any, we may pay to our shareholders and ADS holders.

We may be deemed a PRC resident enterprise under the CIT Law and be subject to the PRC taxation on our worldwide income.

The CIT Law also provides that enterprises established outside of China whose "de facto management bodies" are located in China are considered "resident enterprises" and are generally subject to the uniform 25% enterprise income tax rate as to their worldwide income. Under the implementation regulations for the CIT Law issued by the PRC State Council, "de facto management body" is defined as a body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and treasury, and acquisition and disposition of properties and other assets of an enterprise. If we are treated as a resident enterprise for PRC tax purposes, we will be subject to PRC tax on our worldwide income at the 25% uniform tax rate, which could have an impact on our effective tax rate and an adverse effect on our net income and results of operations, although dividends distributed from our PRC subsidiaries to us could be exempt from Chinese dividend withholding tax, since such income is exempted under the new CIT Law to a PRC resident recipient.

Dividends payable by us to our foreign investors and gain on the sale of our ADSs or ordinary shares may become subject to taxes under PRC tax laws.

Under the CIT Law and implementation regulations issued by the State Council, PRC income tax at the rate of 10% is applicable to dividends payable to investors that are "non-resident enterprises," which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends have their sources within the PRC. Similarly, any gain realized on the transfer of ADSs or shares by such investors is also subject to 10% PRC income tax if such gain is regarded as income derived from sources within the PRC. If we are considered a PRC "resident enterprise," it is unclear whether dividends we pay with respect to our ordinary shares or ADSs, or the gain you may realize from the transfer of our ordinary shares or ADSs, would be treated as income derived from sources within the PRC and be subject to PRC tax. If we are required under the CIT Law to withhold PRC income tax on dividends payable to our non-PRC investors that are "non-resident enterprises," or if you are required to pay PRC income tax on the transfer of our ordinary shares or ADSs, the value of your investment in our ordinary shares or ADSs may be materially and adversely affected.

New labor laws in the PRC may adversely affect our results of operations.

On June 29, 2007, the PRC government promulgated a new labor law, namely, the Labor Contract Law of the PRC, or the New Labor Contract Law, which became effective on January 1, 2008. The New Labor Contract Law imposes greater liabilities on employers and significantly increases the cost of an employer's decision to reduce its workforce. Furthermore, it requires certain terminations to be based upon duration of employment and not the merits of employees. In the event we decide to significantly change or decrease our workforce, the New Labor Contract Law could adversely affect our ability to enact such changes in a manner that is most advantageous to our business or in a timely and cost effective manner, thus materially and adversely affecting our financial condition and results of

operations.

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We face risks related to health epidemics and other outbreaks.

Our business could be adversely affected by the effects of swine flu, avian flu, SARS or other epidemics or outbreaks. China reported a number of cases of SARS in April 2004. In 2006, 2007 and 2008, there have been reports on the occurrences of avian flu in various parts of China, including a few confirmed human cases and deaths. In April 2009, an outbreak of swine flu occurred in Mexico and the United States. In May 2009, the World Health Organization declared a level 6 flu pandemic, its highest pandemic alert phase, indicating a global pandemic underway. Any prolonged occurrence or recurrence of swine flu, avian flu, SARS or other adverse public health developments in China or any of the major markets in which we do business may have a material adverse effect on our business and operations. These could include our ability to travel or ship our products outside of China and to designated markets, as well as temporary closure of our manufacturing facilities, logistic facilities and/or our customers' facilities, leading to delayed or cancelled orders. Any severe travel or shipment restrictions and closures would disrupt our operations and adversely affect our business and results of operations. We have not adopted any written preventive measures or contingency plans to combat any future outbreak of swine flu, avian flu, SARS or any other epidemic.

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 SAFE issued a circular concerning foreign exchange regulations on investments by PRC residents in China through special purpose companies incorporated overseas (or "SPV"), or Circular No. 75, and the implementation procedures of such regulations have been further clarified by circular No. 106 issued by the Department of General Affairs of SAFE on May 29, 2007. Circular No. 75 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. 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 Hebei 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' ability to distribute dividends to our company.

As it is uncertain how SAFE will interpret or implement these circulars, 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.

PRC rules on mergers and acquisitions may subject us to sanctions, fines and other penalties and affect our future business growth through acquisition of complementary business.

On August 8, 2006, six PRC government and regulatory authorities, including the MOFCOM and the China Securities Regulatory Commission (or the "CSRC"), promulgated a rule entitled Interim Provisions on the Takeover of Domestic Enterprises by Foreign Investors (or the "New M&A Rule"), which became effective on September 8, 2006. The New M&A Rule, among other things, requires that an offshore SPV, formed for the listing purpose through

acquisition of 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. Based on consultation with the International Department of the CSRC regarding its interpretation of the New M&A Rule, our PRC counsel, Tian Yuan Law Firm, advised us that the CSRC approval was not required for our initial public offering and the listing of our ADSs on The Nasdaq Global Market and follow-on offerings. However, we cannot assure you that the relevant PRC governmental agencies, including MOFCOM and other applicable departments of the CSRC, would reach the same conclusion as our PRC counsel. If the CSRC or other PRC regulatory body subsequently determines that the CSRC's approval was required for our initial and follow-on offerings and the listing of our ADSs on the Nasdaq Global Market, we may face sanctions by the CSRC or other PRC regulatory agencies. In such 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 our public 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 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 MOFCOM 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 MOFCOM, may delay or inhibit the completion of such transactions, which could affect our ability to expand our business or maintain our market share.

Failure to comply with PRC regulations regarding the registration requirements for employee stock ownership plans or share option plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

In December 2006, the People's Bank of China promulgated the Administrative Measures for Individual Foreign Exchange, which set forth the respective requirements for foreign exchange transactions by PRC individuals under either the current account or the capital account. The Implementation Rules of the Administrative Measures for Individual Foreign Exchange, issued on January 5, 2007 by the SAFE, specify approval requirements for PRC citizens who are granted shares or share options by an overseas listed company according to its employee stock ownership plan or stock option plan. On March 28, 2007, the SAFE promulgated the Processing Guidance on Foreign Exchange Administration for Domestic Individuals Participating in Employee Stock Holding Plans or Stock Option Plans of Overseas-Listed Companies, or the Share Option Rule. According to the Share Option Rule, if a PRC citizen participates in any employee stock ownership plan or stock option plan of an overseas listed company, a qualified PRC domestic agent or the PRC subsidiaries of such overseas listed company shall, among other things, file, on behalf of such individual, an application with the SAFE to obtain approval for an annual allowance with respect to the purchase of foreign exchange in connection with the share purchase or share option exercise as PRC domestic individuals may not directly use overseas funds to purchase shares or exercise share options. Such PRC citizen's foreign exchange income received from the sale of shares or dividends distributed by the overseas listed company shall be fully remitted into a collective foreign currency account in the PRC opened and managed by the PRC subsidiaries of the overseas listed company or the PRC agent before distribution to such individual. If we or our PRC option holders fail to comply with these regulations, we or our PRC option holders may be subject to fines and other legal or administrative sanctions.

In addition, the State Administration of Taxation has issued certain circulars concerning employee share options. Under these circulars, our employees working in the PRC who exercise share options will be subject to PRC individual income tax. Our PRC subsidiaries have obligations to file documents related to employee share options with relevant tax authorities and to withhold individual income taxes of those employees who exercise their share options. If our employees fail to pay or we fail to withhold their income taxes according to relevant laws and regulations, we may face sanctions imposed by the tax authorities or other PRC government authorities.

Risks Related to Liquidity, the 2008 Convertible Notes Offering and  
Our Relationship with the Lehman Entities

We have financed our operations primarily through equity contributions by our shareholders, our initial and follow-on public offerings, a convertible note offering, bank borrowings and cash flow from operations. However, we may require additional cash in the future and may not be able to secure such cash on favorable terms, if at all.

Working capital and access to financing for purchase of silicon raw materials are critical to growing and sustaining our business. We have significant working capital commitments because suppliers of silicon wafers and polysilicon require us to make prepayments in advance of shipments. Although we believe that current cash and cash equivalents and anticipated cash flow from operations will be sufficient to meet our anticipated cash needs, including our cash needs for working capital and capital expenditures, for at least the next twelve months, we may, however, require additional cash to repay existing debt obligations or to re-finance our existing debts or due to changing business conditions or other future developments.

If our existing cash is insufficient to meet our requirements, we may seek to sell additional equity securities, debt securities or borrow from lending institutions. The current global liquidity and credit crisis since the second half of 2008 has been having a significant negative impact on the financing abilities of businesses worldwide, including that of our company. If we are not able to generate sufficient cash flow to meet such obligations, we may need to refinance or restructure our debt, sell assets, reduce or delay capital investments, or seek additional equity or debt financing. We cannot assure you that financing will be available in the amounts we need or on terms acceptable to us, if at all. The sale of additional equity securities, including convertible debt securities, would dilute our shareholders. The incurrence of debt would result in increased interest rate risk, divert cash for working capital and capital expenditures to service debt obligations and could result in operating and financial covenants that restrict our operations and our ability to pay dividends to our shareholders, if any. A shortage of such funds could in turn impose limitations on our ability to plan for, or react effectively to, changing market conditions or to expand through organic and acquisitive growth, thereby reducing our competitiveness.

The significant amount and the structure of our offering of senior convertible notes in May 2008 could adversely affect our business, financial condition and results of operations.

We incurred a significant amount of debt and substantial debt service requirements as a result of the May 2008 offering ("2008 Offering") of the 4.5% senior convertible notes issue by us and maturing on May 15, 2013 (the "Senior Notes"). As of December 31, 2009, we had US\$228.173 million of indebtedness outstanding. Our substantial indebtedness could have significant consequences on our future operations, including:

- requiring us to use a substantial portion of our cash flow from operations to service our indebtedness, which would reduce our cash flow available for working capital, capital expenditures, development projects and other general corporate purposes;
- limiting our flexibility in planning for or reacting to, and increasing our vulnerability to, changes in our business, the industry in which we operate and the general economy; and
- placing us at a competitive disadvantage compared to our competitors who have less debt or are less leveraged.

Any of the above-listed factors could have an adverse effect on our business, financial condition and results of operations.

Our ability to meet our payment and other obligations depends on our ability to generate significant cash flow in the future. This, to some extent, is subject to general economic, financial, competitive, legislative and regulatory factors

as well as other factors that are beyond our control. We cannot assure you that our business will generate sufficient cash flows from operations, or that future borrowings will be available to us in amounts sufficient and on terms reasonable to us to support our liquidity needs. If we are not able to generate sufficient cash flow to service our debt obligations, we may need to refinance or restructure our debt, including our Senior Notes, sell assets, reduce or delay capital investments, or seek to raise additional capital.



Our functional currency is different from the denomination of the Senior Notes and the company's early redemption option is contingent upon its ADS price. Therefore, in accordance with ASC 815, Derivatives and Hedging, the company accounted for the conversion feature, early redemption option and conversion rate adjustment feature (together, "Embedded Derivatives") as a freestanding instrument separately in the balance sheet. The Senior Notes were recorded with a discount equal to the value of the Embedded Derivatives at the transaction date and will be accreted to the redemption value of the Senior Notes over the life of the Senior Notes. The change in fair value of the Embedded Derivatives and capped call options are recorded in the Consolidated Statements of Operations which may potentially increase the level of our earnings volatility. For additional information, see Note 14 of Notes to consolidated financial statements.

We may incur additional indebtedness. If we do so, our increased debt service requirements may adversely affect our ability to meet our payment obligations on our currently outstanding Senior Notes and otherwise successfully grow and operate our business.

Legal action against the Lehman Entities in connection with the Lehman Entities' insolvency proceedings could be expensive, time-consuming and ultimately unsuccessful.

We currently have the following business relationships with the Lehman Entities around the world:

- 1.) an investment of US\$ 100 million in note issued by Lehman Brothers Treasury Co. BV ("Lehman BV") (the "Lehman Note"(1));
- 2.) an ADS lending agreement dated as of May 13, 2008 with Lehman Brothers International (Europe) ("LBIE"); and
- 3.) a capped call confirmation dated May 13, 2008 with Lehman Brothers OTC Derivatives Inc. ("Lehman OTC") (the "Capped Call").

All of the Lehman Entities are now undergoing insolvency proceedings in various countries. Therefore, even though the Lehman Note matured in October 2008, the insolvency proceedings prevented the payment of the Lehman Note and our attempts to collect the amounts due on the Lehman Note. In addition, we are in the process of seeking the return of the ADSs borrowed by LBIE under the ADS lending agreements. Furthermore, in light of the insolvency proceedings, the Lehman OTC's obligations under the Capped Call may not be enforced and, as a result, are currently under dispute. During this process, we may incur significant legal expenses and allocate management time and attention to the legal action. Despite our expense and efforts, however, no assurance can be provided that we will be able to recover any of the shares or monies-owed or be awarded any damages from the Lehman Entities. For additional information, see Note 14 of Notes to consolidated financial statements.

(1)Lehman Note. We have an approximately US\$100 million USD 3-Month Lehman Brothers Commodity Alpha Trading Strategies I Excess Return ("LCMNER") Index-Linked note, issued by Lehman BV and guaranteed by Lehman Brothers Holdings Inc. (or "LBHI"). The Lehman Note is linked to an index of LCMNER. The maturity date of the Lehman Note was October 9, 2008, with 100% principal protection guaranteed by LBHI. The Lehman Note and the guarantee rank equally with all unsecured obligations of the issuer and guarantor. On September 19, 2008, the Amsterdam District Court granted Lehman BV a provisional suspension of payments and subsequently declared Lehman BV bankrupt on October 8, 2008. The Lehman Note was not repaid by Lehman BV and we have made a full impairment amounting to RMB 686 million against the Lehman Note. We have filed a claim with the administrators of Lehman BV for recovery of the US\$100 million and are working with lawyers to monitor the status of the bankruptcy. Any portion of its investment that we are able to recover in the future will be recorded as other income.



Risks Related to Our Ordinary Shares and ADSs

The market price for our ADSs has been volatile.

The market price for our ADSs has been and may continue to be highly volatile and subject to wide fluctuations. From the initial listing of our ADSs on the Nasdaq Global Market on February 7, 2007 to February 7, 2008, the closing prices of our ADSs have ranged from US\$16.30 to US\$75.43 per ADS. Then from the day after the date of our 3-for-1 ADS split (February 7, 2008) to the date of this annual report, the closing prices of our ADSs have ranged from US\$1.8 to US\$25.75 per ADS. The last reported trading price of our ADSs on April 20, 2010 was US\$6.01 per ADS. The price of our ADSs may continue to fluctuate 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;
- 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;
- sales or perceived sales of additional ordinary shares or ADSs; and
- the outcome of the various legal actions we are taking against the Lehman Entities are uncertain.

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.

Our most current memorandum and articles of association contain anti-takeover provisions that could have a material adverse effect on the rights of holders of our ordinary shares and ADSs.

Our most current memorandum and articles of association 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 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.

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 most current memorandum and articles of association, 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.

ADS holders' 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 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 depositary 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 depositary 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 depositary may, at its discretion, decide that it is inequitable or impractical to make a distribution available to any holders of ADSs. For example, the depositary 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 depositary 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 are governed by our most current memorandum and articles of association, 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 our management, our Board of Directors or our 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 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.

We may be classified as a passive foreign investment company, which could result in adverse United States federal income tax consequences to U.S. Holders.

Based on the price of our ADSs, the value of our assets, and the composition of our income and assets, we do not believe that we were a passive foreign investment company, or PFIC, for United States federal income tax purposes for the taxable year ended December 31, 2009. Because the value of our assets for purposes of the PFIC test will generally be determined by reference to the market price of our ADSs or ordinary shares, fluctuations in the market price of the ADSs and ordinary shares may cause us to become a PFIC. While we do not expect to become a PFIC in the current or future taxable years, no assurance can be given because the determination of whether we are a PFIC is a factual determination made annually and because there are uncertainties in the application of the relevant rules. If we were to be classified as a PFIC in any taxable year, a U.S. Holder (as defined in "Taxation – Material U.S. Federal Tax Considerations") would be subject to special rules generally intended to reduce or eliminate any benefits from the deferral of United States federal income tax that a U.S. Holder could derive from investing in a non-United States corporation that does not distribute all of its earnings on a current basis. Further, if we are classified as a PFIC for any year during which a U.S. Holder holds our ADSs or ordinary shares, we generally will continue to be treated as a

PFIC for all succeeding years during which such U.S. Holder holds our ADSs or ordinary shares. For more information see the section titled "Taxation – Material U.S. Federal Tax Considerations - PFIC Considerations".

ITEM 4. INFORMATION ON THE COMPANY

A. HISTORY AND DEVELOPMENT OF THE COMPANY

We commenced our business in May 2005 through JingAo Solar Co., Ltd., or JA Hebei, a limited liability company established in China. To enable us to raise equity capital from investors outside of China, we established a holding company structure by incorporating JA Development Co., Ltd., or JA BVI, in the British Virgin Islands in July 2006.

We undertook a restructuring by incorporating JA Solar Holdings Co., Ltd., or JA Solar, a limited liability company in the Cayman Islands as our listing vehicle, followed by JA Solar's issuance of shares to all existing shareholders of JA BVI in exchange for all of the shares that these shareholders held in JA BVI. Upon completion of the restructuring in August 2006, JA BVI became a wholly-owned subsidiary of JA Solar, and JA Solar became our ultimate holding company.

In November 2006, we established our subsidiary Shanghai JA Solar Technology Co., Ltd., or JA Fengxian, in Fengxian, Shanghai in the form of a Sino-foreign joint venture limited liability company that is 43.75% owned by JA Hebei and 56.25% owned by JA BVI. In March 2007, JA BVI and JA Hebei entered into a share transfer agreement, under which JA BVI acquired JA Hebei's 43.75% equity interest in JA Fengxian and became the sole shareholder of JA Fengxian. In April 2007, JA BVI incorporated a wholly-owned subsidiary in California, U.S.A., JA Solar USA Inc., to engage in after-sales and other related services in the U.S. In June 2007, JA BVI established JA Solar PV Technology Co., Ltd., a wholly-owned subsidiary, in Zhabei, Shanghai. In November 2007, for purposes of conducting our future operations in Yangzhou, Jiangsu Province, we acquired Yangzhou Jinhong Technology Development Co., Ltd., a shell company established in 2006 but has not yet actively engaged in any operations. We renamed this entity JA Solar Technology Yangzhou Co., Ltd., which is now wholly owned by JA BVI. In December 2007, we established another wholly-owned subsidiary in Hong Kong, JA Solar Hong Kong Limited, or JA Hong Kong. In October 2008, JA Hong Kong incorporated Jing Hai Yang Semiconductor Materials (Donghai) Co., Ltd., a wholly owned subsidiary, in Donghai, Jiangsu Province. In March 2009, JA Yangzhou incorporated Yangzhou JA Solar R&D Corporation Limited, a wholly owned subsidiary, in Yangzhou, Jiangsu Province. In June 2009, for purposes of our 3MW photovoltaic project in Korea, we acquired Greenhills S.a.r.l. and renamed it JA Solar Luxembourg S.a.r.l., which is now wholly owned by JA Hong Kong. JA Solar Luxembourg purchased Jindosun Park Inc. in Korea in June 5, 2009. In November 2009, JA Hong Kong incorporated Yangzhou JA Solar PV Engineering Co. Ltd., a wholly owned subsidiary, in Yangzhou, Jiangsu Province. In February 2010, for purposes of our business in Europe, JA Luxembourg acquired ZETA sechzigste VV GmbH and renamed it JA Solar GmbH.

See also "Item 5. Operating and Financial Review and Prospects – B. Liquidity and Capital Resources – Capital Expenditures" and "Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds – B. Use of Proceeds."

The following diagram illustrates our corporate structure, the place of formation in the parentheses and the ownership interests of our subsidiaries as of the date of this annual report.

Our principal executive offices are located at No. 36, Jiang Chang San Road, Zhabei, Shanghai, The People's Republic of China. Our telephone number at this address is (86) 21-60955999 and our fax number is (86) 21-60955727.

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](http://www.jasolar.com). The information contained on our website is not part of this annual report. Our agent for service of process in the United States is CT Corporation System, located at 111 Eighth Avenue, New York, New York 10011.



B. BUSINESS OVERVIEW

Overview

We are a leading China-based manufacturer of high-performance solar products as measured by solar cell production in 2009. We were established in May 2005 and commenced commercial operations in April 2006 with one solar cell manufacturing line 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 and, by the end of 2009, have increased our cell production capacity to 800 MW per annum. We expect to expand our name plate cell manufacturing capacity to 1.1 GW by the end of 2010. We generally sell our cell products to solar module manufacturers who assemble and integrate our solar cells into modules and systems that convert sunlight into electricity. Solar modules and systems that incorporate our products are distributed globally, including to end-customers in Europe, Asia and the Americas. As part of our business strategy to achieve more vertical integration, we began engaging in module and wafer manufacturing in 2010.

Our Solar Cell Products

We are primarily focused on solar cell design and manufacturing, a stage in the solar power industry value chain that we believe has a significant amount of technology value added which results in higher profit potential and higher barriers to entry. We design, manufacture and market high-performance solar cells, which are made from specially processed silicon wafers. Our solar cells are assembled and integrated into solar modules and systems that convert sunlight into electricity through a process known as the photovoltaic effect. Solar cells are the key components of solar modules.

We currently produce and sell both monocrystalline and multicrystalline solar cells. We also provide cell processing services to some of our customers who supply us with their own wafers and we process these wafers into solar cells that are sold back to them.

Product Features

Efficiency, format and cell thickness are the most important properties in determining production costs and sale price of solar cells.

- Cell Efficiency. Cell efficiency refers to the ratio of the maximum power output of electric energy released and the light received. A cell with a higher degree of efficiency (having the same format) generates more electricity. Efficiency is a key determinant for sale price and therefore affects the profitability margins of the manufacturer. In 2009, our monocrystalline solar cells generally achieved efficiency levels with an average of up to 17.6% and our multicrystalline solar cells generally achieved efficiency levels with an average of up to 16.2%. In September 2009, we began working to commercialize a silicon ink technology to further improve the efficiency levels of our solar cells. Cell efficiency is mainly affected by the following factors:
- Wafer Quality. The quality of the wafer from which a cell is produced is of significant importance for the processing and the efficiency of the cells.
- Manufacturing Process. We believe that we have developed and implemented advanced manufacturing processes in our production facilities. For example, we use special techniques in the diffusion process in order to fabricate high-performance cells with improved cell efficiency. In addition, we have a well-trained maintenance team that continuously monitors each step of our manufacturing process. We believe that this monitoring system has helped us maintain consistency and uniformity in the solar cells we produce and overall improved our cell efficiency, as

well as helped us minimize the down-time of our manufacturing lines.

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·Format. The larger the format of a cell, the greater its power output (having the same efficiency). Accordingly, larger cells (having the same efficiency) can be sold for a higher price. On the other hand, a larger format generally results in increased breakage rates and higher material cost per watt. Given the different size of the wafers we currently obtain from our suppliers, we currently produce both monocrystalline and multicrystalline solar cells with formats of 125 mm × 125 mm and 156 mm × 156 mm.

·Cell Thickness. The thinner a cell, the less polysilicon is generally needed for its production. This facilitates a cost reduction per cell and the production of more cells from a given amount of polysilicon. However, thinner cells also tend to be more fragile and have higher breakage rates. Some of our research and development projects focus on refining process technologies for ultra-thin wafers. The average thickness of the silicon wafers from our suppliers is in the range of 210-170 microns.

### Manufacturing Capacity and Facilities

Our current manufacturing facilities are located in Ningjin, Hebei Province and Yangzhou, Jiangsu Province. We are building an additional 210 MW of cell manufacturing capacity in Ningjin, Hebei and Yangzhou, Jiangsu, which we expect will commence production before the end of 2010.

#### Manufacturing Facility in Ningjin, Hebei

Our main manufacturing center is located in Ningjin, Hebei, where we have 21 operational solar cell manufacturing lines with a total rated manufacturing capacity per annum of 525 MW.

For our manufacturing facilities in Ningjin, Hebei, we lease approximately 106,582 square meters and 7,000 square meters from Jinglong Group and another related company controlled by our chairman, respectively, inside Jinglong industrial park, which houses our manufacturing lines, as well as offices, warehouses and R&D laboratories. See also "Item 7. Major Shareholders and Related Party Transactions — B. Related Party Transactions."

#### R&D and Manufacturing Facilities in Yangzhou, Jiangsu

We have established a manufacturing and R&D center in Yangzhou, Jiangsu, where we have installed 11 solar cell manufacturing lines with a total rated manufacturing capacity of 275 MW per annum. In addition, in March 2009, we established a new R&D center in Yangzhou under our wholly-owned subsidiary, JA Solar Yangzhou R&D. The new Yangzhou R&D center is located within our original manufacturing and R&D center in Yangzhou and is dedicated to research and development activities. We lease approximately 10,400 square meters from third parties for our R&D and manufacturing facilities in Yangzhou.

### Manufacturing Process

We use a semi-automated manufacturing process to lower our operating costs and capital expenditures. We intend to optimize automation and manual operations in our manufacturing process to take advantage of our location in China, where the costs of skilled labor and engineering and technical resources tend to be lower than those in developed countries. The following provides a brief overview of the most important steps in our solar cell manufacturing process:

- Texturing and cleaning. The solar cell manufacturing process begins with texturing of the surface of wafers which reduces the solar cell's reflection of sunlight, followed by surface cleaning of the cells. The texturing process for multicrystalline wafers is slightly different from that for monocrystalline wafers. However, we believe we are capable of producing multicrystalline solar cells by making certain minor adjustments in our texturing process.



- Diffusion. Next, through a thermal process, a negatively charged coating is applied to the positively charged raw wafers in a diffusion furnace. At the high furnace temperature, the phosphorous atoms diffuse into the wafer surface. As a result, the wafer now has two separate layers — a negatively charged layer on the surface and a positively charged layer below it.
- Isolation. To achieve a clean separation of the negative and positive layers, the edges of the wafers are isolated through etching, a process that removes a very thin layer of silicon around the edges of the solar cell resulting from the diffusion process.
- Anti-reflection coating. We then apply an anti-reflection coating to the front surface of the solar cell to enhance its absorption of sunlight.
- Printing. In a screen printing process, we print silver paste and aluminum paste to the front and back surfaces of the solar cell, respectively, to act as contacts, with the front contact in a grid pattern to allow sunlight to be absorbed.
- Co-firing. Subsequently, contacts are connected through an electrode firing process in a conveyor belt furnace at high temperature. The high temperature causes the silver paste to become embedded in the surface of the silicon layer forming a reliable electrical contact. The aluminum paste on the back of the cell serves as a mirror for particles, further enhancing the efficiency level.
- Testing and sorting. Finally, we complete the manufacturing of solar cells by testing and sorting. The finished cells are sorted according to efficiency levels and optical criteria. Each cell is tested and subsequently assigned to a performance and quality class depending on the testing results.

#### Production Equipment

The major manufacturing equipment for solar cell production includes texturing machines, diffusion furnaces, edge isolators, wafer cleaning machines, coating systems, contact printers, co-firing machines and sorting machines. We purchase our equipment from various recognized equipment manufacturers in China, the United States, Europe and Japan. We have close relationships with the world's leading equipment manufacturers in the solar power industry and work closely with selected equipment manufacturers to develop and build our solar cell manufacturing lines. In addition, we have developed technical specifications for the design of certain equipment and engaged manufacturers to construct the equipment in accordance with our specifications. This custom-made equipment is manufactured locally and used to substitute for certain equipment that we would otherwise be required to import from overseas at a higher cost. Our technical team is responsible for overseeing the installation of the manufacturing lines to ensure that the interaction between the various individual components and the entire production process is optimized.

#### Raw Materials and Utilities

Silicon wafers are the most important raw materials to produce solar cells. Securing an adequate supply of silicon wafers is of great significance for us. Other than silicon wafers, raw materials for manufacturing solar cells include auxiliary materials such as metal pastes, chemicals and gases. For these auxiliary materials, we choose our suppliers through a bidding process based on the quality of their materials and the competitiveness of their pricing terms. We seek to maintain active relationships with multiple suppliers for each of these auxiliary raw materials, and we believe we can readily find alternative sources of supply on terms acceptable to us if any of our current suppliers can not meet our requirements.

#### Silicon Wafers

Our basic raw material for producing solar cells is silicon wafers, which are sliced from crystalline ingots developed from melted polysilicon. As such, polysilicon is an essential raw material that is used to make silicon wafers. The success of our business and our growth strategy depend heavily on securing a sufficient supply of silicon wafers and polysilicon at commercially reasonable prices and terms to meet our existing and planned production capacity. In past years, in order to better manage our unit costs and to secure adequate supply of silicon wafers, we entered into a number of multi-year supply agreements for silicon wafers and polysilicon in amounts that were expected to meet our anticipated production needs. For example, we entered into a long-term supply agreement with Jinglong Group that is renewable at the end of 2010 for an additional three-year term and a 72-month supply agreement with GCL beginning in January 2010.

The unit prices of silicon wafers and polysilicon under those agreements were either fixed or fixed during an initial period of several months, after which, the prices would be determined by further negotiations. We have completed re-negotiating various terms of our supply agreements with certain of our suppliers and are continuing to engage in discussions with our other various suppliers to re-adjust the pricing, prepayment, quantity, delivery and other terms of our existing supply agreements to better reflect current market conditions.

As part of our business strategy to achieve more vertical integration and to reduce wafer cost, we have established a wafer manufacturing facility in Donghai, Jiangsu Province under our wholly-owned subsidiary JHY Semiconductor, which has commenced production in 2010. Initial wafer production capacity for JHY Semiconductor is expected to be 120MW by the end of 2010. We leased approximately 10,400 square meters for this facility. In April 2009 and September 2009, we obtained the land use right with respect to 86,576 and 133,412 square meters of land, respectively, for our R&D and manufacturing facilities in Donghai. We intend to use these lands for wafer manufacturing.

See also "Item 3. Key Information — D. Risk Factors — Risks Related to Our Supply Chain" and "Item 5. Operating and Financial Review and Prospects – F. Tabular Disclosure of Contractual Obligations."

#### Utilities

We consume a significant amount of electrical power and water in our production of solar cells. We have obtained the necessary approvals and/or permits from the relevant PRC governmental authority for our water and electricity usage in our existing manufacturing and R&D centers.

#### Quality Assurance and Certifications

Our senior management team is actively involved in setting quality assurance policies and managing quality assurance performance to ensure the high quality of our solar cell products. We have received an ISO 9001:2008 certification from TÜV SÜD Management Service GmbH for JA Yangzhou's quality management system in designing, manufacturing and sale of solar cells. During the manufacturing process, we continuously monitor the quality of our products in process by following procedures including: (i) automatic monitoring and sorting system based on measurement of the efficiency level, breakage rate, and purity level of our solar cell products and (ii) manual inspection of the surface outlook of solar cells. If any of our solar cell products is damaged, defective, or does not meet other quality standards, it will be sorted out during the monitoring process.

We believe that we have a strong equipment maintenance team with well-trained personnel to oversee the operation of our manufacturing lines to avoid any unintended interruption, and to minimize the regular down time, of such manufacturing lines. To ensure that our quality assurance procedures are effectively applied, manufacturing line employees are provided with regular job training.

#### Markets and Customers

We sell our solar cells principally to solar module manufacturers who assemble and integrate our products into modules and systems. We plan to continue to expand our direct sales in selected overseas markets, including Germany, Spain, Sweden, South Korea and the United States. Our sales and marketing strategy is to selectively and quickly expand our customer base to include established players in the global solar power industry by (i) establishing long-term relationships with existing customers to develop a loyal customer base, and (ii) expanding our international sales and distribution channels worldwide by selectively adding more sales and marketing personnel. Over the past year, our strategy has allowed us to successfully grow our international presence to the point that approximately 26% of our total sales revenue in 2009, and approximately 29% of our total sales revenue in the fourth quarter of 2009, were from customers outside China.





For the years ended December 31, 2007, 2008 and 2009, approximately 85.8%, 76.3% and 73.8% of our total sales revenue was made to customers based in China, respectively.

The following table summarizes our net revenues generated from different geographic markets:

	Year Ended December 31,		
	2007	2008	2009
	(RMB in millions)		
China	2,310.5	4,162.0	2,789.8
Outside China:			
Spain	154.8	613.5	57.5
Germany	0.4	144.9	396.9
Rest of the world	228.0	537.9	535.0
	383.2	1,296.3	989.4
Total net revenue	2,693.7	5,458.3	3,779.2

In order to maximize the effective utilization of our production capacity, we also provide cell processing services to some of our customers who supply us with their own wafers and we process these wafers into solar cells that are sold back to them. For the year ended December 31, 2009, we generated revenues of RMB406.9 million from solar cell processing services.

As an additional service to our customers, we also engage third party OEM producers to assemble the solar cells we produce into solar modules that meet our customers' requirements. Beginning in 2010, as part of our business strategy to achieve more vertical integration, we launched our module manufacturing service in Fengxian, Shanghai under our wholly-owned subsidiary JA Fengxian. For our module manufacturing facilities in Fengxian, Shanghai, we lease approximately 21,000 square meters from Jinglong Group, which houses our module processing facilities, as well as offices, warehouses and R&D laboratories. See also "Item 7. Major Shareholders and Related Party Transactions — B. Related Party Transactions."

## Intellectual Property

We currently do not own any registered intellectual property rights and we rely on trade secrets and other similar protections. Dr. Ximing Dai, our former chief technology officer prior to her resignation in December 2007, had contributed to us in 2005, through her wholly-owned company, Australia PV Science & Engineering Co., certain process technology that she had developed for the production of solar cells. This technical know-how had an implied value of RMB 9.0 million and was counted as part of Dr. Ximing Dai's equity investment in us. Following Dr. Ximing Dai's resignation, we have continued to improve on such technology.

## Competition

The solar power market is intensely competitive and rapidly evolving. The number of solar power product manufacturers has rapidly increased due to the growth of actual and forecast demand for solar power products and the relatively low barriers to entry. Our competitors include Suntech Power Holdings Co., Ltd. and Trina Solar Limited. We expect to face increased competition, which may result in price reductions, reduced margins or loss of market share. Some of our competitors have 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. Furthermore, many of our competitors are developing or currently producing products based on new photovoltaic technologies, including thin film, ribbon, sheet and nano technologies, which they believe will ultimately cost the same as or less than crystalline silicon technologies used by us. 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 provide 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. 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.

See "Item 3. Key Information — D. Risk Factors — Risks Related to Our Sales Channels — We compete in a highly competitive market and many of our competitors have resources greater than ours."

## Regulation

This section sets forth a summary of the most significant regulations or requirements that affect our business activities in China and our shareholders' rights to receive dividends and other distributions from us.

### Renewable Energy Law and Other Government Directives

The Renewable Energy Law of the People's Republic of China enacted by China in February 2005 (effective January 1, 2006) sets forth policies to encourage the development and use of solar and other non-fossil fuel renewable energy and their on-grid application. The law also sets forth the national policy to encourage the installation and use of solar energy water-heating systems, solar energy heating and cooling systems, solar photovoltaic systems and other solar energy utilization systems. In addition, the Renewable Energy Law also expressly permits financial incentives, such as governmental funding, preferential loans and tax preferences for the development of renewable energy projects.



Since the enactment of the Renewable Energy Law in 2005, the State Council, the NDRC, the Ministry of Construction, and the Ministry of Finance promulgated a number of directives to encourage the expansion of the renewable energy power generation industry, including the solar industry. These directives established specific measures relating to the pricing of electricity generated by solar and other renewable power generation systems and the sharing of certain costs incurred by solar and other renewable power generation systems by utility end-users. The directives also provide specific allocations of administrative and supervisory powers and responsibilities amongst various relevant government agencies at the national and provincial levels. Further, the directives stipulate relevant responsibilities among electricity grid companies and power generation companies with a view to the implementation of the renewable energy Law.

In June 2005, China's Ministry of Construction issued a directive to expand the use of solar energy in residential and commercial buildings and the increased application of solar energy in China's townships. In addition, China's State Council promulgated a directive in July 2005 that set forth specific measures to conserve energy resources and encourage exploration, development and use of solar energy in China's western and rural areas, which had not been covered by electricity transmission grids.

In January 2006, the NDRC, issued two implementing rules relating to the Renewable Energy Law: (1) the Trial Measures on the Administration over the Pricing and Cost Allocation of Renewable Energy Power Generation and (2) the Administrative Regulations Relating to the Renewable Energy Power Generation. These implementing rules, among other things, set forth general policies for the pricing of on-grid power generated by solar and other renewable energy. In addition, on May 30, 2006, the PRC Ministry of Finance issued the Provisional Measures for Administration of Specific Funds for Development of Renewable Energy, which provides that the PRC government will establish a fund specifically for the purpose of supporting the development of the renewable energy industry, including the solar energy industry.

On March 3, 2008, the NDRC issued the "11th Five-Year Plan for the Development of Energy Resources," which announced the PRC government's support for the development of renewable energy resources in China, including solar power.

On March 23, 2009, China's Ministry of Finance promulgated the Interim Measures for Administration of Government Subsidy Funds for Application of Solar Photovoltaic Technology in Building Construction, or the Interim Measures, to support the demonstration and the promotion of solar photovoltaic application in China. Local governments are encouraged to issue and implement supporting policies for the development of solar photovoltaic technology. Under these Interim Measures, the Ministry of Finance provides subsidies for projects with individual solar installations that are greater than 50 kilowatt-peak in size and have more than 16% conversion efficiency for monocrystalline photovoltaic products, more than 14% conversion efficiency for multicrystalline photovoltaic products and more than 6% conversion efficiency for amorphous silicon photovoltaic products, and gives priority support to solar photovoltaic technology integrated into building construction, grid-connected solar photovoltaic building applications and some public photovoltaic building applications such as schools, hospitals and offices. For 2009, the standard subsidy is set at RMB20 per watt in principle and the detailed standard is to be determined by factors including, but not limited to, the level of integration of buildings with photovoltaic and the technology of photovoltaic products. The Interim Measures do not apply to projects completed before March 23, 2009, the promulgation date of the Interim Measures.

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

#### Environmental Regulations

We may use, generate and discharge toxic, volatile or otherwise hazardous chemicals and wastes in our research, development and manufacturing activities. We are subject to a variety of governmental regulations related to the storage, use and disposal of hazardous materials. The major environmental regulations applicable to us include the Environmental Protection Law of the PRC, the Law of PRC on the Prevention and Control of Water Pollution, Implementation Rules of the Law of PRC on the Prevention and Control of Water Pollution, the Law of PRC on the Prevention and Control of Air Pollution, Implementation Rules of the Law of PRC on the Prevention and Control of Air Pollution, the Law of PRC on the Prevention and Control of Solid Waste Pollution, the Law of PRC on the Prevention and Control of Noise Pollution and PRC regulations regarding Administration of Construction Project Environmental Protection.

#### Restrictions on Foreign Businesses and Investments

Catalogue of Industries for Guiding Foreign Investment, updated and effective as of December 1, 2007, is the principal regulation governing foreign ownership of solar photovoltaic businesses in the PRC. Under this regulation, the solar photovoltaic business is listed as an industry where foreign investments are encouraged.

#### Taxation

See "Item 10. Additional Information. E. Taxation."

#### Dividend Distribution

The principal regulations governing distribution of dividends paid by wholly foreign-owned enterprises, include:

- Wholly Foreign-Owned Enterprise Law of 2000, as amended; and
- Wholly Foreign-Owned Enterprise Law Implementation Rules of 2000, as amended.

Under the current regulatory regime in China, foreign-invested enterprises in China may only pay dividends out of their accumulated profits, if any, determined in accordance with the PRC accounting standards and regulations. In addition, a wholly foreign-owned enterprise in China is required to set aside at least 10% of its after-tax profit calculated in accordance with the PRC accounting standards and regulations each year as its general reserves until the cumulative amount of such reserves reaches 50% of its registered capital. These reserves are not distributable as cash dividends. The board of directors of a wholly foreign-owned enterprise has the discretion to allocate a portion of its after-tax profits to its staff welfare and bonus funds, which is also not distributable to its equity owners except in the event of a liquidation of the foreign-invested enterprise.

## Foreign Currency Exchange

China regulates foreign currency exchanges primarily through the following regulations:

- Regulation of the People's Republic of China on Foreign Exchange Administration (2000), as amended; and
- Regulations of Settlement, Sale and Payment of Foreign Exchange (1996).

Under the Regulation of the People's Republic of China on Foreign Exchange Administration, foreign currencies are prohibited from circulation and shall not be quoted for pricing or settlement within the territory of the People's Republic of China, unless otherwise provided for by the State. The Renminbi is convertible for current account items, including distribution of dividends, payment of interest, trade and service-related foreign exchange transactions. Conversion of Renminbi for capital account items, such as direct investment, loan, securities investment and repatriation of investment, however, is still subject to the approval of SAFE. Foreign exchange receipts for current account transactions may, in accordance with the relevant provisions of the State, be retained or sold to financial institutions conducting foreign exchange settlement and sale operations.

Under the Regulations of Settlement, Sale and Payment of Foreign Exchange, foreign-invested enterprises may only buy, sell and/or remit foreign currencies at those banks authorized to conduct foreign exchange business after providing valid commercial documents and, in the case of capital account item transactions, obtaining approval from the SAFE. Capital investments by foreign-invested enterprises outside of China are also subject to limitations, which include approvals by the Ministry of Commerce, SAFE and the NDRC.

## C. ORGANIZATIONAL STRUCTURE

For a description of our organizational structure, See "Item 4. Information on the Company — A. History and Development of the Company."

## D. PROPERTY, PLANTS AND EQUIPMENT

We lease office space in various locations around the world where we maintain sales and regional offices. We believe that our existing facilities, together with the facilities under construction and to be constructed under our current plans, are adequate for our current requirements. In addition, we own our principal executive office building located in Zhabei, Shanghai that is approximately 12,695 square meters.

See also "Item 4. Information on the Company — B. Business Overview — Manufacturing Capacity and Facilities."

## Environmental Matters

As we use, generate and discharge toxic, volatile and otherwise hazardous chemicals and wastes in our research and development and manufacturing activities, we are required by PRC law to obtain pollutant discharging permits and undergo government-administered safety examinations with respect to our production facilities. As of the date of this annual report, we have obtained the necessary permits and passed the necessary examinations with respect to the first three of our manufacturing lines and are in the process of doing the same with respect to our other manufacturing lines. So far, we have not been assessed any penalties for any non-compliance with PRC environmental law and regulations. However, if we fail to comply with such laws and regulations in the future, we may be required to pay fines, suspend production or cease operation. 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.



ITEM 4A.

UNRESOLVED STAFF COMMENTS

None.

ITEM 5.

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion and analysis of our financial condition and results of operations are based upon and should be read in conjunction with our consolidated financial statements and the related notes included in this annual report. 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 in "Item 3. Key Information — D. Risk Factors" and elsewhere in this annual report.

A.

OPERATING RESULTS

Overview

We are one of the leading manufacturers of high-performance solar cells based in China. We conduct our business primarily through our wholly-owned subsidiaries in China, and operate and manage our business as a single segment. We commenced our business through JA Hebei in May 2005. Pursuant to a recapitalization plan, all of the former shareholders of JA Hebei transferred their equity interests in JA Hebei to 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. For the year ended December 31, 2009, our revenues and net loss were RMB 3.78 billion and RMB 128.7 million, respectively.

We have a 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. In the past year, demand for solar cells has become more sluggish due to issues such as the lack of financing caused by the global financial crisis and the reduction of incentives, for example, Spain's 500 MW cap on subsidized solar power. Furthermore, the past year has seen a significant drop in crude oil prices – a factor that has led to a further decrease in demand for solar cell products.



See "Item 3. Key Information — D. Risk Factors — Risks Related to Our Sales Channels — The execution of our growth strategy is dependent upon the continued availability of financing to our customers as well as third-party financing arrangements for the end-user of our products, and is affected by general economic conditions."

- **Capacity Utilization.** We have expanded our manufacturing capacity from 25 MW to 800 MW per annum since inception. In order to improve the effective utilization of our production capacity, we have also entered into additional solar cell processing arrangements with customers who have their own wafer supplies where we obtain silicon wafer supplies from these customers, and sell all or a substantial portion of the solar cells manufactured with these wafers back to those customers.

See "Item 3. Key Information — D. Risk Factors — Risks Related to Our Operations — We may not be able to increase or sustain our recent growth rate, and we may not be able to manage our future growth effectively."

- **Price of Silicon Wafers and Related Raw Materials.** The success of our business and our growth strategy depends heavily on acquiring a supply of silicon wafers at commercially reasonable prices and terms that is consistent with our existing and planned production capacity. We have entered into prepaid long-term supply contracts with suppliers like Jinglong Group and GCL where, in some instances, these agreements provide for fixed pricing, substantial prepayment obligations and/or firm purchase commitments that require us to pay for the supply whether or not we accept delivery. These prepayment arrangements exposes us to the credit risks of such suppliers and may also significantly increase our costs and expenses, as compared to our competitors, based on factors like fluctuations in the market price for silicon wafers/polysilicon and/or if such arrangements require us to purchase more raw materials than required to meet our actual customer demand (e.g., carrying excess inventory), either of which could in turn have a material adverse effect on our financial condition, results of operations and liquidity.

See "Item 3. Key Information — D. Risk Factors — Risks Related to Our Supply Chain — Limited competition among suppliers has required us in some instances to enter into long-term, firm commitment supply agreements, including prepayment provisions that could result in excess or insufficient inventory and financial loss placing us at a competitive disadvantage."

- **Pricing of Our Solar Products.** 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. The average selling price of our solar cells was approximately RMB 22.5, RMB 22.1 and RMB9.0 per watt for the years ended December 31, 2007, 2008 and 2009, respectively. The decline in average selling price of our solar cells over these periods was mainly due to the significant decline in silicon wafer cost, our key raw materials, increased competition, and changes in other market conditions. We expect the prices of products in solar value change, including our own products, over time to continue to decline due to increased supplies, reduced manufacturing costs and industry pursuit to grid parity of traditional forms of electricity.

See "Item 3. Key Information — D. Risk Factors — Risks Related to Our Supply Chain — Fluctuation in the price of polysilicon, increased competition, the global economic crisis and other changing market conditions may cause further decline in the demand and average selling prices of solar cells and may continue to increase the level of our earnings volatility and reduce our profitability."

- **Technology Improvement.** Solar power companies, including us, are continuously pursuing technology improvements in an effort to increase conversion efficiencies. 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.

See "Item 3. Key Information — D. Risk Factors — Risks Related to Technology and Intellectual Property."



## 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 annual report. We believe the following critical accounting policies involve the most significant judgments and estimates used in the preparation of our financial statements.

### Revenue recognition

#### Revenue recognition for solar cells and modules (hereafter "solar products")

We, generally, recognize revenue from the sale of solar products at the time of shipment, at which point title and risk of loss transfer. We sell our solar 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 (sales 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). Customers do not have a right of return. We do provide a warranty on our solar module products.
- Some shipping terms are EXW, at which point we deliver goods at our own place of business and all other transportation costs and risks are assumed by the customer. Some shipping terms are CIF destination point. At this point, once the acceptance from the customer is received, the customer takes title to the goods and is responsible for all risks and rewards of ownership. Some shipping terms are FOB shipping point from our 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.
- For customers to whom credit terms are extended, we assess a number of factors to determine whether collection from them is probable, including past transaction history with them and their credit-worthiness. All credit extended to customers is pre-approved by management. 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.



### Revenue recognition for solar cells processing

We provide solar cell processing services to produce solar cells on behalf of third parties who have their own wafer supplies. Under certain of these solar cell processing service arrangements, we purchase raw materials from a customer and agree to sell a specified quantity of solar cells produced from such materials back to the same customer. The quantity of solar cells sold back to the customer under these processing arrangements is consistent with the amount of raw materials purchased from such customer based on current production conversion rates. We record revenues from these processing transactions based on the amount received for solar cells sold less the amount paid for the raw materials purchased from the customer. The revenue recognized is recorded as solar cell processing revenue and the production costs incurred related to providing the processing services are recorded as solar cell processing costs within cost of revenue.

### Fair Value of Financial Instruments

We adopted the provisions of ASC 820, Fair Value Measurements and Disclosures, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Before January 1, 2009, our adoption of ASC 820 was limited to our financial assets and financial liabilities. We do not have any nonfinancial assets or nonfinancial liabilities that we recognize or disclose at fair value in our financial statements on a recurring basis. ASC 820 establishes a hierarchy for inputs used in measuring fair value that gives the highest priority to observable inputs and the lowest priority to unobservable inputs. Valuation techniques used to measure fair value shall maximize the use of observable inputs.

When available, the company measures the fair value of financial instruments, including cash and cash equivalents, restricted cash, available-for-sale securities, trading security and derivative assets and liabilities, based on quoted market prices in active markets, valuation techniques that use observable market-based inputs or unobservable inputs that are corroborated by market data. Pricing information the company obtains from third parties is internally validated for reasonableness prior to use in the consolidated financial statements. When observable market prices are not readily available, the company generally estimates the fair value using valuation techniques that rely on alternate market data or inputs that are generally less readily observable from objective sources and are estimated based on pertinent information available at the time of the applicable reporting periods. In certain cases, fair values are not subject to precise quantification or verification and may fluctuate as economic and market factors vary and the company's evaluation of those factors changes. Although the company uses its best judgment in estimating the fair value of these financial instruments, there are inherent limitations in any estimation technique. In these cases, a minor change in an assumption could result in a significant change in its estimate of fair value, thereby increasing or decreasing the amounts of the company's consolidated assets, liabilities, stockholders' equity (deficit) and net income or loss.

**Allowance for doubtful accounts.** We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. We make our estimates of the collectibility of our accounts receivable by analyzing historical bad debts, specific customer creditworthiness and current economic trends. We recorded RMB nil, RMB 24.7 million and RMB 41.1 million for doubtful accounts as of December 31, 2007, 2008 and 2009. If the financial condition of our customers were to deteriorate such that their ability to make payments was impaired, additional allowances could be required.

**Advances to suppliers.** Consistent with industry practice, we make short-term and long-term advances from time to time to secure our raw material needs of silicon wafers, which are then offset against future purchases. We do not require collateral or other security against our advances to our related or third party suppliers. We continually assess the credit quality of our suppliers and the factors that affect the credit risk. If there is deterioration in the credit worthiness of our suppliers, we will provide for such losses on these advances. We recorded RMB nil, RMB 18.6 million and RMB 52.0 million for potential losses against supplier advances as of December 31, 2007, 2008 and

2009. If the financial condition of our suppliers were to deteriorate such that their ability to deliver product or repay our advances was impaired, additional provisions could be required.

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**Inventory Valuation.** Inventory is valued 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. Certain factors could impact the realizable value of our inventory, so we continually evaluate the recoverability based on assumptions about customer demand and market conditions. The evaluation may take into consideration historic usage, expected demand, anticipated sales price, new product development schedules, the effect new products might have on the sale of existing products, product obsolescence, customer concentrations, and other factors. The reserve or write-down is equal to the difference between the cost of inventory and the estimated market value based upon assumptions about future demand and market conditions. If actual market conditions are less favorable than those projected by management, additional inventory reserves or write-downs may be required that could negatively impact our gross margin and operating results. If actual market conditions are more favorable, we may have higher gross margin when products that have been previously reserved or written down are eventually sold. We recorded RMB nil, RMB 78.0 million and RMB 122.2 for inventory valuation as of December 31, 2007, 2008 and 2009.

**Impairment of long-lived assets.** We evaluate our long-lived assets and finite-lived intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Factors considered important that could result in an impairment review include significant underperformance relative to expected historical or projected future operating results, significant changes in the manner of use of acquired assets and significant negative industry or economic trends. Impairments are recognized based on the difference between the fair value of the asset and its carrying value. Fair value is generally measured based on either quoted market prices, if available, or discounted cash flow analyses. Any write-downs would be treated as permanent reductions in the carrying amounts of the assets and an operating loss would be recognized.

**Share-based compensation.** We account for the grant of employees share-based compensation in accordance with ASC 718, Compensation-Stock Compensation, 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 ASC 718, which 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.

#### Grants to Employees

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.

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.





Prior to our initial public offering, the fair value of the ordinary shares was determined retrospectively to the time of grant. Determining the fair value of our ordinary shares on a pre-IPO basis 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 ASC 505-50 Equity Based Payments to Non-Employees. 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.

**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 statements carrying amounts of existing assets and liabilities and their respective tax assets bases and operating loss and tax credit carry forwards. 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. We recorded valuation allowances to reduce our net deferred tax assets to the amount of RMB2.1 million, RMB 13.4 million and RMB 49.0 million as of December 31, 2007, 2008 and 2009, respectively. We have adopted the provisions of ASC 740, Income Taxes. We have performed assessment on our tax positions related to ASC 740, and concluded that the adoption of ASC 740 did not have any material impact on our financial position as of December 31, 2009.

**Product warranties.** It is customary in our business and industry to warrant or guarantee the performance of our solar module products at certain levels of conversion efficiency for extended periods. Our standard solar modules are typically sold with either a two-year or five-year guarantee for defects in materials and workmanship and a 10-year and 25-year warranty against declines of more than 10.0% and 20.0%, respectively, of the initial minimum power generation capacity at the time of delivery. In addition, we usually provide the same warranty for solar modules assembled for third party OEM companies. We therefore maintain warranty reserves (recorded as accrued warranty costs) to cover potential liabilities that could arise from these guarantees and warranties. The potential liability is generally in the form of product replacement or repair. We accrue 1.0% of our net revenues from sales of solar modules as warranty costs at the time revenues are recognized and include that amount in our cost of revenues. Due to zero warranty claims to date, we accrue the estimated costs of warranties based primarily on our own history, industry data and an assessment of our competitors' accrual history. Through our relationships with, and management's experience working at, other solar power companies and on the basis of publicly available information regarding other solar power companies' accrued warranty costs, we believe that accruing 1.0% of our net revenues from sales of solar modules as warranty costs is within the range of industry practice and is consistent with industry-standard accelerated

testing, which assists us in estimating the long-term reliability of solar modules, estimates of failure rates from our quality review and other assumptions that we believe to be reasonable under the circumstances. However, although we conduct quality testing and inspection of our solar module products, our solar module products have not been and cannot be tested in an environment simulating the up to 25-year warranty periods. We have not experienced any material warranty claims to date in connection with declines of the power generation capacity of our solar modules. Actual warranty costs are accumulated and charged against the accrued warranty liability. To the extent that the actual warranty costs differ from the estimates, we will prospectively revise our accrual rate.

## Short term investments.

The company accounts for short-term investments in accordance with ASC 320, Investments-Debt and Equity Securities. The company classifies the short-term investments in debt and equity securities as "held-to-maturity", "trading" or "available-for-sale", whose classification determines the respective accounting methods stipulated by the accounting standard for financial instruments. Investments that are bought and held principally for the purpose of selling them in the near term are classified as trading securities. Trading securities are reported at fair value with unrealized gains and losses included in investment income. The company does not have investments classified as held-to-maturity.

Investments designated as available-for-sale are reported at fair value, with unrealized gains and losses, net of tax, recorded in accumulated other comprehensive income (loss) in shareholders' equity. Realized gains or losses are charged to the income during the period in which the gain or loss is realized. If we determine a decline in fair value is other-than-temporary, the cost basis of the individual security is written down to fair value as a new cost basis and the amount of the write-down is accounted for as a realized loss. The new cost basis will not be changed for subsequent recoveries in fair value. Determination of whether declines in value are other-than-temporary requires significant judgment. Subsequent increases and decreases in the fair value of available-for-sale securities will be included in comprehensive income through a credit or charge to shareholders' equity except for an other-than-temporary impairment, which will be charged to income.

For the year ended December 31, 2008, the Company has provided a full impairment amounted to RMB 686.3 million against its investment in the 3-Month LCMNER Index-Linked Note (the "Note") issued by Lehman Brothers Treasury Co. B.V. ("Lehman Treasury") incorporated in the Netherlands, guaranteed by Lehman. For the year ended December 31, 2009, the Company has not recorded any impairment on short-term investments.

## Revenues

Our revenues for the years ended December 31, 2007, 2008 and 2009 and as a percentage of our total revenues over the same period are as follows:

	2007		Year ended December 31, 2008		2009	
	(in millions, except for percentages)					
	RMB	%	RMB	%	RMB	%
Solar products to third parties	2,532.4	94.0%	4,794.0	87.8%	3,367.1	89.1%
Solar products to related parties	62.2	2.3%	508.0	9.3%	5.2	0.1%
Solar cells processing	99.1	3.7%	156.3	2.9%	406.9	10.8%
Total Revenues	2,693.7	100.0%	5,458.3	100.0%	3,779.2	100.0%

We derive revenues primarily from sales of solar cell products to solar module manufacturers, who then assemble and integrate our products into modules and systems. For the year ended December 31, 2007, we sold a substantial portion of our products to a limited number of customers, primarily module manufacturers based in China. However, in 2008 and 2009, we increased our number of overseas customers and expanded our overall customer base where, for the year ended December 31, 2008 and 2009, approximately 23.7% and 26.2% of our total sales were to customers outside of China. For the year ended December 31, 2007, 2008 and 2009 sales to our largest customer represented approximately 18.9%, 13.4% and 11.4% of our total revenues, respectively. For the year ended December 31, 2007, 2008 and 2009, sales to our three largest customers represented approximately 41.1%, 32.1% and 29.2% of our total revenues, respectively. Our three largest customers were all unrelated third parties. Sales to our top ten customers accounted for approximately 78.8%, 74.1% and 55.5% of total revenues for the years ended December 31, 2007, 2008 and 2009, respectively. We believe most of the solar modules incorporating our solar cell products are distributed

globally.

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The average selling price of our solar cell products has declined in 2009 due to, a large extent, the decline in cost of silicon wafer, a global economic slowdown, an increased supply of solar cells, increased competition, and changes in other market conditions. We expect the prices of solar cell products, including our own products, to continue to decline over time due to increased supplies, reduced manufacturing costs and industry pursuit to grid cost parity of traditional forms of electricity.

For the year ended December 31, 2009, our revenues also included revenues from solar cell processing services which amounted to approximately RMB 406.9 million, or 10.8% of our total revenues. We provide solar cell processing services to customers who have their own wafer supplies. We provide solar cell processing services to customers mainly to utilize our excess production capacities when our wafer supplies or customer orders are insufficient for us to operate our manufacturing lines at their full capacities. For the year ended December 31, 2009, our revenues also included revenues from sales of solar modules which amounted to approximately RMB 82.6 million, or 2.2% of our total revenues. For the year ended December 31, 2009, we sold approximately 6.0 MW of solar modules under these solar module contracts. We accrued 1.0% of our net revenues as warranty costs at the time revenues are recognized and include that amount in our cost of revenues. Because we have zero warranty claims to date, we accrue the estimated costs of warranties based primarily on our own history, industry data and an assessment of our competitors' accrual history.

#### Cost of Revenues and Operating Expenses

For the year ended December 31, 2009, our cost of revenues and our operating expenses as a percentage of our total revenues were 87.3% and 10.3%, respectively as compared to 81.8% and 5.5%, respectively, for the year ended December 31, 2008, and 77.7% and 5.7%, respectively, for the year ended December 31, 2007. Our cost of revenues primarily consists of silicon wafers, other direct raw materials and other cost of revenues. The following table sets forth the amounts of our cost of silicon wafers and other cost of revenues and each of them as a percentage of total cost of revenues for the periods indicated:

	2007		Year ended December 31, 2008		2009	
	(in millions, except for percentages)					
	RMB	%	RMB	%	RMB	%
Silicon wafers	1,884.6	90.1%	3,991.4	89.4%	2,546.0	77.2%
Other	208.2	9.9%	474.9	10.6%	753.3	22.8%
Total cost of revenues	2,092.8	100.0%	4,466.3	100%	3,299.3	100%

**Silicon wafers.** Silicon wafers are the most important raw material of our solar cell products. For the years ended December 31, 2007, 2008 and 2009, cost of silicon wafers accounted for approximately 90.1%, 89.4% and 77.2% of our cost of revenues, respectively. The decrease in percentage of silicon wafer cost in cost of revenues in 2009 is primarily due to the significant decrease in the poly price from the fourth quarter of 2008. We expect that the cost of silicon wafers will continue to constitute a significant portion of our cost of revenues in the foreseeable future despite the recent decrease in price of silicon wafers and polysilicon.

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, overhead expenses, as well as outsourcing costs and warranty expenses related to our solar module business. For the years ended December 31, 2007, 2008 and 2009, other cost of revenues accounted for approximately 9.9%, 10.6% and 22.8% of our cost of revenues, respectively. The increase in other cost of revenues from December 31, 2008 to 2009 is primarily attributable to the increase of shipments in 2009.

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

	Year ended December 31,					
	2007		2008		2009	
	RMB	%	RMB	%	RMB	%
Selling, general and administrative expenses	150.3	97.3%	271.5	90.5%	343.3	88.4%
Research and development expenses	4.2	2.7%	28.5	9.5%	45.1	11.6%
Total operating expenses	154.5	100%	300.0	100%	388.4	100%

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, share-based compensation, business travel expenses and professional services expenses. Our selling, general and administrative expenses accounted for 97.3%, 90.5% and 88.4% of our total operating expenses for the years ended December 31, 2007, 2008 and 2009, 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 in China and abroad. We also expect general and administrative expenses to increase in absolute terms as a result of the expansion of our business.

In 2007, 2008 and 2009, we granted options to purchase 6,909,000, 6,132,000 and 1,013,000 ordinary shares, respectively, to a number of our directors, employees and consultants. See "Item 6. Directors, Senior Management and Employees — B. Compensation — Stock Option Plans." Our share-based compensation expenses relating to our option grants and stock awards have had a material and adverse effect on our reported earnings for the years ended December 31, 2007, 2008 and 2009. We recognized a share-based compensation charge of RMB 91.6 million, RMB113.2 million and RMB 96.2 million for the years ended December 31, 2007, 2008 and 2009, respectively. The above charges are net of forfeiture reversal amounts of RMB 4.8 million, RMB 59.6 million and RMB 49.6 million for the years ended December 31, 2007, 2008 and 2009, respectively. Share based compensation expenses are amortized over the vesting period of these options ranging from two to four years starting from the grant date.

#### Research and development expenses

Research and development expenses primarily consist of research materials, compensation and benefits for research and development personnel. Research and development expenses are expensed when incurred. Our research and development expenses accounted for 2.7%, 9.5% and 11.6% of our total operating expenses for the years ended December 31, 2007, 2008 and 2009, 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 are increasing our research and development efforts in China.

#### Interest (Income) Expense, net

We generated net interest income of RMB 56.0 million in 2007. We generated interest income of RMB 42.6 million and RMB 12.0 million and incurred interest expense of RMB 160.5 million and RMB 213.6 million for the year ended December 31, 2008 and 2009 respectively. Our net interest expense in 2008 and 2009 was primarily the interest related to the Senior Notes. The interest expense recognized for interest payable to Senior Notes holders was RMB 75.4 million and RMB 88.7 million for the year ended December 31, 2008 and 2009 respectively. The interest expense recognized for accretion to the redemption value of the Senior Notes was RMB 81.8 million and RMB 104.2 million for the year ended December 31, 2008 and 2009 respectively. Other interest expenses were RMB 3.3 million and RMB 20.7 million for the year ended December 31, 2008 and 2009 respectively.

#### Foreign Exchange Gain (Loss)

We incurred foreign exchange losses of RMB 112.8 million and RMB 127.4 million in 2007 and 2008 respectively. We generated foreign exchange gain of RMB 10.1 million in 2009. The exchange losses were incurred because a significant portion of our monetary assets and liabilities are denominated in US dollars and Euros, which depreciated in 2007 and 2008 relative to the RMB. Fluctuations in currency exchange rates may continue to have a significant effect on our financial results.

#### Taxation

We are a tax exempted company incorporated in the Cayman Islands, and under the current laws of the Cayman Islands, we are not subject to tax on income or capital gain. Our subsidiary JA BVI is a business company incorporated in the British Virgin Islands; under current laws of the British Virgin Islands, JA BVI is not subject to tax on income or capital gain.

In accordance with the PRC's FEIT Law and the related implementation rules, FIEs, established in the PRC are generally subject to FEIT at a state tax rate of 30% plus a local tax rate of 3% on PRC taxable income. Our operating subsidiary, JA Hebei, was established as a FIE in the PRC and is thus subject to PRC enterprise income tax of 33%. The PRC government has provided certain incentives to FIEs in order to encourage foreign investments, including tax exemptions, tax reductions and other measures. Under the FEIT Law and the related implementation rules, FIEs are entitled to be exempted from FEIT for a 2-year period starting from their first profit-making year followed by a 50% reduction of FEIT payable for the subsequent three years, provided that they fall into the category of production-oriented enterprises with an operational period of more than 10 years in China, subject to approval from and modification by local taxation authorities. Specifically, with respect to income generated by assets acquired by JA Hebei during the fiscal years 2005 and 2006, JA Hebei has received approval from the relevant tax authorities for a separate two-year enterprise income tax exemption for 2006 and 2007, as well as a 50% enterprise income tax reduction for 2008, 2009 and 2010; with respect to income generated by assets newly acquired by JA Hebei during 2007, JA Hebei will receive a two-year enterprise income tax exemption for 2007 and 2008, as well as a 50% enterprise income tax reduction for 2009, 2010 and 2011, which however, maybe subject to PRC central government's further policies, decision or rulings.





In March 2007, the National People's Congress of China enacted a new CIT Law, which became effective on January 1, 2008 and replaced the FEIT Law. The CIT Law imposes a unified income tax rate of 25% on all domestic enterprises and FIEs unless they qualify under certain limited exceptions. The CIT Law provides a 5-year transition period to FIEs, during which they are permitted to grandfather their existing preferential tax treatment until such treatment expires in accordance with its current terms. In December 2007, the State Council promulgated the Transition Period Implementation Rules. In general, the CIT Law does not affect the preferential tax treatment enjoyed by JA Hebei during the 5-year transition period. However, the CIT Law and the Transition Period Implementation Rules did not clearly address the application of the transitional preferential policies to assets acquired through new capital injection made to a qualified entity after March 16, 2007, the date of enactment of the new CIT Law. If future guidance is issued by the State Taxation Administration to clarify this issue and it is determined that capital injection made after March 16, 2007 does not qualify for a separate "two plus three" tax holiday, the tax rate of JA Hebei as well as the income tax liability of JA Hebei could increase for 2008 and 2009. In addition, when our currently available tax benefits expire or otherwise become unavailable, the effective income tax rate of JA Hebei will increase significantly, and any increase of JA Hebei's income tax rate in the future could have a material adverse effect on our financial condition and results of operations.

Our operating subsidiaries, JA Fengxian and JA Yangzhou both had cumulative losses as of December 31, 2008 and their tax holidays were deemed to commence in 2008 and can be utilized until expiry pursuant to the new CIT law. JA Fengxian and JA Yangzhou are subject to the uniform rate of 25% from 2008 onwards.

Our operating subsidiary, JA Zhabei, which is not a production-oriented enterprise, is subject to the uniform rate of 25% from 2008 onwards and not entitled to the tax holiday.

Our operating subsidiaries, JA Lianyungang, JA Yangzhou R&D and JA Yangzhou PV, which were established after 2008, are not entitled to the tax holiday, and are subject to the uniform rate of 25%.

The CIT Law provides that enterprises established outside of China whose "de facto management bodies" are located in China are considered "resident enterprises" and are generally subject to the uniform 25% enterprise income tax rate as to their worldwide income. Under the implementation regulations for the CIT Law issued by the PRC State Council, "de facto management body" is defined as a body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and treasury, and acquisition and disposition of properties and other assets of an enterprise.

Under the CIT Law and implementation regulations issued by the State Council, PRC income tax at the rate of 10% is applicable to dividends payable to investors that are "non-resident enterprises," which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends have their sources within the PRC. Similarly, any gain realized on the transfer of ADSs or shares by such investors is also subject to 10% PRC income tax if such gain is regarded as income derived from sources within the PRC. If we are considered a PRC "resident enterprise," it is unclear whether dividends we pay with respect to our ordinary shares or ADSs, or the gain you may realize from the transfer of our ordinary shares or ADSs, would be treated as income derived from sources within the PRC and be subject to PRC tax. It is also unclear whether, if we are considered a PRC "resident enterprise," holders of our ordinary shares or ADSs might be able to claim the benefit of income tax treaties entered into between China and other countries.

As such, our historical operating results may not be indicative of our operating results for future periods as a result of the expiration of various tax holidays we currently enjoy or the incurrence of any new taxes we are required to pay.

We have made a partial valuation allowance against our net deferred tax assets. We evaluate a variety of factors in determining the amount of the valuation allowance, including our exit from the development stage during the year

ended December 31, 2006, our limited earnings history, the tax holiday period, the existence of taxable temporary differences, and near-term earnings expectations. We expect to recognize future reversal of the valuation allowance either when the benefit is realized or when it has been determined that it is more likely than not that the benefit will be realized through future earnings.

## Inflation

Since our inception, inflation in China has not materially affected our results of operations. According to the National Bureau of Statistics of China, the change of consumer price index in China was 4.8%, 5.9% and -0.7% in 2007, 2008 and 2009, respectively. If our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases.

## Recently Pronounced Accounting Standards

In August 2009, the FASB issued Accounting Standards Update (ASU) 2009-05, Fair Value Measurements and Disclosures (Topic 820) - Measuring Liabilities at Fair Value. The fair value measurement of a liability assumes transfer to a market participant on the measurement date, not a settlement of the liability with the counterparty. ASU 2009-05 describes various valuation methods that can be applied to estimating the fair values of liabilities, requires the use of observable inputs and minimizes the use of unobservable valuation inputs. ASU 2009-05 is effective for the fourth quarter of 2009. The adoption of ASU 2009-05 did not have a material impact on our financial position, results of operations or cash flows.

In October 2009, the FASB issued ASU 2009-15, Accounting for Own-Share Lending Arrangements in Contemplation of Convertible Debt Issuance or Other Financing. ASU 2009-15 amends the accounting and reporting guidance for debt (and certain preferred stock) with specific conversion features or other options. ASU 2009-15 is effective for fiscal years beginning on or after December 31, 2009, with retrospective adjustment. The Company is currently evaluating the impact of the adoption of ASU 2009-15 on measurement of its convertible debt.

In December 2009, the FASB issued ASU 2009-17, Consolidations (Topic 810) – Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities. ASU 2009-17 changes how a reporting entity determines when an entity that is insufficiently capitalized or is not controller through voting (or similar rights) should be consolidated. ASU 2009-17 also requires a reporting entity to provide additional disclosures about its involvement with variable interest entities and any significant changes in risk exposure due to that involvement. ASU 2009-17 is effective at the start of a reporting entity's first fiscal year beginning after November 15, 2009, or January 1, 2010, for a calendar year entity. Early adoption is not permitted. We do not expect that the adoption of ASU 2009-17 will have a material impact on our financial position, results of operations or cash flows.

In January 2010, the FASB issued ASU 2010-06, Fair Value Measurements and Disclosures (Topic 820) – Improving Disclosures about Fair Value Measurements. This ASU requires new disclosures and clarifies certain existing disclosure requirements about fair value measurements. ASU 2010-06 requires a reporting entity to disclose significant transfers in and out of Level 1 and Level 2 fair value measurements, to describe the reasons for the transfers and to present separately information about purchases, sales, issuances and settlements for fair value measurements using significant unobservable inputs. ASU 2010-06 is effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements in the roll forward of activity in Level 3 fair value measurements, which is effective for interim and annual reporting periods beginning after December 15, 2010; early adoption is permitted. We do not expect that the adoption of ASU 2010-06 will have a material impact on our financial position, results of operations or cash flows.

In February 2010, the FASB issued ASU 2010-09 to amend ASC 855, Subsequent Events. ASC 855, which was originally issued by the FASB in May 2009, provides guidance on events that occur after the balance sheet date but prior to the issuance of the financial statements. ASC 855 distinguishes events requiring recognition in the financial statements and those that may require disclosure in the financial statements. As a result of ASU 2010-09, SEC registrants will not disclose the date through which management evaluated subsequent events in the financial statements, either in originally issued financial statements or reissued financial statements. ASC 855 was effective for interim and annual periods ending after June 15, 2009, and ASU 2010-09 is effective immediately. We have evaluated

subsequent events in accordance with ASU 2010-09.

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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:

	Year ended December 31,					
	2007		2008		2009	
	(in millions, except for operating data and percentages)					
	RMB	%	RMB	%	RMB	%
<b>Income Statement Data:</b>						
Total revenues	2,693.7	100.0%	5,458.3	100%	3,779.2	100%
China	2,310.5	85.8%	4,162.0	76.3%	2,789.8	73.8%
Outside China	383.2	14.2%	1,296.3	23.7%	989.4	26.2%
Cost of revenues	(2,092.8)	(77.7)%	(4,466.3)	(81.8)%	(3,299.3)	(87.3)%
Gross profit	600.9	22.3%	992.0	18.2%	479.9	12.7%
Selling, general and administrative expenses	(150.3)	(5.5)%	(271.5)	(5.0)%	(343.3)	(9.1)%
Research and development expenses	(4.2)	(0.2)%	(28.5)	(0.5)%	(45.1)	(1.2)%
Total operating expenses.	(154.5)	(5.7)%	(300.0)	(5.5)%	(388.4)	(10.3)%
Income from operations	446.4	16.6%	692.0	12.7%	91.5	2.4%
Impairment on available-for-sale securities	—	—	(686.3)	(12.6)%	-	-
Change in fair value of Derivatives	—	—	564.0	10.3%	(49.1)	(1.3)%
Convertible notes buyback gain	—	—	203.5	3.7%	22.9	0.6%
Interest expense	(6.6)	(0.2)%	(160.5)	(2.9)%	(213.6)	(5.7)%
Interest income.	62.6	2.3%	42.6	0.8%	12.0	0.3%
Foreign exchange gain/(loss)	(112.8)	(4.2)%	(127.3)	(2.4)%	10.1	0.3%
Investment loss	—	—	(28.6)	(0.5)%	(2.3)	(0.1)%
Other income	5.2	0.2%	3.6	0.1%	7.8	0.2%
Income/(Loss) before income taxes	394.8	14.7%	503.0	9.2%	(120.7)	(3.2)%
Income tax benefit/ (expenses)	5.6	0.2%	(23.9)	(0.4)%	(8.0)	(0.2)%
Net income/(loss)	400.4	14.9%	479.1	8.8%	(128.7)	(3.4)%
Preferred shares accretion	(0.5)	(0.02)%	—	—	—	—
Allocation of net income to participating preferred shareholders	(1.7)	(0.1)%	—	—	—	—
Net income/(loss) available to ordinary shareholders.	398.2	14.8%	479.1	8.8%	(128.7)	(3.4)%

## Operating Data:

Products sold (in million units)	54.8	—	111.2	—	167.4	—
Products sold (in MW)	132.9	—	277.4	—	508.8	—
Average selling price per watt	22.5	—	22.1	—	9.0	—

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Year Ended December 31, 2009 compared to Year Ended December 31, 2008

**Total revenues.** Our total revenues decreased significantly from RMB 5,458.3 million in 2008 to RMB 3,779.2 million in 2009. The decrease was due primarily to the decrease in average selling price per watt from RMB 22.1 per watt in 2008 to RMB 9.0 per watt in 2009, which was due to the market conditions as well as a significant drop in the cost of silicon wafers, our key raw material. The annual shipment, on the other hand, increased significantly from 277MW to 509MW, which was primarily due to the increase in our manufacturing capability and strong market demand for our products.

Our total revenues from sales in China decreased from RMB 4,162.0 million in 2008 to RMB 2,789.8 million in 2009, which was in line with the decrease in revenue as described above. Same as previous years, we sold majority of our photovoltaic cells to photovoltaic module manufacturers in China. As a result of our ongoing efforts in diversifying our customer base and reaching out to customers outside of China, our revenues from sales in China, as a percentage of our total revenues, decreased from 76.3% in 2008 to 73.8% in 2009. Correspondingly, our sales outside China, with Germany being the largest market, increased both in dollar amounts and as a percentage of our total revenues.

**Cost of Revenues.** Our cost of revenues decreased significantly from RMB 4,466.3 million in 2008 to RMB 3,299.3 million in 2009. The decrease in our cost of revenue was due primarily to the decrease in the average cost of silicon wafers in 2009 over 2008.

**Gross Profit and Gross Margin.** As a result of the foregoing, our gross profit decreased from RMB 992.0 million in 2008 to RMB 479.9 million in 2009. Due to fluctuations in the price of silicon wafers, which is the primary raw material in our production of solar cells, as well as a decrease in the average selling price of solar cells, our gross margin decreased from 18.2% in 2008 to 12.7% in 2009.

**Total Operating Expenses.** Our total operating expenses increased from RMB 300.0 million in 2008 to RMB 388.4 million in 2009. The increase in our total operating expenses was due primarily to significant increases in our selling, general and administrative expenses associated with our increased production, increased efforts to grow overseas markets, as well as an increase in our research and development expenses. Total operating expenses as a percentage of our total revenue increased from 5.5% in 2008 to 10.3% in 2009.

**Selling, General and Administrative Expenses.** Our selling, general and administrative expenses increased from RMB 271.5 million in 2008 to RMB 343.3 million in 2009, and as the percentage of our total revenues also increased from 5.0% in 2008 to 9.1% in 2009. The increase in our selling, general and administrative expenses was due primarily to increases in our selling expenses and marketing expenses associated with our increased sales volume, an increased amount of salary and benefits paid to our sales, marketing and administrative personnel as a result of increased headcount, as well as share-based compensation expenses of RMB 96.2 million relating to our stock options granted to certain employees. The above share based compensation expenses were net of forfeiture reversal amounts of RMB 59.6 million and RMB 49.6 million for the years ended December 31, 2008 and 2009, respectively.

· **Research and Development Expenses.** Our research and development expenses increased from RMB 28.5 million in 2008 to RMB 45.1 million in 2009 and increased as a percentage of our total revenues from 0.5% in 2008 to 1.2% in 2009. The increase in our research and development expenses was due primarily to greater research and development activities undertaken by the Company. Our research and development has primarily focused on improving and optimizing our solar manufacturing process based on certain proprietary know-how.

**Change in fair value of derivatives.** Our changes in fair value of derivatives decreased from a gain of RMB 564.0 million in 2008 to a loss of RMB 49.1 million in 2009. The charge reflects fair value changes associated with our derivative assets and liabilities for the year ended December 31, 2008 and 2009, respectively, where the Company recognized a loss from the change in fair value of derivatives resulting from the appreciation in the Company's stock price in 2009.

**Convertible notes buyback gain.** Convertible notes buyback gain decreased from RMB 203.5 million in 2008 to RMB 22.9 million in 2009. The gain was occurred because we bought back portion of our convertible notes at prices below par in 2008 and 2009 respectively.

**Interest (Income) Expense, net.** We incurred net interest expense of RMB 117.9 million and RMB 201.6 million in 2008 and 2009 respectively. Our net interest expense was primarily related to our interest paid on the Senior Notes. The interest expense recognized for interest payable to Senior Notes holders was RMB 75.4 million and RMB 88.7 million for the year ended December 31, 2008 and 2009 respectively. The interest expense recognized for accretion to the redemption value of the Senior Notes was RMB 81.8 million and RMB 104.2 million for the year ended December 31, 2008 and 2009 respectively. Other interest expenses were RMB 3.3 million and RMB 20.7 million for the year ended December 31, 2008 and 2009 respectively. The increase in other interest expenses was mainly due to the increase in bank borrowings in 2009. The interest income incurred in 2008 and 2009 were RMB 42.6 million and 12.0 million respectively.

**Other Income (Expense).** Our other income increased from RMB 3.6 million in 2008 to RMB 7.8 million in 2009. The increase in our other income was due primarily to an increase in the payments received from the depository of our ADSs at the Bank of New York.

**Foreign Exchange Gain (Loss).** We incurred foreign exchange losses of RMB 127.3 million in 2008 and a gain of RMB 10.1 million in 2009. The exchange losses were incurred in 2008 because a significant portion of our monetary assets and liabilities are denominated in U.S. dollars and Euros, which were depreciated against the Renminbi in 2008.

**Tax Expense.** We incurred tax expenses of RMB 23.9 million and RMB 8.0 million in 2008 and 2009 respectively. The decrease in tax expense was due to less taxable income in 2009 as a result of less revenue generated which more than offset the increase in our effective tax rates.

**Net Income (loss).** As a result of the cumulative effect of the above factors, we generated net income of RMB 479.1 million in 2008 and incurred loss of RMB 128.7 million in 2009.



Year Ended December 31, 2008 compared to Year Ended December 31, 2007

**Total revenues.** Our total revenues increased significantly from RMB 2,693.7 million in 2007 to RMB 5,458.3 million in 2008. This increase was due primarily to an increase in our manufacturing capability and corresponding increase in sales volume of our products, driven by strong market demand for our products and offsetting a decline in the average selling price of our products, the decrease in global demand for solar products following the global financial crisis, and the decrease in demand for solar products resulting from Spain's announcement that it will cap its subsidy for solar power at 500 MW for 2009. In addition, our revenues were bolstered by our increased third party cell processing activities. We sold an aggregate of 277 MW of solar products in 2008 (consisting of 220.2 MW of solar cells we produced, 40.7 MW of solar cells we processed for other third parties and 16.5 MW of solar modules we engaged third parties to assemble for our customers) as compared to 133 MW of solar products in 2007.

Our total revenues from sales in China increased from RMB 2,310.5 million in 2007 to RMB 4,162.0 million in 2008, as we sell most of our photovoltaic cells to photovoltaic module manufacturers in China. As a result of our ongoing efforts in diversifying our customer base and reaching out to customers outside of China, however, our revenues from sales in China, as a percentage of our total revenues, decreased from 98.4% in 2006 and 85.8% in 2007 to 76.3% in 2008. Correspondingly, our sales outside China, with Spain and Japan being the two largest markets, increased both in dollar amounts and as a percentage of our total revenues.

**Cost of Revenues.** Our cost of revenues increased significantly from RMB 2,092.8 million in 2007 to RMB 4,466.3 million in 2008. The increase in our cost of revenue was due primarily to the increased quantity of silicon wafers needed and the increase in the average cost of silicon wafers in 2008 over 2007 despite the eventual decrease in the average cost of silicon wafers towards the end of 2008.

**Gross Profit and Gross Margin.** As a result of the foregoing, our gross profit increased from RMB 600.9 million in 2007 to RMB 992.0 million in 2008. Due to fluctuations in the price of silicon wafers, which is the key raw material in our production of solar cells, as well as a decrease in the average selling price of solar cells, an inventory provision of RMB 78.0 million recorded in the fourth quarter of 2008, our gross margin decreased from 22.3% in 2007 to 18.2% in 2008.

**Total Operating Expenses.** Our total operating expenses increased from RMB 154.5 million in 2007 to RMB 300.0 million in 2008. The increase in our total operating expenses was due primarily to significant increases in our selling, general and administrative expenses associated with our increased production, increased efforts to grow in the overseas market, as well as an increase in our research and development expenses. Total operating expenses as a percentage of our total revenue decreased from 5.7% in 2007 to 5.5% in 2008 as we improved our operating efficiency with an increased production capacity.

· **Selling, General and Administrative Expenses.** Our selling, general and administrative expenses increased from RMB 150.3 million in 2007 to RMB 271.5 million in 2008, but decreased as a percentage of our total revenues from 5.5% in 2007 to 5.0% in 2008. The increase in our selling, general and administrative expenses was due primarily to increases in our selling expenses, advertising expenses and warranty accrual associated with our increased product sales, an increased amount of salary and benefits paid to our sales and marketing personnel as a result of increased headcount, as well as share-based compensation expenses of RMB 113.2 million relating to our stock options granted to certain employees and consultants. The above share based compensation expenses are net of forfeiture reversal amounts of nil, RMB 4.8 million, and RMB 59.6 million for the period from the years ended December 31, 2006, 2007 and 2008, respectively.

• **Research and Development Expenses.** Our research and development expenses increased from RMB 4.2 million in 2007 to RMB 28.5 million in 2008 and increased as a percentage of our total revenues from 0.2% in 2007 to 0.5% in 2008. The increase in our research and development expenses was due primarily to increases in material costs

related to our increased research and development activities. Our research and development has primarily focused on: improving and optimizing our solar manufacturing process based on certain proprietary know-how.

Impairment on available-for-sale securities. Our impairment on available-for-sale securities increased from nil in 2007 to RMB 686.3 million in 2008. The impairment was provided for our investment in the Note issued by Lehman Treasury purchased in 2008. For additional information, see Note 4 of Notes to consolidated financial statements.

Change in fair value of derivatives. Our changes in fair value of derivatives increased from nil in 2007 to RMB 564.0 million in 2008. The charge reflects fair value changes associated with our derivative assets and liabilities for the year ended December 31, 2008.

Convertible notes buyback gain. Convertible notes buyback gain increased from RMB nil in 2007 to RMB 203.5 million in 2008. The gain was occurred because we bought back portion of our convertible notes at prices below par in 2008.

Interest (Income) Expense, net. We generated net interest income of RMB 56.0 million in 2007 and incurred net interest expense of RMB 117.9 million in 2008. Our net interest expense in 2008 was primarily interest paid on the Senior Notes. The interest expense recognized for interest payable to Senior Notes holders was RMB 75.4 million for the year ended December 31, 2008. The interest expense recognized for accretion to the redemption value of the Senior Notes was RMB 81.8 million for the year ended December 31, 2008. Other interest expenses were RMB 3.3 million in 2008. The interest income incurred in 2007 and 2008 were RMB62.6 million and RMB42.6 million, respectively.

Other Income (Expense). Our other income decreased from RMB 5.2 million in 2007 to RMB 3.6 million in 2008. The decrease in our other income was due primarily to a decrease in the payments received from the depository of our ADSs at the Bank of New York.

Foreign Exchange Gain (Loss). We incurred foreign exchange losses of RMB 112.8 million in 2007 and RMB 127.4 million in 2008. The exchange losses were incurred because a significant portion of our monetary assets and liabilities are denominated in U.S. dollars and Euros, which continued to depreciate against the Renminbi in 2008.

Tax Benefit (Expense). We incurred tax expenses of RMB 23.9 million in 2008, as compared to tax benefits of RMB 5.6 million generated in 2007. The increase in tax expense was due to an increase in effective tax rates due to 2007 was the last year JA Hebei was entitled to tax exemption.

Net Income. As a result of the cumulative effect of the above factors, our net income increased from RMB 400.4 million in 2007 to RMB 479.1 million in 2008.

## B. LIQUIDITY AND CAPITAL RESOURCES

### Cash Flows and Working Capital

We have financed our operations primarily through equity contributions by our shareholders through our initial and follow-on public offerings, the 2008 Offering of the Senior Notes, short-term and long-term bank borrowings and cash flow from operations. As of December 31, 2007, December 31, 2008, and December 31, 2009, we had RMB 1.15 billion, RMB 1.58 billion and RMB 1.91 billion, in cash and cash equivalents and restricted cash, respectively. Our cash and cash equivalents consist primarily of cash on hand, demand deposits and money market funds. Restricted cash represents amounts temporarily held by banks, which are not available for the company's use, as security for issuance of letters of credit. As of December 31, 2007, December 31, 2008 and December 31, 2009, we had RMB 200 million, RMB 490.0 million and RMB 10 million, in outstanding short-term bank borrowings, respectively. As of December 31, 2007, December 31, 2008 and December 31, 2009, we had RMB nil, RMB nil and RMB 680 million, in long-term bank borrowings. In addition, the unused lines of credit were RMB 730 million as of December 31, 2009. These facilities contain no specific renewal terms and require no collateral.



Working capital and access to financing for purchase of silicon raw materials are critical to growing and sustaining our business. We have significant working capital commitments because suppliers of silicon wafers and polysilicon require us to make prepayments in advance of shipments. Our prepayments to suppliers increased from RMB 1.8 billion as of December 31, 2007 to RMB 2.6 billion as of December 31, 2008 primarily due to our desire to secure adequate wafer supplies for our expanded manufacturing capacity in 2008 but decreased slightly from RMB 2.6 billion as of December 31, 2008 to RMB 2.3 billion as of December 31, 2009 as a combined result of utilization of prepayments previously made as well as additional prepayments made to secure adequate wafer supplies for our expanded manufacturing capacity in 2009.

We believe that current cash and cash equivalents and anticipated cash flow from operations will be sufficient to meet our anticipated cash needs, including our cash needs for working capital and capital expenditures, for at least the next twelve months. We may, however, require additional cash to repay existing debt obligations or to re-finance our existing debts or due to changing business conditions or other future developments. If our existing cash is insufficient to meet our requirements, we may seek to sell additional equity securities, debt securities or borrow from lending institutions. The current global liquidity and credit crisis since the second half of 2008 has been having a significant negative impact on the financing abilities of businesses worldwide, including that of our company. If we are not able to generate sufficient cash flow to meet such obligations, we may need to refinance or restructure our debt, sell assets, reduce or delay capital investments, or seek additional equity or debt financing. We cannot assure you that financing will be available in the amounts we need or on terms acceptable to us, if at all. The sale of additional equity securities, including convertible debt securities, would dilute our shareholders. The incurrence of debt would result in increased interest rate risk, divert cash for working capital and capital expenditures to service debt obligations and could result in operating and financial covenants that restrict our operations and our ability to pay dividends to our shareholders. A shortage of such funds could in turn impose limitations on our ability to plan for, or react effectively to, changing market conditions or to expand through organic and acquisitive growth, thereby reducing our competitiveness.

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

	Year ended December 31,		
	2007	2008	2009
	(in millions)		
	RMB	RMB	RMB
Net cash (used in)/provided by operating activities	(1,146.5)	(1,289.2)	1,129.1
Net cash used in investing activities	(1,641.6)	(419.4)	(557.2)
Net cash provided by/(used in) financing activities	3,519.6	2,610.3	(242.8)
Effect of exchange rate changes on cash and cash equivalents	(91.3)	(94.9)	(4.7)
Net increase in cash and cash equivalents	640.2	806.8	324.4
Cash and cash equivalents at the beginning of the year	95.8	736.0	1,542.8
Cash and cash equivalents at the end of the year	736.0	1,542.8	1,867.2

**Operating Activities.** Net cash used in operating activities for the years ended December 31, 2007 and 2008 totaled RMB 1,146.5 million and RMB 1,289.2 million, respectively. Net cash provided by operating activities for the year ended December 31, 2009 totaled RMB 1,129.1 million. Net cash provided by operating activities for the year ended December 31, 2009 were primarily affected by decreases in advances to related party suppliers of RMB 261.4 million, increase in accounts payable of RMB 249.9 million, increases in inventory (net) of RMB 49.2 million, increase in notes receivables of RMB 119.8 million, the change in value of Embedded Derivatives and the capped call option of RMB 49.1 million; gains from the senior convertible notes buyback of RMB 22.9 million, disposal of trading security of RMB 353.6 million and depreciation and amortization of RMB 178.8 million. The total cashflows provided by operating activities for the year ended December 31, 2009 disclosed in the press release dated February 11, 2010, did not include cash received from disposal of trading securities of RMB 353.6 million. Net cash used in operating activities for the year ended December 31, 2008 were primarily affected by increases in advances to third party suppliers (net) of RMB 759.3 million, increases in inventory (net) of RMB 434.7 million, increase in accounts receivables from third party customers (net) of RMB 303.2 million, the change in value of Embedded Derivatives and the capped call option of RMB 564.0 million; gains from the senior convertible notes buyback of RMB 203.5 million, acquisition of trading security of RMB 353.6 million and depreciation and amortization of RMB 88.2 million. Net cash used in operating activities for the year ended December 31, 2007 were primarily affected by increases in advances to third-party suppliers of RMB 1.4 billion and decreases in accounts receivable from third-party customers of RMB 18.9 million, an increase in accounts payable of RMB 9.0 million, exchange loss of RMB 90.7 million, share-based compensation expenses of RMB 91.6 million and depreciation and amortization of RMB 34.1 million.

**Investing Activities.** Net cash used in investing activities for the years ended December 31, 2007, 2008 and 2009 amounted to RMB 1,641.6 million, RMB 419.4 million and RMB 557.2 million, respectively, primarily as a result of purchases of property and equipment and changes in restricted cash balances in each of the periods.

**Financing Activities.** Net cash provided by financing activities for the years ended December 31, 2007 and 2008 were RMB 3,519.6 million and RMB 2,610.3 million, respectively. Net cash used in financing activities for the year ended December 31, 2009 were RMB 242.8 million. Net cash used in financing activities for the year ended December 31, 2009 consisted of repurchase of convertible notes of RMB 459.6 million, repayment of bank borrowings of RMB 520.0 million and proceeds from bank borrowings of RMB 720.0 million. Net cash provided by financing activities for the year ended December 31, 2008 consisted of RMB 2.7 billion from our 2008 Offering of the Senior Notes. Net cash provided by financing activities for the year ended December 31, 2007 consisted of RMB 3,341.0 million from net proceeds from our initial public offering in February 2007 and our follow-on offering in October 2007. Our bank borrowings outstanding as of December 31, 2009 bore average interest rates of 3.69% in 2009. These borrowings generally have terms of six months to three years and expire at various times. These loans were borrowed from various financial institutions. All of these credit facilities were restricted to working capital usage. These facilities contain no specific renewal terms, but we have historically been able to obtain extensions of some of the facilities shortly before they mature. We plan to repay these bank borrowings with cash generated by our operating activities in the event we are unable to obtain extensions of these facilities or alternative funding in the future.

**Dividends from Subsidiaries.** Except for certain administrative, R&D and after-sales activities conducted through our wholly-owned subsidiary in the United States, JA USA, we conduct substantially all of our operating activities inside the PRC through our various PRC subsidiaries. As such, we do not rely heavily on dividends remitted to us by our PRC subsidiaries to sustain our worldwide operations; and restrictions under PRC law on the remittance of dividends outside the PRC have not had a material adverse effect on our liquidity or capital resources. See "Item 3. Key Information — D. Risk Factors — Risks Related to Doing Business in China — Our operating subsidiaries in China are subject to legal limitations in paying dividends to us."

**Capital Expenditures**

We made capital expenditures of RMB 421.8 million, RMB 812.5 million and RMB 610.6 million in the years ended December 31, 2007, 2008 and 2009, respectively. Our capital expenditures have historically been used primarily to purchase property and equipment to construct and expand our solar cell manufacturing lines.

We expect that purchase of property and equipment for our planned expansion in manufacturing capacity will continue to constitute a significant portion of our capital expenditure. As of December 31, 2009, we had contracted for capital expenditures on machinery and equipment of RMB 433.6 million. We estimate that our capital expenditures in 2010 will be approximately RMB 1,700.0 million, which will be used primarily for the expansion of our Yangzhou manufacturing and R&D facilities as well as wafer production facilities and R&D facilities for JHY Semiconductor .. We plan to fund the balance of our 2010 capital expenditure substantially with cash from operations and additional borrowings from third parties.

C. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES, ETC.

We believe that we have an experienced and committed research and development team. Upon our formation, we acquired proprietary technical know-how related to the commercial production process of solar cells from Australia PV Science & Engineering Co. as part of its capital contribution to us within an implied value of RMB 9.0 million.

Since our commencement of production in April 2006, we have significantly improved our solar cell fabricating process technologies, including improvements in each of the following processing steps. These technological improvements have increased cell conversion efficiencies in the various types of silicon wafers that we produce and have improved the production yields of our manufacturing lines.

- Texturing. We have introduced a new process formula to the texturing process. As a result, the nucleation of pyramids has been improved and the repetition of texturing quality in our manufacturing lines has been more reliable;
- Diffusion. We have modified our diffusion process and introduced a new processing technology to reduce the defects and surface damage created during the process, which, in turn, has resulted in an improvement to the lifetime of the processed wafers; and
- Drying and Firing. We have designed new drying and firing conditions for the metal pastes. The new conditions allow solar cells to have a good back surface field, ohmic contacts and low "bow." The low "bow" may significantly reduce wafer breakage during automatic soldering when manufacturing modules.

We intend to continue to focus our research and development efforts on improving and developing processing technologies for production of solar cells aimed at increasing solar cell conversion efficiency and other qualities as well as reducing production costs, including one or more of the following projects and topics:

- "Selective Emitter" Structure. We intend to develop a novel diffusion approach to form a "selective emitter" structure on the front surface of the cells, which will simplify the manufacturing process sequence and make it suitable for commercialization. This technique is expected to lead to improved cell efficiency in excess of 20% for monocrystalline silicon wafers.
- Ultra-thin Wafer Industrial Manufacturing. To refine our techniques used in the processing of ultra-thin wafers, we plan to study the stress and defect rates of wafers in each stage of the manufacturing process in order to control wafer breakage.
- Quality Control Techniques. We intend to develop enhanced techniques to be applied in the quality control of our products and manufacturing lines, including characterization of product performance, in-line diagnostics, and methods to control production yield, product durability and reliability.
- Multicrystalline Screen-printing Silicon Solar Cells. We intend to research different approaches to improve the electronic quality of the multicrystalline silicon substrate and to enhance the efficiency of multicrystalline



screen-printing silicon solar cells.

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Our research and development expenditures were RMB 4.2 million, RMB 28.5 million and RMB 45.1 million in 2007, 2008 and 2009, respectively.

#### D. TREND INFORMATION

Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events since January 1, 2008 that are reasonably likely to have a material adverse effect on our net revenues, income, profitability, liquidity or capital resources, or that caused the disclosed financial information to be not necessarily indicative of future operating results or financial conditions.

#### E. OFF-BALANCE SHEET ARRANGEMENTS

Except for operating leases, we did not have any material off-balance sheet arrangements, including guarantees, outstanding derivative financial instruments or interest rate swap transactions for the year ended December 31, 2009. See "Item 5. Operating and Financial Review and Prospects — F. Tabular Disclosure of Contractual Obligations" for a description of our operating leases.

#### F. TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The following table sets forth our contractual obligations and commercial commitments as of December 31, 2009:

	Total	Payments due by period			
		Less than 1 year	1-3 years	3-5 years	More than 5 years
		(amounts in RMB thousands)			
Bank loan obligations (including interest averaging 3.69%)	750,257	35,096	715,161	—	—
Operating lease obligations	46,326	17,336	27,480	1,510	—
Non-cancelable purchase orders	433,625	433,464	161	—	—
Purchase commitments under take-or-pay agreements	704,100	375,690	328,410	—	—
Purchase commitments under other agreements(1)	6,668,001	1,459,864	3,961,093	1,132,418	114,626
Senior Notes (including interest cost)	1,802,694	70,087	140,366	1,592,241	—
Other long-term liabilities reflected on the company's balance sheet	5,930	—	—	—	5,930
<b>Total</b>	<b>10,410,933</b>	<b>2,391,537</b>	<b>5,172,671</b>	<b>2,726,169</b>	<b>120,556</b>

(1) include only purchase commitments with fixed or minimum price provisions. In addition, the company has also entered into other supply agreements with variable price provisions, under

which the purchase price is based on market prices with price adjustment terms.

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**Bank Loan obligations** Our bank loan debt obligations relate to bank borrowings borrowed from various financial institutions in the PRC with an average interest rate of 3.69% per annum (plus loan service fee of 0.86%). The borrowings have six to 36 months terms and expire at various times throughout 2010-2012.

#### Operating lease obligations

For the periods covered by these consolidated financial statements, JA Solar leased certain assets, including offices, dormitory and production facilities, from the Jinglong Group, under a non-cancelable operating lease expiring in June 30, 2006, with an option to renew. During the same time, JA Solar also leased a piece of land under a non-cancelable operating lease from a third party expiring on May 31, 2019.

On July 1, 2006, JA Solar renewed its operating lease with the Jinglong Group. The renewed operating lease with the Jinglong Group covers the previously leased assets from the Jinglong Group, as well as the land initially leased from the third party, the rights of which was subsequently acquired by the Jinglong Group. The new non-cancelable operating lease with the Jinglong Group expires in June 2010 with an annual rental of RMB 1.8 million, which approximates market rents. JA Solar executed a lease termination agreement for the land with the third party on June 30, 2006. JA Solar also holds an operating lease with the Jinglong Group for an automobile. This non-cancelable operating lease expired in December 2007 and was renewed until December 2010.

In June 2007, JA Solar entered into another operating lease with the Jinglong Group to expand its facilities to host new manufacturing lines installed. The new non-cancelable operating lease with the Jinglong Group expires in December 2011 with an annual rental of RMB 1.2 million, which approximates market rents.

In July 2008, JA Solar entered into its operating lease with the Jinglong Group. The renewed operating lease with the Jinglong Group replaced the two aforementioned operating leases and has an annual rental of RMB 12 million. This non-cancelable operating lease expires in June 2012. In November 2008, JA Solar entered into another operating lease with the Jinglong Group. The new non-cancelable operating lease with the Jinglong Group expires in December 2012 with an annual rental of RMB 3.8 million. In December 2008, JA Solar entered into an operating lease with a related party. The new non-cancelable operating lease with the related party expires in December 2012 with an annual rental of RMB 0.8 million.

In July 2009, JA Solar entered into an operating lease with the Jinglong Group. The renewed operating lease replaced the aforementioned operating lease and has an annual rental of RMB 12,000. This non-cancelable operating lease expires in June 2012.

#### Non-cancelable purchase obligations

As of December 31, 2009, we had contracted for capital expenditures on machinery and equipment of RMB 433.6 million.

### Purchase commitments under agreements

In order to better manage our unit costs and to secure adequate and timely supply of polysilicon and silicon wafers during the recent periods of shortages of polysilicon and silicon wafer supplies, the company entered into a number of multi-year supply agreements from 2006 through 2009 in amounts that were expected to meet our anticipated production needs. As a condition to our receiving the raw materials under those agreements, and in line with industry practice, we were required to, and have made advances to suppliers for all, or a portion, of the total contract price to our suppliers, which are then offset against future purchases.

Set out below are our fixed obligations under these multi-year contracts including "take or pay" arrangements.

#### "Take or Pay" Supply Agreements

The company's multi-year supply agreements with some suppliers are structured as fixed price and quantity "take or pay" arrangements which allow the supplier to invoice the company for the full stated purchase price of polysilicon or silicon wafers the company is obligated to purchase each year, whether or not the company actually purchases the contractual volume.

#### Other Multi-Year Supply Agreements

In addition to the "take or pay" arrangements above, the company has also entered into other multi-year supply agreements to purchase fixed volumes of polysilicon or silicon wafers from certain suppliers. Under these agreements, the purchase price is to be periodically adjusted based on relevant energy price index. The purchase price is stated in certain of these agreements for period less than six months with price adjustment terms.

#### Impact of Amendments Subsequent to December 31, 2009

Subsequent to December 31, 2009, JA Solar has amended the multi-year supply agreements for deliveries from 2010 to 2015 with GCL. The amendments (i) replaced the product to be delivered from wafers to the equivalent quantity of polysilicon, (ii) specified that the supply price is to be negotiated based on market prices, (iii) lengthened the delivery schedule and (iv) revised the prepayment deduction schedule. If we fail to meet our obligations under the amended agreements and are unable to further renegotiate the terms of our multi-year supply agreements, we may be forced to forfeit certain prepayment amounts and be subject to claims or other disputes which could materially and adversely affect our results of operations, and financial position.

See "Item 3. Key Information — D. Risk Factors — Risks Related to Our Supply Chain."

Senior Notes: The Senior Notes bear interest at the rate of 4.5% per annum and will be due in May 2013. The company did not buy back any Senior Notes after December 31, 2009 and up to the date of the issuance of this report.

Other long-term liabilities reflected on the company's balance sheet: Other long-term liabilities reflected on the company's balance sheet relate to product warranty costs we accrued for module sales.

### G.

### SAFE HARBOR

This annual report includes "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, included in this annual report that address activities, events or developments which we expect or anticipate will or may occur in the future are hereby identified as forward-looking statements for the purpose of the safe harbor provided by Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934.



Forward-looking statements typically are identified by words or phrases such as "may," "will," "expect," "anticipate," "aim," "estimate," "intend," "plan," "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 annual report also contains data related to the solar power market worldwide and in China. These market data 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 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 annual report on Form 20-F relate only to events or information as of the date on which the statements are made in this annual report on Form 20-F. 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 annual report on Form 20-F completely and with the understanding that our actual future results may be materially different from what we expect.



## ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

## A. DIRECTORS AND SENIOR MANAGEMENT

## Directors and Executive Officers

The following table sets forth our directors and executive officers, their ages as of the date of this annual report and the positions held by them. The business address for each of our directors and executive officers is No. 36, Jiang Chang San Road, Zhabei, Shanghai, People's Republic of China.

Name	Age	Position
Baofang Jin	57	Executive Chairman of the Board of Directors
Peng Fang	56	Director and Chief Executive Officer
Bingyan Ren	63	Director
Erying Jia	55	Director
Jian Xie	32	Director and Chief Operating Officer
Hope Ni	38	Independent Director
Jiqing Huang	73	Independent Director
Yuwen Zhao	71	Independent Director
Anthea Chung	41	Chief Financial Officer
Boping Li	40	Vice President of Sales
Yong Liu	43	Vice President of Operations
Ming Yang	36	Vice President of Business Development and Corporate Communications

Baofang Jin, Executive Chairman of the Board of Directors. Mr. Jin has been our chairman since May 2005. Mr. Jin has been the chairman of our Board of Directors and chief executive officer of Jinglong Group since 2003. From April 1984 to January 1992, Mr. Jin was the general manager of Ningjin County Agricultural Equipment Company. Mr. Jin currently also serves as a vice-chairman of the Chinese People's Political Consultative Conference of Ningjin County. Mr. Jin graduated from Hebei Broadcast and Television University, China, with an associate's degree in 1996.

Peng Fang, Director and Chief Executive Officer. Dr. Fang Peng was appointed Chief Executive Officer in January 2010. Dr. Fang joins JA Solar with more than 20 years of executive management experience with leading global technology companies in the solar and semiconductor industries in both the U.S. and China. Dr. Fang was president of Best Solar Co., Ltd., where he turned a start-up company into an internationally known solar module company in just 18 months. Dr. Fang was formerly president of Huahong NEC, one of the largest semiconductor foundries in China. Dr. Fang has also held various technology and management positions at Applied Materials and AMD in the U.S. Dr. Fang received his Ph.D and MSEE degrees from the University of Minnesota. He was also a postdoctoral research fellow at the EECS Department of UC Berkeley. Dr. Fang was chairman of the IEEE Electron Devices Society, Santa Clara Valley Chapter.

Bingyan Ren, Director. Mr. Ren has been our director since May 2005. He also serves as the vice-chairman of Jinglong Group. Prior to becoming our director, he was a professor of semiconductor materials and photovoltaic

materials at the Hebei University of Technology from 1972 to May 2005. Mr. Ren currently is a member of the semiconductor material academic committee of China and a member of semiconductor standardization technical committee of China. He also serves as a vice-director of semiconductor material research institute of Hebei University of Technology and a consultant to Hebei Ningjin Monocrystalline Silicon Industry Park. Mr. Ren graduated from North Jiaotong University, China, in July 1970.

Erying Jia, Director. Mr. Jia has been our director since September 2007. He has also served as executive deputy general manager and director of Jinglong Group since January 2006. Prior to that, he served at several administrative positions in Ningjin County, Hebei Province, China. He holds a bachelor's degree in public administration.

Jian Xie, Director and Chief Operating Officer. Mr. Jian Xie was appointed as Chief Operating Officer in January 2010. He has been the director of board since August 2009. Since joining JA Solar in April 2006, Mr. Xie has served in such capacities as the company's director of corporate finance, director of investor relations, assistant to the chief executive officer and secretary of the board of directors. Prior to joining JA Solar, Mr. Xie worked in the investment banking department of Ping'an Securities Co., Ltd., and as an associate in the investment department at Dogain Holdings Group Co., Ltd. Mr. Xie received his master's degree in finance from Guanghua School of Management at Beijing University in 2004.

Hope Ni, Independent Director. Ms. Hope Ni was appointed as the independent director in August 2009. Ms. Ni has served as chairman of the board of directors for China Fundamental Acquisition Corp. since March 2008. She currently also serves on the boards of KongZhong Corporation and ATA, Inc. Previously, Ms. Ni was chief financial officer and director of Comtech Group Inc., a Nasdaq Select Global Market-listed company that she joined in August 2004. She was also vice chairman of the board of directors of Comtech. Prior to that, Ms. Ni spent six years as a practicing attorney at Skadden, Arps, Slate, Meagher & Flom LLP in New York and Hong Kong. Earlier in her career, Ms. Ni worked at Merrill Lynch's investment banking division in New York. Ms. Ni received her J.D. degree from University of Pennsylvania Law School and her B.S. degree in Applied Economics and Business Management from Cornell University.

Jiqing Huang, Independent Director. Mr. Jiqing Huang was appointed as the independent director in August 2009. Mr. Huang has extensive experience in the research and manufacturing of monocrystalline silicon and related products. He currently serves as a committee member at the Academic Committee of Semi-conductive Materials of the Nonferrous Metals Society of China. From 2001 to 2007, Mr. Huang served as chief representative of the Beijing representative office of Space Energy Corporation, where he pioneered the introduction of the TDR-80 monocrystalline puller into China and subsequent modifications to improve its efficiency. Prior to his engagement at Space Energy Corporation, Mr. Huang was director of manufacturing, chief engineer and deputy director of Beijing 605 Factory, as well as general manager of Beijing Mingcheng Optical & Electronic Material Co., Ltd. Mr. Huang graduated from Nanjing Institute of Technology (now Southeast University) in 1962.

Yuwen Zhao, Independent Director. Mr. Yuwen Zhao has extensive experience in the study of high efficiency solar cell and solar energy materials. He is a well-known international solar industry expert, currently serving as vice chairman of the Chinese Renewable Energy Industries Association and is a director of international solar energy industry associations such as PVSEC and WCPEC. Since 1978, Mr. Zhao has been vice chairman, chief engineer, director of academy committee and chief scientist of Beijing Solar Energy Institute. He is also a member of the editorial board of Solar Energy Journal. Prior to his engagement at Beijing Solar Energy Institute, Mr. Zhao was a researcher in the Institute of Mechanics in the Chinese Academy of Sciences and 501 Institute of Ministry of Aerospace Industry. He is also the founder of Chinese National New Energy Engineering Research Center. Mr. Zhao graduated from Tianjin University in 1964 and studied in Germany in 1990 and 1991.

Anthea Chung, Chief Financial Officer. Ms. Chung has been our chief financial officer since January 2009. Ms. Chung has more than 16 years of financial management experience at public and private companies, including most recently the chief financial officer position at Solar Enertech Corp., a public company that manufactures solar cells and solar modules in Shanghai and Menlo Park, California. She was also former vice president and corporate controller at RAE Systems in San Jose, California, a US-listed company manufacturing high-tech gas detection equipment. Ms. Chung began her career as an auditor and worked eight years for PricewaterhouseCoopers. Ms. Chung earned her bachelor of science degree in accounting at Indiana University and is a certified public accountant registered in California.

Boping Li, Vice President of Sales. Mr. Boping Li was appointed vice president in August 2009. Mr. Li served as vice general manager, manager of equipment department and other posts in JA Solar from March 2007 to October 2008. Prior to joining JA Solar, Mr. Li worked as vice general manager at Nanjing FAB Technology Co., Ltd., and from September 2005 to May 2006, he was manager of the equipment division of China Sunergy Co., Ltd. (formerly CEEG (Nanjing) PV-Tech Co., Ltd (NPV)). Before that, Mr. Li served in several supervisor/project manager positions at Nanjing Huafei Colour Display System Co., Ltd. from 1993 to 2005. He began his career as an equipment engineer at Nanjing Color Picture Tube Co., Ltd. in August 1992. Mr. Li holds a master's degree in software engineering from East China Normal University and a bachelor's degree in radio technology from Zhejiang University.

Yong Liu, Vice President of Operations. Mr. Yong Liu was appointed vice president in August 2009. Mr. Liu has been general manager in charge of JA Solar's Yangzhou manufacturing site since he joined the company in July 2008. Mr. Liu has more than 15 years of operation management experience at semiconductor wafer and solar cell manufacturing facilities. Prior to joining JA Solar, he served as fab director at Semiconductor Manufacturing International Corporation (SMIC), responsible for running three 12-inch wafer foundry fabs, which were the most advanced wafer fabs in China. Mr. Liu had held various management positions in R&D and manufacturing since joining SMIC in 2001. Previously, Mr. Liu worked as deputy production manager at Wacker Siltronic Singapore. Mr. Liu received his master's degree in solid state chemistry and bachelor's degree in solid state physics from the University of Science and Technology of China in 1992 and 1990, respectively.

Ming Yang, Vice President of Business Development and Corporate Communications. Mr. Yang has been our Vice President of Business Development and Corporate Communications since January 2009. He has more than six years of experience working as a Wall Street buy-side and sell-side analyst, specializing in renewable energy and semiconductor materials sectors. Most recently, he was an analyst covering the renewable energy sector at Coatue Management, a US\$ 2 billion hedge fund based in New York. Before that, he was vice president at Piper Jaffray for four years, as senior China research analyst covering solar energy and semiconductor materials, based in Shanghai. Mr. Yang earned his master of business administration degree from Cornell University and a bachelor's degree in electrical engineering and computer science from the University of California at Berkeley.

#### Employment Agreements

We have entered into employment agreement with each of our executive officers. Under these agreements, we may terminate his or her employment for cause at any time, without notice or remuneration, for certain acts of the employee, including but not limited to a conviction or plea of guilty to a felony or to an act of fraud, misappropriation or embezzlement, negligence or dishonest act to the detriment of the company, or misconduct of the employee and failure to perform his or her agreed-to duties after a reasonable opportunity to cure the failure. Furthermore, we may terminate the employment without cause at any time, in which case we will pay the employee a certain amount of compensation. An executive officer may terminate the employment at any time upon one to three months written notice.

Each executive officer has agreed to hold, both during and subsequent to the term of the agreement, our confidential information in strict confidence and not to disclose such information to anyone except to our other employees who have a need to know such information in connection with our business or except as required in the performance of his or her duties in connection with the employment. The executive officer shall not use our confidential information other than for our benefits. The executive officers have also agreed to assign to us all rights, titles and interests to or in any inventions that they may conceive or develop during the period of employment, including any copyrights, patents, mark work rights, trade secrets or other intellectual property rights pertaining to such inventions.

## Terms of Directors and Officers

The term of each director is three years. Our directors may be removed from office by resolutions of the shareholders. Under the employment agreement generally entered into by us and our executive officers, the initial term is three to four years.

## B. COMPENSATION

### Compensation of Directors and Executive Officers

For the year ended December 31, 2009, we paid aggregate compensation of RMB 22.6 million to our seven executive positions. In addition, for the year end of December 31, 2009, we granted an aggregate 933,000 ordinary share options with exercise price that varies from US\$1.99 to US\$4.53 and expiration date in various time through 2019, and 2,242,000 restricted share units with the option to receive ordinary shares, par value US\$0.0001 per share, net of shares forfeited, to our directors and executive officers. Other than ordinary share options and restricted share units granted under our 2006 stock incentive plan, as well as fees paid to our independent directors for board services rendered, we only paid compensation to those directors who also served as executive officers.

### Code of Ethics

We have adopted a code of ethics for chief executive and senior financial officers, which we filed with the SEC as an exhibit to our annual report on Form 20-F for the year ended December 31, 2006. This home country practice of ours was established by us by reference to similarly situated issuers and differs from the Nasdaq Marketplace Rules that require listed companies to adopt one or more codes of conduct applicable to all directors, officers and employees and make those codes of conduct publicly available. There are, however, no specific requirements under Cayman Islands law requiring the adoption of codes of conduct.

### Stock Option Plans

We adopted our 2006 stock incentive plan on August 18, 2006, which provides for the grant of incentive stock options, non-qualified stock options, restricted stock and restricted stock units, referred to as "awards." The purpose of the plan is to provide additional incentive to those officers, employees, directors, consultants and other service providers whose contributions are essential to the growth and success of our business, in order to strengthen the commitment of such persons to us and motivate such persons to faithfully and diligently perform their responsibilities and attract and retain competent and dedicated persons whose efforts will result in our long-term growth and profitability.

**Plan Administration.** Our 2006 stock incentive plan is administered by our Board of Directors or a committee or subcommittee appointed by our Board of Directors. In each case, our Board of Directors or the committee will determine the provisions and terms and conditions of each award grant, including, but not limited to, the exercise price for the options, vesting schedule, form of payment of exercise price and other applicable terms.

**Award Agreement.** Awards granted under our 2006 stock incentive plan are evidenced by an award agreement that sets forth the terms and conditions for each award grant, which include, among other things, the vesting schedule, exercise price, type of option and expiration date of each award grant.

**Eligibility.** We may grant awards to an officer, director, employee, consultant, advisor or another service provider of our company or any of our parent or subsidiary, provided that directors of our company or any of our parent or subsidiary who are not also employees of our company or any of our parent or subsidiary, and consultants or advisors to our company or any of our parent or subsidiary may not be granted incentive stock options.



**Option Term.** The term of each option granted under the 2006 Incentive Stock Option may not exceed ten years from the date of grant. If an incentive stock option is granted to an eligible participant who owns more than 10% of the voting power of all classes of our share capital, the term of such option shall not exceed five years from the date of grant.

**Exercise Price.** In the case of non-qualified stock option, the per share exercise price of shares purchasable under an option shall be determined by the plan administrator in its sole discretion at the time of grant. In the case of incentive stock option, the per share exercise price of shares purchasable under an option shall not be less than 100% of the fair market value per share at the time of grant. However, if we grant an incentive stock option to an employee, who at the time of that grant owns shares representing more than 10% of the voting power of all classes of our share capital, the exercise price cannot be less than 110% of the fair market value of our ordinary shares on the date of that grant.

**Amendment and Termination.** Our Board of Directors may at any time amend, alter or discontinue the plan, provided that no amendment, alteration, or discontinuation shall be made that would impair the rights of a participant under any award theretofore granted without such participant's consent. Unless terminated earlier, our 2006 stock incentive plan shall continue in effect for a term of ten years from the effective date of the plan.

Under our 2006 stock incentive plan, we may grant options to purchase up to 10% of share capital of the company. On August 21, 2006, April 3, 2007, September 17, 2007, we granted options to purchase 1,728,000, 2,400,000 and 4,410,000 ordinary shares to certain of our directors, employees and consultants, respectively. In November 2007 and during the year ended December 31, 2008, we granted 99,000 and 6,132,000 ordinary options to new employees, respectively. During the year ended December 31, 2009, we granted 1,013,000 ordinary options to new employees. From January to April 20, 2010, we granted 1,650,000 ordinary options to new employees.

Our board has authorized a committee, currently consisting of Mr. Baofang Jin, our executive chairman and chairman of board of directors and Mr. Jian Xie, our chief operating officer and director, to approve option grants under our 2006 stock incentive plan.

As of April 20, 2010, options to purchase 4,010,700 ordinary shares remained outstanding. During January to April, 2010, the 400,100 unvested options for employees were forfeited; 150,000 unvested options expired, and 153,200 vested options were exercised.

## C.

## BOARD PRACTICES

### Board of Directors and Board Committees

Our Board of Directors currently consists of seven members, including two independent directors who satisfy the "independence" requirements of the Nasdaq Marketplace Rules and meet the criteria for "independence" under Rule 10A-3 under the Securities Exchange Act of 1934, as amended, or the Exchange Act. This home country practice of ours was established by our Board of Directors by reference to similarly situated issuers and differs from the Nasdaq Marketplace Rules that require the board to be comprised of a majority of independent directors.

There are, however, no specific requirements under Cayman Islands law that the board must be comprised of a majority of independent directors. There are no family relationships between our directors or executive officers.

We do not have regularly scheduled meetings at which only independent directors are present, or executive sessions. This home country practice of ours was established by our Board of Directors by reference to similarly situated issuers and differs from the Nasdaq Marketplace Rules that require the company to have regularly scheduled executive sessions at which only independent directors are present. There are, however, no specific requirements under Cayman Islands law on executive sessions.





We have established three committees under our Board of Directors: an audit committee, a compensation committee and a nominating and corporate governance committee. We have adopted a charter for each of the three committees. Each committee's composition and functions are described below.

**Audit Committee.** Our audit committee consists of Mr. Jiqing Huang, Ms. Hope Ni and Mr. Yuwen Zhao, and is chaired by Ms. Hope Ni. All of the members of the audit committee satisfy the "independence" requirements of the Nasdaq Marketplace Rules and meet the criteria for "independence" under Rule 10A-3 under the Exchange Act. The audit committee will oversee our accounting and financial reporting processes and the audits of the financial statements of our company. The audit committee will be responsible for, among other things:

- appointment, compensation, retention and oversight of the work of the independent registered public accounting firm;
- approving all auditing and non-auditing services permitted to be performed by the independent registered public accounting firm;
  - meeting separately and periodically with management and the independent registered public accounting firm;
- oversight of annual audit and quarterly reviews, including reviewing with independent registered public accounting firm the annual audit plans;
  - oversight of financial reporting process and internal controls, including reviewing the adequacy and effectiveness of our internal controls policies and procedures on a regular basis;
- establishing procedures for the receipt, retention and treatment of complaints received by us regarding accounting, internal accounting controls or auditing matters; and
- reviewing and implementing related person transaction policies and procedures for the committee's review and approval of proposed related person transactions, including all transactions required to be disclosed by Item 404(a) of Regulation S-K under the Securities Act.

**Compensation Committee.** Our compensation committee consists of Ms. Hope Ni, Mr. Yuwen Zhao, Mr. Baofang Jin and Mr. Jiqing Huang, and is chaired by Mr. Jiqing Huang. Ni Zhao and Huang satisfy the "independence" requirements of the Nasdaq Marketplace Rules and meet the criteria for "independence" under Rule 10A-3 under the Exchange Act. This home country practice of ours was established by our Board of Directors and differs from the Nasdaq Marketplace Rules that require the compensation committees of listed companies to be comprised solely of independent directors. There are, however, no specific requirements under Cayman Islands law on the composition of compensation committees. The compensation committee assists the board in reviewing and approving the compensation structure, including all forms of compensation, relating to our directors and executive officers. The compensation committee is responsible for, among other things:

- reviewing at least annually our executive compensation plans;
- evaluating annually the performance of our chief executive officer and other executive officers;
- determining and recommending to the board the compensation package for our chief executive officer and other executive officers;
- evaluating annually the appropriate level of compensation for board and board committee service by non-employee directors;



- reviewing and approving any severance or termination arrangements to be made with any of our executive officers; and
- reviewing at least annually our general compensation plans and other employee benefits plans.

Nominating and Corporate Governance Committee. Our nominating and corporate governance committee consists of Ms. Hope Ni, Mr. Jiqing Huang, Mr. Yuwen Zhao and Mr. Baofang Jin, and is chaired by Baofang Jin Ni, Huang and Zhao satisfy the "independence" requirements of the Nasdaq Marketplace Rules and meet the criteria for "independence" under Rule 10A-3 under the Exchange Act. This home country practice of ours was established by our Board of Directors and differs from the Nasdaq Marketplace Rules that require the nominating committees of listed companies to be comprised solely of independent directors. There are, however, no specific requirements under Cayman Islands law on the composition of nominating committees. The nominating and corporate governance committee assists our Board of Directors in selecting individuals qualified to become our directors and in determining the composition of the board and its committees. The nominating and corporate governance committee is responsible for, among other things:

- establishing procedures for evaluating the suitability of potential director nominees;
- recommending to the board nominees for election by the stockholders or appointment by the board;
- reviewing annually with the board the current composition of the board with regards to characteristics such as knowledge, skills, experience, expertise and diversity required for the board as a whole;
- reviewing periodically the size of the board and recommending any appropriate changes;
- recommending to the board the size and composition of each standing committee of the board; and
- reviewing periodically and at least annually the corporate governance principles adopted by the board to assure that they are appropriate for us and comply with the requirements under the rules and regulations of the SEC and the Nasdaq Stock Market, Inc. where applicable.

#### Duties of Directors

Under Cayman Islands law, our directors have a fiduciary duty to act honestly, in good faith and with a view to our best interests. Our directors also have a duty to exercise the skill they actually possess and such care and diligence that a reasonably prudent person would exercise in comparable circumstances. In fulfilling their duty of care to us, our directors must ensure compliance with our memorandum and articles of association, as amended from time to time. A shareholder has the right to seek damages if a duty owed by our directors is breached.

The functions and powers of our Board of Directors include, among others:

- convening shareholders' annual general meetings and reporting its work to shareholders at such meetings;
- declaring dividends and distributions;
- appointing officers and determining the term of office of officers;
- exercising the borrowing powers of our company and mortgaging the property of our company; and
- approving the transfer of shares of our company, including the registering of such shares in our share register.

#### Term of Office and Benefits

Our directors serve a term of three years and do not receive any special benefits upon termination.

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## Interested Transactions

A director may vote in respect of any contract or transaction in which he or she is interested, provided that the nature of the interest of any directors in such contract or transaction is disclosed by him or her at or prior to its consideration and any vote in that matter.

## D. EMPLOYEES

As of December 31, 2007, 2008 and 2009, we had a total of 1,465, 4,213 and 5,131 employees, respectively. The following table sets forth the number of our employees categorized by our areas of operations and as a percentage of our workforce as of December 31, 2009:

	Number of employees	Percentage of total
Manufacturing and engineering	4,466	87.04%
Quality assurance	252	4.91%
General and administration	224	4.37%
Purchasing and logistics	102	1.99%
Research and development	44	0.86%
Marketing and sales	39	0.76%
Others	4	0.08%
Total	5,131	100.00%

From time to time, we also employ part-time employees and independent contractors to support our research and development, manufacturing and sales and marketing activities.

Our success depends to a significant extent upon our ability to attract, retain and motivate qualified personnel. As of December 31, 2009, 530 of our employees held bachelor's or higher degrees, and all of our manufacturing line employees have post-high school technical degrees or high school diplomas. A number of our employees have overseas education and industry experience.

We are required by applicable PRC regulations to contribute amounts equal to 20.0-22.0%, 4.0-12.0%, 2.0%, 0.5-1.0% and 0.5-0.8%, of our employees' aggregate salary to a pension contribution plan, a medical insurance plan, an unemployment insurance plan, a personal injury insurance plan and a maternity insurance plan respectively, for our employees.

Our employees are not covered by any collective bargaining agreement. We believe that we have a good relationship with our employees.

## E. SHARE OWNERSHIP

The following table shows the beneficial ownership of our ordinary shares by our directors and executive officers as of April 20, 2010:

Name	Shares(1)	Percent(2)
Baofang Jin(3)	39,845,568	23.54%
Bingyan Ren(4)	1,908,603	1.13%
Eying Jia	*	*
Peng Fang	*	*
Jian Xie	*	*

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Hope Ni	*	*
Jiqing Huang	*	*
Yuwen Zhao	*	*
Boping Li	*	*
Yong Liu	*	*
Anthea Chung	*	*
Ming Yang	*	*
All Directors and Executive Officers as a group	39,949,568	23.61%

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\*Upon exercise of all options and vesting of all restricted shares granted, would beneficially own less than 1.0% of our outstanding ordinary shares.

- (1) Beneficial ownership is determined in accordance with Rule 13d-3 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended, and includes voting or investment power with respect to the securities. The share numbers and percentages listed in the table reflect the share number and percentage held by each director, executive officer and principal shareholder on a fully-diluted basis.
- (2) For each person included in this table, percentage ownership is calculated by dividing the number of shares beneficially owned or being sold by such person by the sum of (i) 169,234,620, being the sum of the number of ordinary shares outstanding as of the date of this annual report, and (ii) the number of ordinary shares underlying share options held by such person or group that are exercisable within 60 days after the date of this annual report.
- (3) Including 39,845,568 ordinary shares held by Jinglong BVI, of which Mr. Baofang Jin is the sole director and has a 32.96% economic interest. Mr. Jin disclaims the beneficial ownership of 13,133,099 ordinary shares beneficially owned by the other shareholders of Jinglong BVI.
- (4) Including 1,908,603 ordinary shares held by Jinglong BVI, 4.79% of which is owned by Mr. Bingyan Ren.

As of the date of this annual report, none of our existing shareholders has different voting rights from other shareholders.

## ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

### A. MAJOR SHAREHOLDERS

The following table sets forth information with respect to the beneficial ownership of our ordinary shares, as of April 20, 2010, by each person known to us to own beneficially more than 5.0% of our ordinary shares. As of the date of this annual report, none of our existing shareholders has different voting rights from other shareholders.

Name	Shares(1)	Percent(2)
Jinglong Group Co., Ltd.(3)	39,845,568	23.54%
Fidelity Management & Research Company	13,654,833	8.07%
SAM Sustainable Asset Management AG	8,757,570	5.17%

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- (1) Beneficial ownership is determined in accordance with Rule 13d-3 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended, and includes voting or investment power with respect to the securities. The share numbers and percentages listed in the table reflect the share number and percentage held by each director, executive officer and principal shareholder on a fully-diluted basis.
- (2) For each person included in this table, percentage ownership is calculated by dividing the number of shares beneficially owned or being sold by such person by the sum of (i) 169,234,620, being the sum of the number of ordinary shares outstanding as of the date of this annual report, and (ii) the number of ordinary shares underlying share options held by such person or group that are exercisable within 60 days after the date of this annual report.
- (3) Jinglong Group Co., Ltd., a British Virgin Islands Company, is owned by Mr. Baofang Jin (our Chairman, 32.96%), Mr. Huixian Wang (9.58%), Mr. Binguo Liu (9.58%), Mr. Jicun Yan (7.18%), Mr. Rongrui Liu (7.18%), Mr. Huiqiang Liu (7.18%), Mr. Ruiying Cao (7.18%), Mr. Guichun Xing (4.79%), Mr. Ning Wen (4.79%), Mr. Bingyan Ren (our director, 4.79%) and Mr. Ruchang Wen (4.79%).

We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company. As of the date of this annual report, of the 169,234,620 issued and outstanding ordinary shares, 125,168,020 were held by 13 registered holders of American Depositary Receipts (or "ADR") evidencing 125,168,020 ADSs, 12 of which holders of record are in the United States.

#### B. RELATED PARTY TRANSACTIONS

Jinglong Group is 100% owned by the shareholders of our largest shareholder, Jinglong BVI, and thus, is a related party of ours. Baofang Jin, our Chairman, owns 32.96% equity interests in each of Jinglong Group and Jinglong BVI, and Bingyan Ren, our director, owns 4.79% equity interests in each of Jinglong Group and Jinglong BVI.

Jinglong Group is one of China's largest producers and suppliers of monocrystalline silicon wafers with more than ten years' operating history in the silicon processing business.

We have entered into various transactions with Jinglong Group and other related parties. Please refer to the audited financial statements attached to this annual report for more details.

#### C. INTERESTS OF EXPERTS AND COUNSEL

Not applicable.

### ITEM 8. FINANCIAL INFORMATION

#### A. CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION

See F-pages following Item 19.



## Legal Proceedings

### Class actions.

In December 2008, we learned that we were named as defendant in two putative securities class actions filed in the United States District Court for the Southern District of New York: *Ellenburg v. JA Solar Holdings Co., Ltd., et al.*, Civil Action No. 08 CV 10475 (filed on December 3, 2008) and *Zhang v. JA Solar Holdings Co., Ltd., et al.*, Civil Action No. 08 CV 11366 (filed on December 31, 2008). The complaints in the two actions, which are substantially identical, also name as defendants Mr. Huaijin Yang, our former chief executive officer, and Mr. Daniel Lui, our former chief financial officer and chief strategy officer, and allege that the defendants committed securities fraud in violation of Section 10(b) of the United States Securities and Exchange Act. On April 17, 2009, the court consolidated the two cases, appointed a lead plaintiff, and ordered the lead plaintiff to file a consolidated complaint. The lead plaintiff filed the consolidated complaint on June 1, 2009. We filed a motion to dismiss the consolidated complaint on July 15, 2009. In response, lead plaintiff filed a second amended complaint on August 21, 2009. We moved to dismiss the second amended complaint on October 8, 2009. The lead plaintiff filed a response to our motion to dismiss the second amended complaint on November 5, 2009, and we filed our reply on November 25, 2009. The court ordered an oral argument to be held on April 9, 2010 to hear arguments regarding our motion to dismiss. That oral argument was adjourned to April 20, 2010 and then to April 26, 2010, again at lead plaintiff's request. On April 26, 2010, the oral arguments were heard and we are currently awaiting the ruling. Although we cannot predict the outcome of the litigation, we will defend ourselves vigorously in this litigation and do not believe any loss is probable and estimable.

During this processes, we may incur significant legal expenses and allocate management time and attention to the legal actions. Despite our expense and efforts, however, no assurance can be provided that we will be able to prevail against the plaintiffs in the class action.

### Lehman Entities insolvency proceedings.

In addition, we are currently taking legal action against Lehman Entities seeking the return of over 6.5 million shares of our ordinary shares previously loaned by us to LBIE in May 2008. Also, we are making our reasonable efforts to preserve our rights in the Lehman Entities' insolvency proceedings in relation to the Capped Call and the return of monies owed pursuant to the Lehman Note issued by Lehman BV.

During these processes, we may incur significant legal expenses and allocate management time and attention to the legal actions. Despite our expense and efforts, however, no assurance can be provided that we will be able to recover any of the shares or be awarded any damages from the Lehman entities.

## Dividend Distribution 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 strengthen 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 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 Hebei and JA Yangzhou, our wholly owned subsidiaries 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 Hebei and JA Yangzhou, as well as our other subsidiaries, 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 that entity's registered capital, which totaled RMB 98.0 million and 41.6 million for JA Hebei and JA Yangzhou in the year ended December 31, 2008 and 2009, respectively. Our other subsidiaries have not set aside such reserves due to their loss positions. JA Hebei and JA Yangzhou's reserve funds are not distributable as cash dividends. In addition, at the discretion of its Board of Directors, JA Hebei and JA Yangzhou may allocate a portion of its after-tax profits to its staff welfare and bonus funds. Further, if JA Hebei and JA Yangzhou incurs debt in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us.

B. SIGNIFICANT CHANGES

None.

ITEM 9. THE OFFER AND LISTING

A. OFFER AND LISTING DETAILS

From the initial listing of our ADSs on the Nasdaq Global Market on February 7, 2007 to February 7, 2008, the closing prices of our ADSs have ranged from US\$16.30 to US\$75.43 per ADS. Then from the day after the date of our 3-for-1 ADS split (February 7, 2008) to the date of this annual report, the closing prices of our ADSs have ranged from US\$1.8 to US\$25.75 per ADS.

The following table sets forth, for the periods indicated, the high and low closing prices of our ADSs on the NASDAQ Global Market.

	Closing Price Per ADS	
	High (US\$)	Low (US\$)
Before our 3-for-1 ADS Split on February 7, 2008		
2007February 8, 2007 through December 31, 2007	75.43	40.98
2008January 1, 2008 to February 7, 2008	75.07	46.45
After our 3-for-1 ADS Split on February 7, 2008		
2008February 8, 2008 to March 31, 2008	20.34	12.39
2008April 1, 2008 through June 30, 2008	25.75	16.85
2008July 1, 2008 through September 30, 2008	17.97	10.24
2008October 1, 2008 through December 31, 2008	11.84	1.80
2009January 1, 2009 through March 31, 2009	5.09	1.90
2009April 1, 2009 through June 30, 2009	6.24	2.91
2009July 1, 2009 through September 30, 2009	5.34	3.37
2009October 1, 2009 through December 31, 2009	6.23	3.67
2009November	4.17	3.69
2009December	6.23	4.02
2010January	6.80	4.30
2010February	5.48	4.34
2010March	4.48	5.95
2010April (through April 24)	6.43	5.48



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Source: Bloomberg

See also "Item 14 — Material Modifications to the Rights of the Security Holders and Use of Proceeds — A. Material Modifications to the Rights of Securities Holders" and "Notes to Consolidated Financial Statements – 20. Senior Convertible Notes."

B. PLAN OF DISTRIBUTION

Not applicable.

C. MARKETS

Our ADSs, each representing one of our ordinary shares, par value US\$0.0001 per share, have been listed on the NASDAQ Global Market under the symbol "JASO", and commenced trading on February 8, 2007. Prior to that time, there was no public market for our ADSs or ordinary shares.

In May 2008, we closed an offering of the Senior Notes.

D. SELLING SHAREHOLDERS

Not applicable.

E. DILUTION

Not applicable.

F. EXPENSES OF THE ISSUE

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. SHARE CAPITAL

Not applicable.

B. MEMORANDUM AND ARTICLES OF ASSOCIATION

The following are summaries of material terms and provisions of our second amended and restated memorandum and articles of association in the section entitled "Description of Share Capital" contained in our registration statement on Form F-1 (File No. 333-140002), as amended, filed with the SEC on January 16, 2007, as well as the Companies Law insofar as they relate to the material terms of our ordinary shares.. As of February 7, 2008, the company's ADS ratio changed from one to three (one ADS representing three ordinary shares) to one to one (one ADS representing one ordinary share). This summary is not complete, and you should read the forms of our memorandum and articles of association. For additional information on our second amended and restated memorandum and articles of association, please visit our corporate website [www.jasolar.com](http://www.jasolar.com).

General

We are a Cayman Islands exempted company and our affairs are governed by our second amended and restated memorandum and articles of association and the Companies Law (2007 Revision) of the Cayman Islands, which is referred to below as the Companies Law. A Cayman Islands exempted company is a company that conducts its business outside of the Cayman Islands, is exempted from certain requirements of the Companies Law, including a filing of an annual return of its shareholders with the Registrar of Companies, does not have to make its register of shareholders open to inspection and may obtain an undertaking against the imposition of any future taxation.

The holders of ADSs will not be treated as our shareholders and will be required to surrender their ADSs for cancellation and withdrawal from the depositary facility in which the ordinary shares are held in order to exercise shareholders' rights in respect of the ordinary shares. The depositary will agree, so far as it is practical, to vote or cause to be voted the amount of ordinary shares represented by ADSs in accordance with the non-discretionary written instructions of the holder of such ADSs.

Meetings

Subject to our second amended and restated articles of association, an annual general meeting and any extraordinary general meeting will be called by not less than ten clear days' notice in writing. Notice of every general meeting will be given to all of our shareholders.

A meeting may be called by shorter notice than that mentioned above, but, subject to our articles of association, it will be deemed to have been duly called, if it is so agreed (1) in the case of a meeting called as an annual general meeting by all of our shareholders (or their proxies) entitled to attend and vote at the meeting; or (2) in the case of any other meeting, by a majority in number of our shareholders having a right to attend and vote at the meeting, being a majority together holding not less than 95.0% in nominal value of the ordinary shares giving that right.

No business other than the appointment of a chairman of the meeting may be transacted at any general meeting unless a quorum is present at the commencement of business. However, the absence of a quorum will not preclude the appointment of a chairman of the meeting. If present, the chairman of our Board of Directors shall be the chairman presiding at any shareholders' meetings.

Two of our members present in person or by proxy or corporate representative representing not less than one third in nominal value of our total issued voting shares shall be a quorum. A corporation being a shareholder shall be deemed for the purpose of our articles of association to be present in person if represented by its duly authorized representative. Such duly authorized representative shall be entitled to exercise the same powers on behalf of the corporation which he or she represents as that corporation could exercise if it were our individual shareholder.



The quorum for a separate general meeting of the holders of a separate class of shares is described in "Modification of Rights" below.

#### Voting Rights Attaching to the Shares

Subject to any rights or restrictions attached to any shares, at any general meeting on a show of hands every shareholder who is present in person (or, in the case of a shareholder being a corporation, by its duly authorized representative) or by proxy shall have one vote and on a poll every shareholder present in person (or, in the case of a shareholder being a corporation, by its duly appointed representative) or by proxy shall have one vote for each share which such shareholder is the holder. Voting at any meeting of the shareholders is by show of hands unless a poll is demanded. A poll may be demanded by the chairman or at least three shareholders present in person or by proxy holding at least 10.0% in par value of the shares giving a right to attend and vote at the meeting.

Any ordinary resolution to be passed by our shareholders requires the affirmative vote of a simple majority of the votes cast at a meeting of our shareholders, while a special resolution requires the affirmative vote of no less than two-thirds of the votes cast at a meeting of our shareholders. Holders of our ordinary shares may by ordinary resolution, among other things, elect directors, and make alterations of capital. See "Item 10. Additional Information — B. Memorandum and Articles of Association — Alteration of Capital." A special resolution is required for matters such as a change of name. See "Item 10. Additional Information — B. Memorandum and Articles of Association — Modification of Rights."

No shareholder shall be entitled to vote or be reckoned in a quorum, in respect of any share, unless such shareholder is registered as our shareholder at the applicable record date for that meeting.

If a recognized clearing house (or its nominee(s)) is our shareholder, it may authorize such person or persons as it thinks fit to act as its representative(s) at any meeting or at any meeting of any class of shareholders provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision is entitled to exercise the same powers on behalf of the recognized clearing house (or its nominee(s)) as if such person was the registered holder of our shares held by that clearing house (or its nominee(s)) including the right to vote individually on a show of hands.

While there is nothing under the laws of the Cayman Islands which specifically prohibits or restricts the creation of cumulative voting rights for the election of our directors, unlike the requirement under Delaware General Corporation Law where cumulative voting for the election of directors is permitted only if expressly authorized in the certificate of incorporation, it is not a concept that is accepted as a common practice in the Cayman Islands, and we have made no provisions in our memorandum and articles of association to allow cumulative voting for such elections.

#### Protection of Minority Shareholders

The Grand Court of the Cayman Islands may, on the application of shareholders holding not less than one fifth of our shares in issue, appoint an inspector to examine our affairs and report thereon in a manner as the Grand Court shall direct.

Any shareholder may petition the Grand Court of the Cayman Islands which may make a winding up order, if the court is of the opinion that it is just and equitable that we should be wound up.



Claims against us by our shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by our memorandum and articles of association.

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against, or derivative actions in our name to challenge (1) an act which is ultra vires or illegal, (2) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of us, and (3) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

#### Pre-emption Rights

There are no pre-emption rights applicable to the issuance of new shares under either Cayman Islands law or our memorandum and articles of association.

#### Liquidation Rights

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares, if we shall be wound up the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Law, divide among our shareholders in kind the whole or any part of our assets (whether they shall consist of property of the same kind or not) and may, for that purpose, value any assets as the liquidator deems fair upon any asset and determine how the division shall be carried out as between our shareholders or different classes of shareholders. The liquidator may, with the like sanction, vest any part of such assets in trustees upon such trusts for the benefit of our shareholders as the liquidator, with the like sanction, shall think fit, but so that no contributory shall be compelled to accept any shares or other property upon which there is a liability. If we shall be wound up, and the assets available for distribution among our shareholders as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by our shareholders in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. And if winding up the assets available for distribution among our shareholders shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst our shareholders in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively.

#### Modification of Rights

Except with respect to share capital (as described below) and the location of the registered office, alterations to our memorandum and articles of association or to our name may only be made by special resolution of no less than two-thirds of votes cast at a meeting of our shareholders.

Subject to the Companies Law, all or any of the special rights attached to any class, unless otherwise provided for by the terms of issue of the shares of that class, may be varied, modified or abrogated with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of our articles of association relating to general meetings shall apply mutatis mutandis to every such separate general meeting, but so that the quorum for the purposes of any such separate general meeting shall be a person or persons together holding, or represented by proxy, on the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class, every holder of shares of the class shall be entitled on a poll to one vote for every such share held by such holder and that any holder of shares of that class present in person or by proxy may demand a poll.



The special rights conferred upon the holders of any class of shares shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

#### Alteration of Capital

We may from time to time by ordinary resolution:

- increase our share capital by such sum, to be divided into shares of such amounts, as the resolution shall prescribe;
- consolidate and divide all or any of our share capital into shares of larger amount than our existing shares;
- without prejudice to powers granted to us regarding issuing of shares, divide our shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or such restrictions which in the absence of any such determination by us in general meeting, as our directors may determine;
- subdivide our shares or any of them into shares of smaller amount than that fixed by our memorandum of association and may by such resolution determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred, deferred or other rights or be subject to any such restrictions as compared with the other or others as we have power to attach to unissued or new shares; and
- cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person and diminish the amount of our share capital by the amount of the shares so cancelled.

We may, by special resolution, subject to any confirmation or consent required by the Companies Law, reduce our share capital or any capital redemption reserve fund in any manner authorized by law.

#### Transfer of Shares

Subject to any applicable restrictions set forth in our articles of association, any of our shareholders may transfer all or any of his or her shares by an instrument of transfer in the usual or common form or in any other form which our directors may approve.

Our Board of Directors may, in its absolute discretion, decline to register any transfer of any share without assigning any reasons therefor.

If our directors refuse to register a transfer they shall, within two months after the date on which the instrument of transfer was lodged, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may be suspended and the register closed at such times and for such periods as our Board of Directors may from time to time determine, provided, however, that the registration of transfers shall not be suspended nor the register closed for more than 30 days in any year.

#### Share Repurchase

We are empowered by the Companies Law and our articles of association to purchase our own shares, subject to certain restrictions. Our directors may only exercise this power on our behalf, subject to the Companies Law, our memorandum and articles of association and to any applicable requirements imposed from time to time by the SEC,

the Nasdaq Global Market, or by any recognized stock exchange on which our securities are listed.

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## Dividends

Subject to the Companies Law and our articles of association, in general meeting we may declare dividends in any currency, but no dividends shall exceed the amount recommended by our Board of Directors. Dividends may be declared and paid out of our profits, realized or unrealized, or from any reserve set aside from profits which our directors determine is no longer needed. Dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Law.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, with respect to any shares not fully paid throughout the period in respect of which the dividend is paid, all dividends shall be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, with respect to any shares not fully paid throughout the period in respect of which the dividend is paid, all dividends shall be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

Our Board of Directors may from time to time pay to our shareholders such interim dividends as appear to our directors to be justified by our profits. Our directors may also pay dividends semi-annually or at other intervals to be selected by them at a fixed rate if they are of the opinion that the profits available for distribution justify the payment. The board may also declare and pay special dividends as they think fit.

Our Board of Directors may retain any dividends or other monies payable on or in respect of a share upon which we have a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. Our Board of Directors may also deduct from any dividend or other monies payable to any shareholder all sums of money, if any, presently payable by him or her to us on account of calls, installments or otherwise.

No dividend shall carry interest against us.

Whenever our Board of Directors or we in general meeting have resolved that a dividend be paid or declared on our share capital, the Board of Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that those of our shareholders entitled thereto will be entitled to elect to receive such dividend, or part thereof, in cash in lieu of such allotment; or (b) that those of our shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as our Board of Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. We may upon the recommendation of our Board of Directors by ordinary resolution resolve in respect of anyone particular dividend that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to our shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by check or warrant sent through the post addressed to the registered address of our shareholder entitled, or in the case of joint holders, to the registered address of the person whose name stands first in our register of shareholders in respect of the joint holding to such person and to such address as the holder or joint holders may in writing direct. Every check or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on our register of shareholders in respect of such shares, and shall be sent at his or their risk and the payment of any such check or warrant by the bank on which it is drawn shall operate as a good discharge to us in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement there on has been forged.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Board of Directors and shall revert to us.

Our Board of Directors may, with the sanction of the shareholders in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution our directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to our benefit, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any of our shareholders upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to our Board of Directors.

#### Untraceable Shareholders

We are entitled to sell any shares of our shareholder who is untraceable, provided that:

- all checks or warrants, not being less than three in total number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years;
- we have not during that time or before the expiry of the three-month period referred to in the last bullet under this section received any indication of the existence of the shareholder or person entitled to such shares by death, bankruptcy or operation of law; and
- upon expiration of the 12-year period, we have caused an advertisement to be published in newspapers, giving notice of its intention to sell these shares, and a period of three months or such shorter period has elapsed since the date of such advertisement.

The net proceeds of any such sale shall belong to us, and when we receive these net proceeds we shall become indebted to the former shareholder for an amount equal to such net proceeds.

#### Board of Directors

We are managed by a Board of Directors which currently consists of seven members. Our articles of association provide that the Board of Directors shall consist of not less than two directors.

Our shareholders may by ordinary resolution at any time remove any director before the expiration of his period of office notwithstanding anything in our articles of association or in any agreement between us and such director, and may by ordinary resolution elect another person in his stead. Subject to our articles of association, the directors will have power at any time and from time to time to appoint any person to be a director, either as an addition to the existing directors or to fill a casual vacancy, but so that the total number of directors (exclusive of alternate directors)

must not at any time exceed the maximum number fixed in our articles of association.

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There are no share ownership qualifications for directors.

Meetings of our Board of Directors may be convened at any time deemed necessary by any members of our Board of Directors.

A meeting of our Board of Directors will be competent to make lawful and binding decisions if any two members of our Board of Directors are present or represented. At any meeting of our directors, each director, be it by his or her presence or by his or her alternate, is entitled to one vote. A director may vote in respect of any contract or arrangement with us in which he is directly or indirectly interested, provided, such director must declare the nature of his interest at the earliest meeting of the board at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which we may subsequently make.

Questions arising at a meeting of our Board of Directors are required to be decided by simple majority votes of the members of our Board of Directors present or represented at the meeting. In the case of a tie vote, the chairman of the meeting shall have a second or deciding vote. Our Board of Directors may also pass resolutions without a meeting by unanimous written consent.

The remuneration to be paid to the directors shall be such remuneration as the directors shall determine. Under our articles of association, the directors shall also be entitled to be paid their traveling, hotel and other expenses reasonably incurred by them in, attending meetings of the directors, or any committee of the directors, or general meetings of the company, or otherwise in connection with the discharge of his duties as director.

#### Issuance of Additional Ordinary Shares or Preferred Shares

Our articles of association authorizes our Board of Directors to issue additional ordinary shares from time to time as our Board of Directors shall determine, to the extent of available authorized but unissued shares.

Our articles of association authorizes our Board of Directors from time to time the issuance of one or more classes or series of ordinary or preferred shares and to determine the terms and rights of that class or series to the extent permitted by the Companies Law, including, amongst other things:

· the designation of such class or series;

· the number of shares of such class or series;

· the dividend rights, conversion rights, voting rights; and

· the rights and terms of redemption and liquidation preferences.

Our Board of Directors may issue such class or series of preferred shares without action by our shareholders to the extent authorized but unissued. Accordingly, the issuance of preferred shares may adversely affect the rights of the holders of the ordinary shares. In addition, the issuance of preferred shares may be used as an anti-takeover device without further action on the part of the shareholders. We have no immediate plans to issue any preferred shares.

Issuance of preferred shares may dilute the voting power of holders of ordinary shares. Subject to applicable regulatory requirements, our Board of Directors may issue additional ordinary shares without action by our shareholders to the extent of available authorized but unissued shares. The issuance of additional ordinary shares may be used as an anti-takeover device without further action on the part of the shareholders. Such issuance may dilute the voting power of existing holders of ordinary shares.





The listing maintenance requirements of the Nasdaq Global Market, which apply so long as our ADSs are quoted on that market, require shareholder approval of certain issuances of our securities equal to or exceeding 20% of the then outstanding voting power of all our securities or the then outstanding number of our ordinary shares.

#### Inspection of Books and Records

Holders of our ordinary shares will have no general right under Cayman Islands law to inspect or obtain copies of our list of shareholders or our corporate records. However, we will provide our shareholders with annual audited financial statements. For additional information, please visit our corporate website [www.jasolar.com](http://www.jasolar.com).

#### Differences in Corporate Law

The Companies Law distinguishes between ordinary resident companies and exempted companies, and we are an exempted company with limited liability under the Companies Law. Any company that is registered in the Cayman Islands but conducts business mainly outside of the Cayman Islands may apply to be registered as an exempted company. The responsibilities of an exempted company are essentially the same as for an ordinary company except for the exemptions and privileges listed below:

- an exempted company does not have to file an annual return of its shareholders with the Registrar of Companies;
  - an exempted company's register of members is not open to inspection;
  - an exempted company does not have to hold an annual general meeting;
  - an exempted company may issue no par value, negotiable or bearer shares;
- an exempted company may obtain an undertaking against the imposition of any future taxation (such undertakings are usually given for 20 years in the first instance);
- an exempted company may register by way of continuation in another jurisdiction and be deregistered in the Cayman Islands;
  - an exempted company may register as a limited duration company; and
  - an exempted company may register as a segregated portfolio company.

The Companies Law is modeled after similar laws in the United Kingdom but does not follow recent changes in United Kingdom laws. In addition, the Companies Law differs from laws applicable to U.S. corporations and their shareholders. Set forth below is a summary of the significant provisions of the Companies Law applicable to us.

#### Duties of Directors

Under Cayman Islands law, at common law, members of a Board of Directors owe a fiduciary duty to the company to act in good faith in their dealings with or on behalf of the company and exercise their powers and fulfill the duties of their office honestly. This duty has four essential elements:

- a duty to act in good faith in the best interests of the company;
- a duty not to personally profit from opportunities that arise from the office of director;

- a duty to avoid conflicts of interest; and
- a duty to exercise powers for the purpose for which such powers were intended.

In general, the Companies Law imposes various duties on officers of a company with respect to certain matters of management and administration of the company. The Companies Law contains provisions, which impose default fines on persons who fail to satisfy those requirements. However, in many circumstances, an individual is only liable if he knowingly is guilty of the default or knowingly and willfully authorizes or permits the default.

#### Interested Directors

There are no provisions under Cayman Islands law that require a director who is interested in a transaction entered into by a Cayman company to disclose his interest nor will render such director liable to such company for any profit realized pursuant to such transaction.

#### Voting Rights and Quorum Requirements

Under Cayman Islands law, the voting rights of shareholders are regulated by the company's articles of association and, in certain circumstances, the Companies Law. The articles of association will govern matters such as quorum for the transaction of business, rights of shares, and majority votes required to approve any action or resolution at a meeting of the shareholders or Board of Directors. Under Cayman Islands law, certain matters must be approved by a special resolution which is defined as two-thirds of the votes cast by shareholders present at a meeting and entitled to vote; otherwise, unless the articles of association otherwise provide, the majority is usually a simple majority of votes cast.

#### Mergers and Similar Arrangements

##### (i) Schemes of arrangement

The Companies Law contains statutory provisions that facilitate the reconstruction and amalgamation of companies, provided that the arrangement in question is approved by a majority in number of each class of shareholders and creditors with whom the arrangement is to be made, and who must in addition represent three fourths in value of each such class of shareholders or creditors, as the case may be, that are present and voting either in-person or by proxy at a meeting, or meetings convened for that purpose. The convening of the meetings and subsequently the arrangement must be sanctioned by the Grand Court of the Cayman Islands. While a dissenting shareholder would have the right to express to the court the view that the transaction should not be approved, the court can be expected to approve the scheme of arrangement if it satisfies itself that:

- the company is not proposing to act illegally or ultra vires and the statutory provisions as to majority vote have been complied with;
- the shareholders have been fairly represented at the meeting in question;
- the arrangement is one that a businessman would reasonably approve; and
- the arrangement is not one that would more properly be sanctioned under some other provision of the Companies Law or that would amount to a "fraud on the minority."

When a takeover offer is made and accepted by holders of 90.0% of the shares within four months, the offerer may, within a two-month period, require the holders of the remaining shares to transfer such shares on the terms of the offer. An objection may be made to the Grand Court of the Cayman Islands but is unlikely to succeed unless there is evidence of fraud, bad faith or collusion.

If the arrangement and reconstruction are thus approved, any dissenting shareholders would have no rights comparable to appraisal rights, which would otherwise ordinarily be available to dissenting shareholders of Delaware corporations, providing rights to receive payment in cash for the judicially determined value of the shares.

(ii) Mergers and consolidations

Previously, the Cayman Islands law does not provide for mergers as that expression is understood under United States corporate law. However, pursuant to the Companies (Amendment) Law, 2009 that came into force on 11 May 2009, in addition to the existing schemes of arrangement provisions described above, a new, simpler and more cost-effective mechanism for mergers and consolidations between Cayman Islands companies and between Cayman companies and foreign companies is introduced.

The procedure to effect a merger or consolidation is as follows:

- the directors of each constituent company must approve a written plan of merger or consolidation (the "Plan");
- the Plan must be authorized by each constituent company by (a) a shareholder resolution by majority in number representing 75% in value of the shareholders voting together as one class; and (b) if the shares to be issued to each shareholder in the consolidated or surviving company are to have the same rights and economic value as the shares held in the constituent company, a special resolution of the shareholders voting together as one class. A proposed merger between a Cayman parent company and its Cayman subsidiary or subsidiaries will not require authorization by shareholder resolution;
- the consent of each holder of a fixed or floating security interest of a constituent company in a proposed merger or consolidation is required unless the court (upon the application of the constituent company that has issued the security) waives the requirement for consent;
- the Plan must be signed by a director on behalf of each constituent company and filed with the Registrar of Companies together with the required supporting documents;
  - a certificate of merger or consolidation is issued by the Registrar of Companies which is prima facie evidence of compliance with all statutory requirements in respect of the merger or consolidation. All rights and property of each of the constituent companies will then vest in the surviving or consolidated company which will also be liable for all debts, contracts, obligations and liabilities of each constituent company. Similarly, any existing claims, proceedings or rulings of each constituent company will automatically be continued against the surviving or consolidated company; and
- provision is made for a dissenting shareholder of a Cayman constituent company to be entitled to payment of the fair value of his shares upon dissenting to the merger or consolidation. Where the parties cannot agree on the price to be paid to the dissenting shareholder, either party may file a petition to the court to determine fair value of the shares. These rights are not available where an open market exists on a recognized stock exchange for the shares of the class held by the dissenting shareholder.

#### Shareholder Suits

We are not aware of any reported class action having been brought in a Cayman Islands court. Derivative actions have been brought under Cayman Islands law but were unsuccessful for technical reasons. In principle, we will normally be the proper plaintiff and a derivative action may not be brought by a minority shareholder. However, based on English authorities, which would in all likelihood be of persuasive authority in the Cayman Islands, exceptions to the foregoing principle apply in circumstances in which:

- a company is acting or proposing to act illegally or beyond the scope of its authority;

the act complained of, although not beyond the scope of its authority, could be effected duly if authorized by more than a simple majority vote which has not been obtained; and

- those who control the company are perpetrating a "fraud on the minority."

Under Delaware General Corporation Law, a stockholder may bring a derivative action on behalf of the corporation to enforce the rights of the corporation. Delaware law expressly authorizes stockholder derivative suits on the condition that the stockholder held the stock at the time of the transaction of which the stockholder complains, or the stocks of such stockholder was thereafter devolved upon him or her by operation of law. An individual may also commence a class action suit on behalf of himself and other similarly situated stockholders where the requirements for maintaining a class action under Delaware law have been met. A plaintiff instituting a derivative suit is required to serve a demand on the corporation before bringing suit, unless such demand would be futile.

#### Corporate Governance

Cayman Islands laws do not restrict transactions with directors, requiring only that directors exercise a duty of care and owe a fiduciary duty to the companies for which they serve. Under our memorandum and articles of association, subject to any separate requirement for audit committee approval under the applicable rules of the Nasdaq Global Market, Inc. or unless disqualified by the chairman of the relevant board meeting, so long as a director discloses the nature of his interest in any contract or arrangement in which he is interested, such a director may vote in respect of any contract or proposed contract or arrangement in which such director is interested and may be counted in the quorum at such meeting.

#### Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime. Our articles of association provide for the indemnification of our directors, auditors and other officers against all losses or liabilities incurred or sustained by him or her as a director, auditor or other officer of our company in defending any proceedings, whether civil or criminal, in which judgment is given in his or her favor, or in which he or she is acquitted provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons; and with respect to any criminal action, he or she must have had no reasonable cause to believe his or her conduct was unlawful.

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

#### Shareholder Proposals

The Companies Law does not provide shareholders any right to bring business before a meeting or requisition a general meeting.

#### Approval of Corporate Matters by Written Consent

The Companies Law allows a special resolution to be passed in writing if signed by all the shareholders and authorized by the articles of association. In comparison, under Delaware General Corporation Law special meetings may be called by the Board of Directors or any other person authorized to do so in the governing documents but shareholders may be precluded from calling special meetings.

#### Calling of Special Shareholders Meetings

The Companies Law does not have provisions governing the proceedings of shareholders meetings which are usually provided in the articles of association.





### Staggered Board of Directors

The Companies Law does not contain statutory provisions that require staggered board arrangements for a Cayman Islands company. Such provisions, however, may validly be provided for in the articles of association.

### Issuance of Preferred Stock

The Companies Law allows shares to be, issued with preferred, deferred or other special rights, whether in regard to dividends, voting, return of share capital or otherwise. Our articles of association provide that the directors may allot, issue, grant options over or otherwise dispose of shares (including fractions of a share) with or without preferred, deferred or other special rights or restrictions, in one or more series, whether with regard to dividend rights, dividend rates, conversion rights, voting rights, rights and terms of redemption and liquidation preferences or otherwise and to such persons, at such times and on such other terms as they think proper.

### Anti-takeover Provisions

The Companies Law does not prevent companies from adopting a wide range of defensive measures, such as staggered boards, blank check preferred stock, removal of directors only for cause and provisions that restrict the rights of shareholders to call meetings and submit shareholder proposals.

### Registration Rights

Set forth below is a description of the registration rights we granted to our Series A preference shareholders pursuant to our Shareholders Agreement dated August 21, 2006.

**Demand Registration Rights.** At any time after six months following the closing of this offering, but before the fifth anniversary of a qualified public offering, holders of at least 50% of registrable securities have the right to demand that we file a registration statement covering the offer and sale of their securities. We, however, are not obligated to effect a demand registration if we have already twice, within the 12 month period preceding the date of such demand, effected a registration under the Securities Act or in which the holders had an opportunity to participate through exercising their piggyback registration rights, other than a registration from which the registrable securities of the holders have been excluded.

**Piggyback Registration Rights.** If we propose to file a registration statement for a public offering of our securities other than relating to the exercise of demand registration rights, pursuant to an F-3 registration statement, or relating to any employee benefit plan, corporate reorganization, exchange offer or offering of securities to our existing shareholders, then we must offer holders of registrable securities an opportunity to include in the registration all or any part of their registrable securities.

**Form F-3 Registration Rights.** When we are eligible for use of Form F-3, holders of a majority of all registrable securities then outstanding have the right to request that we file a registration statement on Form F-3. We may defer filing of a registration statement on Form F-3 for up to 120 days if we provide the requesting holders a certificate signed by our chief executive officer stating that in the good faith judgment of the Board of Directors that filing such a registration statement will be materially detrimental to us and our shareholders. We, however, are not obligated to effect a registration on Form F-3 if (i) Form F-3 is not available for such offering by the holders; (ii) if the holders, together with the holders of any other securities of the company entitled to inclusion in such registration, propose to sell registrable securities and such other securities (if any) at an aggregate price to the public of less than US\$5 million; or (iii) we have twice, within the 12 month period preceding the date of such request, already effected a registration under the Securities Act other than a registration from which the registrable securities of holders have been excluded (with respect to all or any portion of the registrable securities of the holders requested to be included in

such registration).

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**Expenses of Registration.** We will pay all registration expenses incurred in connection with any registration. Each holder participating in a registration will bear such holder's proportionate share of all selling expenses or other amounts payable to underwriter(s) or brokers, in connection with such offering by the holders. We will not pay any expenses of any registration proceeding begun pursuant to the exercise of demand registration rights if the registration request is subsequently withdrawn at the request of the holders of a majority of the registrable securities to be registered, unless the holders of a majority of the registrable securities then outstanding agree that such registration constitutes the use by the holders of one demand registration. However, holders will not be required to pay any expenses and such registration will not constitute the use of a demand registration if at the time of such withdrawal, the holders have learned of a material adverse change in the condition, business or prospects of the company not known to the holders at the time of their request for such registration and have withdrawn their request for registration with reasonable promptness after learning of such material adverse change.

C. MATERIAL CONTRACTS

We have not entered into any material contracts other than in the ordinary course of business and other than those described in Item 4 "Information on the company" or elsewhere in this annual report on Form 20-F.

D. EXCHANGE CONTROLS

Foreign currency exchange regulation in China is primarily governed by the following rules:

- Foreign Currency Administration Rules (1996), as amended, or the Exchange Rules; and
- Administration Rules of the Settlement, Sale and Payment of Foreign Exchange (1996), or the Administration Rules.

Under the Exchange Rules, the Renminbi is only convertible to the extent of current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions. Conversion of Renminbi for capital account items, such as direct investment, loan, security investment and repatriation of investment, however, is still subject to the approval of the PRC SAFE or its local counterpart.

Under the Administration Rules, FIEs may only buy, sell and/or remit foreign currencies at those banks authorized to conduct foreign exchange business after providing valid commercial documents and, in the case of capital account item transactions, obtaining approval from the SAFE or its local counterpart.

E. TAXATION

Cayman Islands Taxation

The following discussion of certain material Cayman Islands income tax consequences of an investment in our ordinary shares or ADSs is based upon laws and relevant interpretations thereof in effect as of the date of this annual report, all of which are subject to change. This summary does not deal with all possible tax consequences relating to an investment in our ordinary shares or ADSs, such as the tax consequences under state, local and other tax laws. To the extent that the discussion relates to matters of Cayman Islands tax law, it relies on the service of Conyers Dill & Pearman, special Cayman Islands counsel to us.

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the Government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or after execution brought within the jurisdiction of the Cayman Islands. The Cayman Islands is not a party to any double tax treaties. There are no exchange control regulations or currency restrictions in

the Cayman Islands.

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The Cayman Islands currently has no income, corporate or capital gains tax, estate duty, inheritance tax, gift tax or withholding tax applicable to us or to any holder of ADSs or of ordinary shares. Accordingly, any payment of dividends or any other distribution made on the ordinary shares will not be subject to taxation in the Cayman Islands, no Cayman Islands withholding tax will be required on such payments to any shareholder and gains derived from the sale of ordinary shares or ADSs will not be subject to Cayman Islands capital gains tax.

The company has obtained an undertaking from the Governor-in-Cabinet of the Cayman Islands that, in accordance with section 6 of the Tax Concessions Law (Revised) of the Cayman Islands, for a period of 20 years from July 18, 2006, no law which is thereafter enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations will apply to us or our operation and, in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of the estate duty or inheritance tax will be payable (i) on or in respect of our shares, debentures, or other obligations, or (ii) by way of withholding in whole or in part of a payment of dividend or other distribution of income or capital by us.

#### People's Republic of China Taxation

In accordance with the previous FEIT Law and the related implementation rules which have been repealed after 1 January 2008, FIEs established in the PRC are generally subject to FEIT at a state tax rate of 30% plus a local tax rate of 3% on PRC taxable income. Our operating subsidiary, JA Hebei, was established as a FIE in the PRC and is thus subject to PRC enterprise income tax of 33%. The PRC government has provided certain incentives to FIEs in order to encourage foreign investments, including tax exemptions, tax reductions and other measures. Under the old FEIT Law and the related implementation rules, FIEs are entitled to be exempted from FEIT for a 2-year period starting from their first profit-making year followed by a 50% reduction of FEIT payable for the subsequent three years, provided that they fall into the category of production-oriented enterprises with an operational period of more than 10 years in China, subject to approval from and modification by local taxation authorities. Specifically, with respect to income generated by assets acquired by JA Hebei through capital injection made during the fiscal years 2005 and 2006, JA Hebei has received approval from the relevant tax authorities for a two-year enterprise income tax exemption for 2006 and 2007, as well as a 50% enterprise income tax reduction for 2008, 2009 and 2010. With respect to income generated by assets newly acquired by JA Hebei through capital injection made during 2007, JA Hebei has received approval from the relevant tax authorities for a separate two-year enterprise income tax exemption for 2007 and 2008, as well as a 50% enterprise income tax reduction for 2009, 2010 and 2011, which, however, may be subject to PRC central government's further policies, decisions or rulings.

In March 2007, the National People's Congress of China enacted a new CIT Law, which became effective on January 1, 2008 and replaced the FEIT Law. The CIT Law imposes a unified income tax rate of 25% on all domestic enterprises and FIEs unless they qualify under certain limited exceptions. The CIT Law provides a 5-year transition period to FIEs, during which they are permitted to continue to enjoy their existing preferential tax treatment until such treatment expires in accordance with its current terms. In December 2007, the State Council promulgated the Transition Period Implementation Rules.

In general, the CIT Law does not affect the preferential tax treatment enjoyed by JA Hebei during the 5-year transition period. However, the CIT Law and the Transition Period Implementation Rules did not clearly address the application of the transitional preferential policies to assets acquired through new capital injection made to a qualified entity after January 1, 2008, the date of enforcement of the new CIT Law. If future guidance is issued by the State Taxation of Administration to clarify this issue and it is determined that capital injection made after January 1, 2008 does not qualify for a separate "two plus three" tax holiday, the tax rate of JA Hebei as well as the income tax liability of JA Hebei could increase for 2008 and 2009. In addition, when our currently available tax benefits expire or otherwise become unavailable, the effective income tax rate of JA Hebei will increase significantly, and any increase of JA Hebei's income tax rate in the future could have a material adverse effect on our financial condition and results of operations.



Our operating subsidiary, JA Fengxian and JA Yangzhou, were established as FIEs in the PRC and were thus subject to a PRC enterprise income tax of 33% until 2007 and changed to the uniform rate of 25% in 2008. JA Fengxian and JA Yangzhou had cumulative losses as of December 31, 2009 and their tax holidays were deemed to have commenced in 2008 and can be utilized until expiry pursuant to the new CIT Law.

Our operating subsidiary, JA Zhabei, which is not a production-oriented enterprise, is subject to the uniform rate of 25% from 2008 onwards and not entitled to the tax holiday.

JA Lianyungang, JA Yangzhou R&D and JA Yangzhou PV, which were established after 2008, are not entitled to the tax holiday, and are subject to the uniform rate of 25%.

The CIT Law provides that enterprises established outside of China whose "de facto management bodies" are located in China are considered "resident enterprises" and are generally subject to the uniform 25% enterprise income tax rate as to their worldwide income. Under the implementation regulations for the CIT Law issued by the PRC State Council, "de facto management body" is defined as a body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and treasury, and acquisition and disposition of properties and other assets of an enterprise.

Under the CIT Law and implementation regulations issued by the State Council, PRC income tax at the rate of 10% is applicable to dividends payable to investors that are "non-resident enterprises," which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends have their sources within the PRC. Similarly, any gain realized on the transfer of ADSs or shares by such investors is also subject to 10% PRC income tax if such gain is regarded as income derived from sources within the PRC. If we are considered a PRC "resident enterprise," the dividends we pay with respect to our ordinary shares or ADSs would be treated as income derived from sources within the PRC and be subject to PRC withholding tax. It is unclear, however, whether the gain you may realize from the transfer of our ordinary shares or ADSs would be deemed as China sourced income and thus subject to PRC withholding tax. It is also unclear whether, if we are considered a PRC "resident enterprise," holders of our ordinary shares or ADSs might be able to claim the benefit of income tax treaties entered into between China and other countries. If JA Solar is considered a PRC "resident enterprise," the controlled foreign subsidiaries below JA Solar may be deemed as JA Solar's Controlled Foreign Companies, whose income, under the new CIT Law, could be treated as distributed to JA Solar and thus subject to tax in PRC.

#### Material U.S. Federal Tax Considerations

The following is a summary of the material United States federal tax considerations relating to the acquisition, ownership, and disposition of our ADSs or ordinary shares by U.S. Holders (as defined below) that will hold their ADSs or ordinary shares as "capital assets" (generally, property held for investment) under the United States Internal Revenue Code (the "Code"). This summary is based upon existing United States federal tax law, which is subject to differing interpretations or change, possibly with retroactive effect. This summary does not discuss all aspects of United States federal taxation that may be important to particular investors in light of their individual investment circumstances, including investors subject to special tax rules (for example, financial institutions, insurance companies, broker-dealers, partnerships and their partners, and tax-exempt organizations (including private foundations), holders who are not U.S. Holders, holders who own (directly, indirectly, or constructively) 10% or more of our voting stock, investors that will hold ADSs or ordinary shares as part of a straddle, hedge, conversion, constructive sale, or other integrated transaction for United States federal income tax purposes, or investors that have a functional currency other than the United States dollar, all of whom may be subject to tax rules that differ significantly from those summarized below. In addition, this summary does not discuss any non-United States, state, or local tax considerations. Investors are urged to consult their tax advisors regarding the United States federal, state, local, and non-United States income and other tax considerations of an investment in ADSs or ordinary shares.





## General

For purposes of this summary, a "U.S. Holder" is a beneficial owner of ADSs or ordinary shares that is, for United States federal income tax purposes, (i) an individual who is a citizen or resident of the United States, (ii) a corporation, or other entity taxable as a corporation for United States federal income tax purposes, created in, or organized under the law of the United States or any state thereof or the District of Columbia, (iii) an estate the income of which is includible in gross income for United States federal income tax purposes regardless of its source, or (iv) a trust (A) the administration of which is subject to the primary supervision of a United States court and which has one or more United States persons who have the authority to control all substantial decisions of the trust or (B) that has otherwise elected to be treated as a United States person under the Code.

If a partnership is a beneficial owner of our ADSs or ordinary shares, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership.

For United States federal income tax purposes, U.S. Holders of ADSs will be treated as the beneficial owners of the underlying shares represented by the ADSs.

**Threshold PFIC Classification Matters.** A non-United States corporation, such as the company, will be classified as a "passive foreign investment company" (a "PFIC"), for United States federal income tax purposes, if either (i) 75% or more of its gross income consists of certain types of "passive" income or (ii) 50% or more of the value of its assets (determined on the basis of a quarterly average) produce or are held for the production of passive income. For this purpose, cash is categorized as a passive asset and the company's unbooked intangibles are taken into account.

Based on the price of our ADSs, the value of our assets, and the composition of our income and assets, we do not believe that we were a passive foreign investment company, or PFIC, for United States federal income tax purposes for the taxable year ended December 31, 2009. Because the value of our assets for purposes of the PFIC test will generally be determined by reference to the market price of our ADSs or ordinary shares, fluctuations in the market price of the ADSs and ordinary shares may cause us to become a PFIC. While we do not expect to become a PFIC in the current or future taxable years, no assurance can be given because the determination of whether we are a PFIC is a factual determination made annually and because there are uncertainties in the application of the relevant rules.

## Dividends

Any cash distributions (including the amount of any PRC tax withheld) paid on ADSs or ordinary shares out of our earnings and profits, as determined under United States federal income tax principles, will generally be includible in the gross income of a U.S. Holder as dividend income. Because we do not intend to determine our earnings and profits on the basis of United States federal income tax principles, any distribution paid will generally be treated as a "dividend" for United States federal income tax purposes. For taxable years beginning before January 1, 2011, a non-corporate recipient of dividend income generally will be subject to tax on dividend income from a "qualified foreign corporation" at a maximum United States federal tax rate of 15% rather than the marginal tax rates generally applicable to ordinary income provided that certain holding period requirements are met. A non-United States corporation (other than a corporation that is classified as a PFIC for the taxable year in which the dividend is paid or the preceding taxable year) generally will be considered to be a qualified foreign corporation (i) if it is eligible for the benefits of a comprehensive tax treaty with the United States which the Secretary of Treasury of the United States determines is satisfactory for purposes of this provision and which includes an exchange of information program, or (ii) with respect to any dividend it pays on stock (or ADSs in respect of such stock) which is readily tradable on an established securities market in the United States. However, we do not believe that dividends that we pay our ordinary shares that are not backed by ADSs currently meet the conditions required for the reduced tax rates. Because the ADSs are traded on the Nasdaq Global Market, they are considered readily tradable on an established securities market in the United States. In the event that we are deemed to be a PRC "resident enterprise" under PRC tax law, we

may be eligible for the benefits of the United States-PRC income tax treaty. See "Item 10. Additional Information — E. Taxation — Peoples' Republic of China Taxation." If we are eligible for such benefits, dividends we pay on our ordinary shares, regardless of whether such shares are represented by the ADSs, would be eligible for the reduced rates of taxation. In addition, in the event that we are deemed to be a PRC "resident enterprise" under PRC tax law, you may be subject to PRC withholding taxes on dividends paid to you with respect to the ADSs or ordinary shares. In that case, however, you may be able to obtain a reduced rate of PRC withholding taxes under the United States-PRC income tax treaty if certain requirements are met. Dividends received on the ADSs or ordinary shares will not be eligible for the dividends received deduction allowed to corporations.

Dividends generally will be treated as income from foreign sources for United States foreign tax credit purposes. A U.S. Holder may be eligible, subject to a number of complex limitations, to claim a foreign tax credit in respect of any foreign withholding taxes imposed on dividends received on ADSs or ordinary shares. A U.S. Holder who does not elect to claim a foreign tax credit for foreign tax withheld, may instead claim a deduction, for United States federal income tax purposes, in respect of such withholdings, but only for a year in which such holder elects to do so for all creditable foreign income taxes.

#### Sale or Other Disposition of ADSs or Ordinary Shares

A U.S. Holder will generally recognize capital gain or loss upon the sale or other disposition of ADSs or ordinary shares in an amount equal to the difference between the amount realized upon the disposition and the holder's adjusted tax basis in such ADSs or ordinary shares. Any capital gain or loss will be long-term if the ADSs or ordinary shares have been held for more than one year and will generally be United States source gain or loss for United States foreign tax credit purposes. However, in the event that gain from the disposition of the ADSs or ordinary shares may be taxed in the PRC, such gain may be treated as PRC source gain under the United States-PRC income tax treaty, if we are eligible for such treaty. See "Item 10. Additional Information — E. Taxation — Peoples' Republic of China Taxation." Each U.S. investor is urged to consult its tax advisor regarding the tax consequences if a foreign withholding tax is imposed on a disposition of the ADSs or ordinary shares, including the availability of a foreign tax credit. The deductibility of a capital loss may be subject to limitations.

#### PFIC Considerations

If we were to be classified as a PFIC in any taxable year, a U.S. Holder would be subject to special rules generally intended to reduce or eliminate any benefits from the deferral of United States federal income tax that a U.S. Holder could derive from investing in a non-United States company that does not distribute all of its earnings on a current basis. In such event, a U.S. Holder may be subject to tax at ordinary income tax rates on (i) any gain recognized on the sale of ADSs or ordinary shares and (ii) any "excess distribution" paid on ADSs or ordinary shares (generally, a distribution in excess of 125% of the average annual distributions paid by us during the shorter of the three preceding taxable years or the U.S. holder's holding period for ADSs, or ordinary shares). In addition, a U.S. Holder may be subject to an interest charge on such gain or excess distribution. Finally, the 15% maximum rate on our dividends would not apply if we are or become classified as a PFIC for the taxable year in which the dividend is paid or the preceding taxable year. Each U.S. Holder is urged to consult its own tax advisor regarding the potential tax consequences to such holder if we are or become classified as a PFIC, as well as certain elections that may be available to mitigate such consequences.

## Material Estate and Gift Tax Considerations

ADSs or ordinary shares owned by an individual U.S. Holder at the time of death will be included in the individual U.S. Holder's gross estate for United States federal estate tax purposes. In addition, a U.S. Holder may be subject to tax on a transfer of the ADSs or ordinary shares by gift for United States federal gift tax purposes.

Recently enacted legislation imposes new reporting requirements on certain U.S. investors in connection with holding interests of a foreign company, including our ADSs and ordinary shares, either directly or through a "foreign financial institution". This new legislation also imposes penalties if such investor is required to submit such information to the Internal Revenue Service and fails to do so. In addition, U.S. Holders may be subject to information reporting to the Internal Revenue Service with respect to dividends on and proceeds from the sale or other disposition of our ADSs or ordinary shares. Dividend payments with respect to our ADSs or ordinary shares and proceeds from the sale or other disposition of our ordinary shares are not generally subject to U.S. backup withholding (provided that certain certification requirements are satisfied). U.S. Holders should consult their tax advisors regarding the application of the United States information reporting and backup rules to their particular circumstances.

### F. DIVIDENDS AND PAYING AGENTS

Not applicable.

### G. STATEMENT BY EXPERTS

Not applicable.

### H. DOCUMENTS ON DISPLAY

We have filed this annual report, including exhibits, with the SEC. As allowed by the SEC, in Item 19 of this annual report, we incorporate by reference certain information we filed with the SEC. This means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is considered to be part of this annual report.

We are subject to periodic reporting and other informational requirements of the Exchange Act as applicable to foreign private issuers. Accordingly, we will be required to file reports, including annual reports on Form 20-F, and other information with the SEC. As a foreign private issuer, we are exempt from the rules of the Exchange Act prescribing the furnishing and content of proxy statements to shareholders. Our annual reports and other information so filed can be inspected and copied at the public reference facility maintained by the SEC at 100 F. Street, N.E., Washington, D.C. 20549. You can request copies of these documents upon payment of a duplicating fee by writing to the SEC. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference facility. Our SEC filings will also be available to the public on the SEC's Internet Web site at <http://www.sec.gov>.

### I. SUBSIDIARY INFORMATION

Not applicable.

## ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

### Interest Rate Risk

Our exposure to interest rate risk primarily relates to interest expenses incurred by our short-term bank borrowings and Senior Notes, and interest income generated by excess cash invested in demand deposits and liquid investments

with original maturities of three months or less. All of our short-term bank borrowings and convertible notes accrue interest at fixed rates. Interest-earning instruments carry a degree of interest rate risk. Although we have not historically used and do not expect to use in the future, any derivative financial instruments to manage our interest risk exposure, we believe we do not have significant exposure to fluctuations in interest rates.

## Foreign Exchange Risk

Our financial statements are expressed in Renminbi, which is our reporting and functional currency. A significant portion of our revenues and expenses are denominated in Renminbi. The Renminbi prices of some of our equipment that is imported may be affected by fluctuations in the value of Renminbi against foreign currencies. In addition, we are exposed to the foreign exchange risks in relation to our repayment of the Senior Notes upon their maturity. To the extent that we need to convert U.S. dollars we have received from our initial public offering and our follow-on offering into RMB for our operations, fluctuation in the exchange rate between the RMB and USD would affect the RMB amount we receive from the conversion. In this particular regard, for the year ended December 31, 2009, we incurred foreign exchange gain totaling RMB 10.1 million. We cannot predict the impact of future exchange rate fluctuations on our results of operations and may incur net foreign currency losses in the future.

Fluctuations in currency exchange rates, particularly between USD/Euro and RMB, may continue to have a significant effect on our net profit margins and would result in foreign currency exchange gains and losses on our USD/Euro denominated assets and liabilities. Any appreciation of RMB against USD/Euro could result in a change to our statement of operations. On the other hand, any depreciation of RMB to USD/Euro could reduce the RMB equivalent amounts of our financial results, the value of your investment in our company and the dividends we may pay in the future, if any, all of which may have a material adverse effect on the prices of our ADSs. In March 2009, we entered into foreign currency forward contracts with a commercial bank to hedge part of our exposure to foreign currency exchange risk for the forecasted sales denominated in foreign currencies. We do not use foreign currency forward contracts to hedge all of our foreign currency denominated transactions. As with all hedging instruments, there are risks associated with the use of foreign currency forward contracts. While the use of such foreign currency forward contracts provides us with protection from certain fluctuations in foreign currency exchange, we potentially forgo the benefits that might result from favorable fluctuations in foreign currency exchange. Any default by the counterparties to these transactions could adversely affect our financial condition and results of operations. Furthermore, these financial hedging transactions may not provide adequate protection against future foreign currency exchange rate fluctuations and, consequently, such fluctuations could adversely affect our financial condition and results of operations.

## Credit Risk

We are generally required to make prepayments to silicon wafer suppliers in advance of shipments. We do not require collateral or other security against our prepayments to our suppliers for raw materials and have made a provision of RMB 52.0 million for potential losses against these prepayments as of December 31, 2009. In the event of a failure by our suppliers to fulfill their contractual obligations and to the extent that we are not able to recover our prepayments, we would suffer losses. See "Item 3. Key Information — D. Risk Factors — Risks Related to Our Supply Chain — Limited competition among suppliers has required us in some instances to enter into long-term, firm commitment supply agreements, including prepayment provisions that could result in excess or insufficient inventory and financial loss placing us at a competitive disadvantage."

We extend credit terms to certain customers after assessing a number of factors to determine whether collections from the customers are probable. We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. We make our estimates of the collectibility of our accounts receivable by analyzing historical bad debts, specific customer creditworthiness and current economic trends. We recorded RMB 41.1 million for doubtful accounts as of December 31, 2009. If the financial condition of our customers were to deteriorate such that their ability to make payments was impaired, additional allowances could be required.

In addition, as a result of the current global economic crisis, we are increasingly exposed to credit risk in relation to our bank deposits. Since the fourth quarter of 2008, banks and other financial institutions, possibly including ones we

engage in business with, have come under strain during the current global liquidity and credit crisis. It is possible that these banks and other financial institutions may be unable to weather the current economic storm, resulting in a loss of our deposits which will have a material adverse effect on our financial condition, results of operations and liquidity. For example, in the fall of 2008, the Lehman Entities entered into insolvency proceedings in various countries. As a result, we were unable to collect the amounts due on the Lehman Note even though the Lehman Note matured in October 2008. We have made a full impairment amounting to RMB 686,320,000 against the Lehman Note.



In line with its effects on banks, the current economic crisis has also affected our customers. The negative impact of the current economy on our clients may affect their ability to pay us for our products and services that we have delivered and/or completed based on our extension of credit to our clients. If our clients fail to pay us for our products and services, our financial condition, results of operations and liquidity may be adversely affected.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. DEBT SECURITIES

Not applicable.

B. WARRANTS AND RIGHTS

Not applicable.

C. OTHER SECURITIES

Not applicable.

D. AMERICAN DEPOSITARY SHARES

Fees paid by our ADS holders

The Bank of New York, the depositary of our ADS program, collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deducting from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them.

The table below sets forth all fees and charges, which may change from time to time, that a holder of our ADSs may have to pay to the depositary bank of our ADS program, either directly or indirectly:

<p>Persons depositing or withdrawing shares must pay:                  US\$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)</p>	<p>For:</p>	<p>Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property                  Cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates</p>
<p>US\$0.02 (or less) per ADS</p>		<p>Any cash distribution to ADS holders</p>
<p>A fee equivalent to the fee that would be payable if securities distributed to you had been shares and the shares had been deposited for issuance of ADSs</p>		<p>Distribution of securities distributed to holders of deposited securities which are distributed by the depositary to ADS holders</p>



US\$0.02 (or less) per ADSs per calendar year

Depository services

Registration or transfer fees

Transfer and registration of shares on our share register to or from the name of the depository or its agent when you deposit or withdraw shares

Persons depositing or withdrawing shares must pay:

For:

Expenses of the depository

Cable, telex and facsimile transmissions (when expressly provided in the deposit agreement) converting foreign currency to U.S. dollars

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

As necessary

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

As necessary

#### Fees and Payments from the Depository to Us

Our depository has agreed to reimburse us for certain expenses we incur that are related to the administration and maintenance of the ADS program. There are limits on the amount of expenses for which the depository will reimburse us, but the amount of reimbursement available to us is not related to the amounts of fees the depository collects from investors. In 2009, the depository reimbursed us US\$1.6 million for expenses related to the administration and maintenance of the facility in 2009.

## PART II

### ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

### ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

On February 7, 2008, our Board of Directors approved a change in the ratio of 1 ADS to 3 ordinary shares of the company to 1 ADS to 1 ordinary share of the company. Each shareholder of record at the close of business on February 6, 2008 received two additional ADSs for every ADS held on the record date. There was no change to the rights and preferences of the underlying ordinary shares. No action was required on the part of any ADS holder to effect the ratio change.

Upon the conversion of any of the Senior Notes into ADSs, there may be a dilutive effect caused by the conversion of the Senior Notes. Although a Capped Call was entered into to mitigate these dilutive effects, the Capped Call is currently under dispute and may not be enforced. Additional information on the potential dilutive effects of the conversion of the Senior Notes is incorporated into this annual report by reference to the Form F-3ASR initially filed with the SEC on May 12, 2008, the Prospectus Supplement for the Senior Notes initially filed with the SEC on May 15, 2008, the Prospectus Supplement for the 13,125,520 ADSs previously loaned by us to LBIE and Credit Suisse International in connection with the 2008 initially filed with the SEC on May 15, 2008, and the materials attached to the Form 6-K initially filed with the SEC on May 20, 2008.

As of the date of this annual report, of the 169,224,620 issued and outstanding ordinary shares, 125,168,020 were held by 13 registered holders of ADRs evidencing 125,168,020 ADSs, 12 of which holders of record are in the United States. The depository of our ADSs is Bank of New York.

## ITEM 15. CONTROLS AND PROCEDURES

### Evaluation of Disclosure Controls and Procedures

As of December 31, 2009, the end of the period covered by this annual report on Form 20-F, management performed, under the supervision and with the participation of our chief executive officer and chief financial officer, an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Disclosure controls and procedures are those controls and procedures designed to provide reasonable assurance that the information required to be disclosed in our Exchange Act filings is (1) recorded, processed, summarized and reported within the time periods specified in SEC's rules and forms, and (2) accumulated and communicated to management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure. Based on that evaluation, our chief executive officer and chief financial officer concluded that, as of December 31, 2009, our disclosure controls and procedures were effective at a reasonable assurance level.

### Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP. Internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and or our Board of Directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the interim or annual consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

As required by Section 404 of the Sarbanes-Oxley Act of 2002 and related rules as promulgated by the Securities and Exchange Commission, management assessed the effectiveness of our internal control over financial reporting as of December 31, 2009 using criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on this assessment, management concluded that our internal control over financial reporting was effective as of December 31, 2009 based on the criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

The report of PricewaterhouseCoopers Zhong Tian CPAs Limited Company, our independent registered public accounting firm, on the effectiveness of our internal control over financial reporting appears on page F-1 in this annual report.



## Changes in Internal Control Over Financial Reporting

We maintain a system of internal control over financial reporting that is designed to provide reasonable assurance that our books and records accurately reflect our transactions and that our established policies and procedures are followed.

Additionally, in fiscal 2009, we implemented a new enterprise resource planning ("ERP") system and OA system, which resulted in a material update to our system of internal control over financial reporting. Issues encountered subsequent to implementation caused us to further revise our internal control process and procedures in order to correct and supplement our processing capabilities within the new system in that quarter. Throughout the ERP system stabilization period we will continue to improve and enhance our system of internal control over financial reporting.

### ITEM 16. RESERVED

#### ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our Board of Directors has determined that Ms. Hope Ni qualifies as an audit committee financial expert in accordance with the terms of Item 16A of Form 20-F. Ms. Ni satisfies the "independence" requirements of the NASDAQ Marketplace Rules and meets the criteria for "independence" under Rule 10A-3 under the Exchange Act. For Ms. Ni's biographical information, see "Item 6. Directors, Senior Management and Employees – A. Directors and Senior Management. – Directors and Executive Officers".

#### ITEM 16B. CODE OF ETHICS

We have adopted a code of ethics for chief executive and senior financial officers, which we filed with the SEC as an exhibit to our annual report on Form 20-F for the year ended December 31, 2006. This home country practice of ours was established by us by reference to similarly situated issuers and differs from the Nasdaq Marketplace Rules that require listed companies to adopt one or more codes of conduct applicable to all directors, officers and employees and make those codes of conduct publicly available. There are, however, no specific requirements under Cayman Islands law requiring the adoption of codes of conduct.

#### ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets forth the aggregate audit fees, audit-related fees, tax fees of our principal accountants and all other fees billed for products and services provided by our principal accountants for each of the fiscal years 2006, 2007, 2008 and 2009:

	Audit Fees(1)	Audit-Related Fees(2)
2006	RMB 8.24 million	RMB 0.88 million
2007	RMB 11.4 million	RMB 3.98 million
2008	RMB 7.3 million	RMB 2.1 million
2009	RMB 7.3 million	RMB 0.6 million

(1) "Audit fees" means the aggregate fees billed by our principal auditor for professional services rendered for the audit of our financial statements.

(2) "Audit-related fees" means the aggregate fees billed by our principal auditor for assurance and related services that are reasonably related to the performance of the audit of our financial statements and are not reported under "Audit fees". Services comprising the fees disclosed under the category of "Audit-related fees" involve principally the

performance of services relating to our initial and follow-on public offerings, convertible note offering, issuance of comfort letters and rendering of listing advice.



Before our principal accountants were engaged by our company or our subsidiaries to render audit or non-audit services, the engagement has been approved by our audit committee. Our audit committee will review and approve our independent auditor's annual engagement letter, including the proposed fees, as well as all audit and permitted non-audit engagements and relationships between the company and such independent auditors.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

In 2009, we conducted open market repurchases of our Senior Notes and we re-purchased \$93.301 million aggregate principal amount of the Senior Notes for a total consideration of \$67.3 million. We have not made any repurchase of the Senior Notes in the open market from January to April 2010. We may from time to time seek to make additional repurchases of our Senior Notes. Such repurchases, if any, will depend on prevailing market conditions, our liquidity requirements and other factors.

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Period	(a) Total Number of Shares Purchased	(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
August 1-31	400,000	3.83	400,000	0
September 1-30	237,700	3.60	237,700	0
Total	637,700	3.74	637,700	0

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

Nasdaq Marketplace Rules provide that foreign private issuers may follow home country practice in lieu of the corporate governance requirements of The NASDAQ Stock Market LLC, subject to certain exceptions and requirements to the extent that such exemptions would be contrary to U.S. federal securities laws and regulations. The significant differences between our corporate governance practices and those followed by U.S. companies under the Nasdaq Marketplace Rules are summarized as follows:

- We follow home country practice that permits our Board of Directors to have less than a majority of independent directors.
- We follow home country practice that does not restrict a company's transactions with directors, requiring only that directors exercise a duty of care and owe a fiduciary duty to the companies for which they serve. Under our memorandum and articles of association, subject to any separate requirement for audit committee approval under the applicable rules of the Nasdaq Marketplace Rules or unless disqualified by the chairman of the relevant board meeting, so long as a director discloses the nature of his interest in any contract or arrangement in which he is interested, such a director may vote in respect of any contract or proposed contract or arrangement in which such director is interested and may be counted in the quorum at such meeting.
- We follow home country practice which does not require us to have a three member audit committee or to fill all three seats on the audit committee.
- We follow home country practice which does not specifically require us to have one or more codes of conduct applicable to all directors, officers and employees and make those codes of conduct publicly available. There are no specific requirements under Cayman Islands law requiring the adoption of codes of conduct.

PART III

ITEM 17. FINANCIAL STATEMENTS

Not applicable.



ITEM 18.

FINANCIAL STATEMENTS

See F-pages following Item 19

	Page
Report of the Independent Registered Public Accounting Firm	F-1
Consolidated Balance Sheets as of December 31, 2008 and 2009	F-2
Consolidated Statements of Operations for the years ended December 31, 2007, 2008 and 2009	F-4
Statements of Shareholders' Equity and Comprehensive Income/(Loss) for the years ended December 31, 2007, 2008 and 2009	F-5
Consolidated Statements of Cash Flows for the years ended December 31, 2007, 2008 and 2009	F-8
Notes to Consolidated Financial Statements	F-10

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ITEM 19.

EXHIBITS

- Second Amended and Restated Memorandum and Articles of Association of the
- 1.1\*\* Registrant (incorporated by reference to Exhibit 3.1 from our registration statement on Form F-1 (File No. 333-140002), as amended, initially filed with the Security and Exchange Commission on January 16, 2007.)
- 2.1\*\* Form of Indenture (incorporated by reference to Exhibit 4.4 from our registration statement on Form F-3ASR, initially filed with the SEC on May 12, 2008.)
- 2.2\*\* Form of First Supplemental Indenture between The Bank of New York as trustee and JA Solar (incorporated by reference to Exhibit 4.1 on Form 6-K initially filed with the SEC on May 20, 2008).
- 4.1\*\* Silicon Wafer Supply Agreement between JingAo Solar Co., Ltd. and Jiangsu Zhongneng Polysilicon Technology Development Co., Ltd. dated as of April 7, 2008 (incorporated by reference to Exhibit 4.14 from our Form 20-F, initially filed with the Security and Exchange Commission on May 9, 2008.)
- 4.2\*\* The Polysilicon Supply Contract between JA Solar Technology Yangzhou Co., Ltd. and Jiangsu Zhongneng Polysilicon Technology Development Co., Ltd., dated August 17, 2008 (incorporated by reference to Exhibit 4.14 from our Form 20-F, initially filed with the Security and Exchange Commission on June 25, 2009.)
- 4.3\* Supplemental Agreement of Exhibit 4.1 and 4.2 among Jiangsu Zhongneng Polysilicon Technology Development Co., Ltd., JingAo Solar Co., Ltd. and JA Solar Technology Yangzhou Co., Ltd., dated January 21, 2010. (\*Confidential treatment has been requested for certain portions omitted from this exhibit pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended. Confidential portions of this Exhibit have been separately filed with the Securities and Exchange Commission.)
- 4.4\*\* Form of Employment and Confidentiality Agreement between the Registrant and each Executive Officer of the Registrant (incorporated by reference to Exhibit 10.2 from our registration statement on Form F-1 (File No. 333-140002), as amended, initially filed with the Security and Exchange Commission on January 16, 2007.)
- 8.1\* List of Subsidiaries
- 11.1\*\* Code of Business Conduct and Ethics (incorporated by reference to Exhibit 11.1 from our 2006 annual report on Form 20-F (File No. 001-33290) initially filed with the Security and Exchange Commission on June 1, 2007.)
- 12.1\* Certification by the Chief Executive Officer Pursuant to Rule 13a-14(a)/15d-14(a) of the Act and Section 302 of the Sarbanes-Oxley Act of 2002
- 12.2\* Certification by the Chief Financial Officer Pursuant to Rule 13a-14(a)/15d-14(a) of the Act and Section 302 of the Sarbanes-Oxley Act of 2002
- 13.1\*

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Certification by the Chief Executive Officer Pursuant to Rule 13a-14(b)/15d-14(b) of the Act, Section 1350 of Chapter 63 of the United States Code and Section 906 of the Sarbanes-Oxley Act of 2002

13.2\* Certification by the Chief Financial Officer Pursuant to Rule 13a-14(b)/15d-14(b) of the Act, Section 1350 of Chapter 63 of the United States Code and Section 906 of the Sarbanes-Oxley Act of 2002

16.1\* Consent of Independent Registered Public Accounting Firm

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\*

Filed as part of this annual report

\*\*

Incorporated by reference

SIGNATURE

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

JA Solar Holdings Co., Ltd.

By: /s/ Anthea Chung  
Name: Anthea Chung  
Title: Chief Financial Officer

Date: May 3, 2010

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of JA Solar Holdings Co., Ltd.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of shareholders' equity and of cash flows present fairly, in all material respects, the financial position of JA Solar Holdings Co., Ltd. and its subsidiaries at December 31, 2009 and 2008, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2009 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers Zhong Tian CPAs Limited Company  
Shanghai, the People's Republic of China  
May 3, 2010





JA SOLAR HOLDINGS CO., LTD.  
CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)

	Note	December 31, 2008 RMB	December 31, 2009 RMB
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	3	1,542,784	1,867,248
Restricted cash	3	33,061	43,612
Short-term investments	4	421,865	-
Notes receivable	5	-	119,824
Accounts receivable from third party customers, net	5	332,042	339,524
Accounts receivable from related party customers, net	22(b)	23,009	-
Inventories, net	6	591,989	641,140
Advances to third party suppliers, net	7	264,497	372,394
Advances to related party suppliers, net	7, 22(b)	415,950	50,889
Other current assets	8	191,081	202,221
Deferred tax assets	11	14,146	24,443
<b>Total current assets</b>		<b>3,830,424</b>	<b>3,661,295</b>
Property and equipment, net	9	1,369,807	1,724,442
Intangible asset, net	10	11,805	11,957
Deferred tax asset	11	14,400	25,775
Advances to third party suppliers, net	7	1,929,857	1,716,699
Advances to related party suppliers, net	7, 22(b)	15,055	118,722
Prepayment for land use rights	12	44,399	49,517
Derivative assets	14,19	4,485	10,521
Deferred issuance cost	14	58,952	36,070
<b>Total assets</b>		<b>7,279,184</b>	<b>7,354,998</b>

JA SOLAR HOLDINGS CO., LTD.  
CONSOLIDATED BALANCE SHEETS (Continued)

(In thousands, except share and per share data)

	Note	December 31, 2008 RMB	December 31, 2009 RMB
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities:</b>			
Short-term bank borrowings	13	490,000	10,000
Accounts payable to third parties		117,982	315,803
Accounts payable to related parties	22(a)	-	52,060
Tax payables		5,168	3,992
Advances from third party customers		65,051	53,860
Other payables to third parties	15	132,792	80,591
Share-based compensation liability	18	-	16,264
Payroll and welfare payable		14,199	59,208
Accrued expenses	16	22,766	21,113
Interest payable		13,458	10,129
Amounts due to related parties	22(a)	9,407	6,208
<b>Total current liabilities</b>		<b>870,823</b>	<b>629,228</b>
Accrued warranty cost	17	5,185	5,931
Long-term payables		-	16,383
Long-term bank borrowings	13	-	680,000
Convertible notes	14	1,532,600	1,171,438
Embedded derivatives	14	115,676	136,632
<b>Total liabilities</b>		<b>2,524,284</b>	<b>2,639,612</b>
<b>Commitments and Contingencies</b>	<b>23</b>	<b>-</b>	<b>-</b>
<b>Shareholders' equity:</b>			
Ordinary shares(US\$0.0001 par value; 493,480,000 shares authorized, 167,982,020 and 169,018,420 shares issued and outstanding as of December 31, 2008 and December 31, 2009)	27	133	134
Additional paid-in capital		3,787,262	3,884,037
Statutory reserves	20	169,576	211,202
Retained earnings		798,312	628,025
Accumulated other comprehensive loss		(383)	(8,012)
<b>Total shareholders' equity</b>		<b>4,754,900</b>	<b>4,715,386</b>
<b>Total liabilities and shareholders' equity</b>		<b>7,279,184</b>	<b>7,354,998</b>

The accompanying notes are an integral part of these consolidated financial statements.

JA SOLAR HOLDINGS CO., LTD.  
Consolidated Statements of operations  
(In thousands, except share and per share data)

	Note	For the year ended December 31, 2007 RMB	For the year ended December 31, 2008 RMB	For the year ended December 31, 2009 RMB
<b>Revenues</b>				
Solar products to third parties		2,532,417	4,794,041	3,367,080
Solar products to related parties		62,206	508,010	5,206
Solar cells processing		99,077	156,259	406,892
Total revenues		2,693,700	5,458,310	3,779,178
<b>Cost of revenues</b>				
Solar products to third parties		(2,017,014)	(3,993,765)	(3,074,611)
Solar products to related parties		(49,546)	(420,424)	(4,397)
Solar cells processing		(26,232)	(52,086)	(220,284)
Total cost of revenues		(2,092,792)	(4,466,275)	(3,299,292)
Gross profit		600,908	992,035	479,886
Selling, general and administrative expenses		(150,319)	(271,494)	(343,284)
Research and development expenses		(4,200)	(28,509)	(45,101)
Total operating expenses		(154,519)	(300,003)	(388,385)
Income from operations		446,389	692,032	91,501
Impairment on available-for-sale securities	4	-	(686,320)	-
Change in fair value of derivatives	14, 24	-	564,006	(49,071)
Convertible notes buyback gain	14	-	203,514	22,904
Interest expense		(6,595)	(160,542)	(213,627)
Interest income		62,580	42,648	11,965
Foreign exchange (loss)/gain		(112,800)	(127,356)	10,147
Investment loss		-	(28,594)	(2,277)
Other income		5,225	3,560	7,796
Income/(loss) before income taxes		394,799	502,948	(120,662)
Income tax benefit/ (expense)	11	5,569	(23,882)	(7,999)
Net income/(loss)		400,368	479,066	(128,661)
Preferred shares accretion		(515)	-	-
Allocation of net income to participating preferred shareholders		(1,648)	-	-
Net income/(loss) available to ordinary shareholders		398,205	479,066	(128,661)
Net income/(loss) per share:				
Basic	21	2.96	3.06	(0.80)
Diluted	21	2.93	(2.31)	(0.80)
Weighted average number of shares outstanding:				
Basic	21	134,525,226	156,380,060	161,643,312
Diluted	21	136,721,772	168,785,243	161,643,312

The accompanying notes are an integral part of these consolidated financial statements.



JA SOLAR HOLDINGS CO., LTD.  
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME/(LOSS)  
(In thousands, except share and per share data)

	Ordinary shares			Statutory reserves RMB	Retained earnings RMB	Accumulated other comprehensive loss RMB	Total shareholders' equity RMB	Total Comprehensive Income/(loss) RMB
	Shares	Amount RMB	Additional paid-in capital RMB					
Balance at December 31, 2006	80,000,000	66	106,716	14,588	74,381	-	195,751	128,414
Issuance of ordinary shares pursuant to initial public offerings	51,750,000	40	1,850,337	-	-	-	1,850,377	-
Accretion of preferred shares	-	-	-	-	(515)	-	(515)	-
Conversion of preferred shares into ordinary shares upon the completion of initial public offering	6,520,000	5	109,900	-	-	-	109,905	-
Issuance of ordinary shares pursuant to follow on offerings	14,848,500	11	1,481,696	-	-	-	1,481,707	-
Shares based compensation	-	-	91,637	-	-	-	91,637	-
Exercise of stock options	940,000	1	14,908	-	-	-	14,909	-
Statutory reserves	-	-	-	57,031	(57,031)	-	-	-
Net Income	-	-	-	-	400,368	-	-	-