JinkoSolar Holding Co., Ltd.
Form F-1/A
April 29, 2010
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As filed with the Securities and Exchange Commission on April 29, 2010

Registration No. 333-164432

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 7

TO

FORM F-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

JinkoSolar Holding Co., Ltd.

(Exact name of registrant as specified in its charter)

Not Applicable

(Translation of Registrant s name into English)

Cayman Islands	**3674**	**Not Applicable**

(State or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification Number)**

1 Jingke Road,

Shangrao Economic Development Zone

Jiangxi Province, 334100

People s Republic of China

(86-793) 846-9699

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

CT Corporation System

111 Eighth Avenue

New York, New York 10011

(212) 664-1666

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

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Beijing 100004, People s Republic of China

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ICBC Tower, 35th Floor

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Central, Hong Kong

(852) 2514-7600

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

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

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

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

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

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

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The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and we are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION

PRELIMINARY PROSPECTUS DATED APRIL 29, 2010

5,835,000 American Depositary Shares

JinkoSolar Holding Co., Ltd.

Representing 23,340,000 Ordinary Shares

This is the initial public offering of American depositary shares, or ADSs, of JinkoSolar Holding Co., Ltd., or JinkoSolar. JinkoSolar is offering 5,835,000 ADSs. Each ADS represents four ordinary shares, par value US$0.00002 per share, of JinkoSolar. The ADSs are evidenced by American depositary receipts, or ADRs.

Prior to this offering, there has been no public market for our ADSs or our ordinary shares. We anticipate that the initial public offering price per ADS will be between US$11.00 and US$13.00. We have received approval to list the ADSs on the New York Stock Exchange under the symbol JKS.

The underwriters have an option to purchase up to 875,250 additional ADSs from us at the initial public offering price, less the underwriting discount, to cover over-allotments of ADSs.

Investing in our ADSs involves risks. See Risk Factors beginning on page 15.

	Initial Public Offering Price	Underwriting Discounts and Commissions	Proceeds, Before Expenses, to us
Per ADS	US$	US$	US$
Total	US$	US$	US$

Delivery of the ADSs will be made on or about , 2010.

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

Credit Suisse

Oppenheimer & Co. **Roth Capital Partners** **Collins Stewart**

The date of this prospectus is , 2010

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You should rely only on the information contained in this document or to which we have referred you. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate on the date of this document.

Dealer Prospectus Delivery Obligation

Until , 2010, all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer s obligation to deliver a prospectus when acting as an underwriter and with respect to unsold allotments or subscriptions.

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PROSPECTUS SUMMARY

The following summary contains basic information about us and the ADSs we are offering. It may not contain all of the information that may be important to you. Before investing in the ADSs, you should read this entire prospectus carefully for a more complete understanding of our business and this offering, including our consolidated financial statements and related notes, and the sections entitled Risk Factors and Management s Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus.

In this prospectus, all references to we, us, our company and our refer to JinkoSolar Holding Co., Ltd., its current and former subsidiaries for the relevant periods, and, except where the context otherwise requires, the following variable interest entities, or VIEs, which were consolidated for the following relevant periods: (i) Shangrao Yangfan Electronic Materials Co., Ltd., or Yangfan, from June 6, 2006 to September 1, 2008; (ii) Shangrao Tiansheng Semiconductor Materials Co., Ltd., or Tiansheng, from June 6, 2006 to September 30, 2008; (iii) Shanghai Alvagen International Trading Co., Ltd., or Alvagen, from April 29, 2007 to September 1, 2008; and (iv) Shangrao Hexing Enterprise Co., Ltd., or Hexing, from September 3, 2007 to September 30, 2008.

Our Business

We are a fast-growing solar product manufacturer with low-cost operations based in Jiangxi Province and Zhejiang Province in China. We have built a vertically integrated solar product value chain from recovered silicon materials to solar modules. Our principal products are silicon wafers, solar cells and solar modules. Silicon wafers are thin sheets of crystalline silicon material used in the production of solar cells. Solar cells convert sunlight to electricity through the photovoltaic effect. Multiple solar cells are electrically interconnected and packaged into solar modules, which form the building blocks for solar power generating systems. We sell our products in China and to overseas markets.

Based on our significant focus on product quality and cost control and through building strong relationships with customers, suppliers and other industry players, since our inception as a supplier of recovered silicon materials in June 2006, we have rapidly moved downstream by vertically integrating critical stages of the solar power product value chain, including silicon ingots, silicon wafers, solar cells and solar modules through both organic growth and acquisition.

We currently operate in the following stages of the solar product value chain:

- we process recoverable silicon materials and sell recovered silicon materials to the extent that we do not consume them for our own production;
- we manufacture and sell monocrystalline and multicrystalline silicon ingots and wafers, with an annual silicon wafer production capacity of approximately 300 MW as of March 31, 2010;
- we manufacture and sell solar cells with an annual solar cell production capacity of approximately 200 MW as of March 31, 2010; and
- we manufacture and sell solar modules with an annual solar module production capacity of approximately 200 MW as of March 31, 2010.

We have broadened our customer base since we commenced commercial operations in June 2006 as a recovered silicon material supplier primarily for ReneSola Ltd., or ReneSola, a leading China-based silicon wafer manufacturer and a related party of ours. As of December 31, 2009, we had an aggregate of more than 440 silicon wafer, solar cell and solar module customers from China, Hong Kong, Taiwan, the Netherlands, Germany, the United States, India, Belgium, Singapore, Korea, France, Spain and Israel and other countries or regions. To achieve rapid expansion of our sales channels and broad market penetration, we sell our solar modules through overseas subsidiaries and sales agents, to distributors as well as directly to project developers and system integrators. In April 2010, we established a subsidiary in Germany to conduct sales, marketing and brand development for our products in the European market. We intend to establish similar subsidiaries in other major markets to expand our customer base and market penetration.

The global recession and credit market contraction seriously affected the demand for solar power products, including our products, during the second half of 2008 and the first half of 2009. However, since June 2009, the demand for solar power products has recovered significantly in response to a series of factors, including the recovery of the global economy and increasing availability of financing for solar power projects. Although selling prices for solar power products, including the average selling prices of our products, have generally stabilized at levels substantially below pre-crisis prices, there is no assurance that such prices may not decline again. In addition, demand for solar power products is significantly affected by government incentives adopted to make solar power competitive with conventional fossil fuel power. The widespread implementation of such incentive policies, as has occurred in many countries in Europe, Asia Pacific and North America, has significantly stimulated demand, whereas reductions or limitations on such policies, as have recently been announced in Germany, Spain and South Korea, can reduce demand for such products. We believe that demand will continue to grow rapidly as solar power becomes an increasingly important source of renewable energy. To take advantage of the opportunity created by this expected growth, we plan to further increase our annual silicon wafer and solar module production capacity to approximately 500 MW each and annual solar cell production capacity to approximately 400 MW by the end of 2010.

We have established our manufacturing bases in Shangrao, Jiangxi Province and Haining, Zhejiang Province to capitalize on the cost advantages offered by Shangrao and Haining in large-scale manufacturing of solar power products. We have established a sales and marketing center in Shanghai because of its convenient location for our customers, suppliers and our sales and marketing teams. We believe that the choice of Shangrao and Haining for our manufacturing bases provides us with convenient and timely access to key resources and conditions as well as our customer base to support our rapid growth and low-cost manufacturing operations. We also believe that our ability to source and process large volumes of recoverable silicon materials provides us with a further cost advantage over competitors who rely primarily on more expensive virgin polysilicon or purchase recovered silicon materials for their production.

We have achieved sustained and profitable growth since our inception in June 2006, although in 2009, our sales and net income were materially and adversely affected by the global recession and credit market contraction. Our revenues were RMB116.2 million for the period from June 6, 2006 to December 31, 2006, RMB709.2 million for the year ended December 31, 2007, RMB2,183.6 million for the year ended December 31, 2008 and RMB1,567.9 million (US$229.7 million) for the year ended December 31, 2009, respectively. We recorded a net loss of RMB1.4 million for the period from June 6, 2006 to December 31, 2006. We had net income of RMB76.0 million, RMB218.7 million and RMB85.4 million (US$12.5 million), respectively, for the years ended December 31, 2007, 2008 and 2009.

Our Industry

Solar power has emerged as one of the most rapidly growing renewable energy sources. Through a process known as the photovoltaic, or PV, effect, electricity is generated by solar cells that convert sunlight into electricity. In general, global solar cell production can be categorized by three different types of technologies, namely, monocrystalline silicon, multicrystalline silicon and thin film technologies. Crystalline silicon technology is currently the most commonly used, accounting for 81.8% of solar cell production in 2009, according to Solarbuzz LLC, or Solarbuzz, an independent international solar energy consulting company, compared to 18.2% for thin-film-based solar cells.

Although PV technology has been used for several decades, the solar power market grew significantly only in the past several years. According to Solarbuzz, the world PV market, defined as relating to the total MW of modules delivered to installation sites, grew at an average compound annual growth rate, or CAGR, of 50% from 1,460 MW in 2005 to 7,300 MW in 2009. According to Solarbuzz, under the Balanced Energy forecast scenario, the lowest of three forecast scenarios, the world PV market is expected to reach 8,440 MW in 2010.

Despite the contraction in demand for solar power products during the second half of 2008 and the first half of 2009 resulting from the global recession and credit market contraction, we believe that demand for solar power products has recovered significantly in response to a series of factors, including the recovery of the global economy and increasing availability of financing for solar power projects. Although selling prices for solar power products, including the average selling prices of our products, have generally stabilized at levels substantially below pre-crisis prices, there is no assurance that such prices may not decline again. In addition, demand for solar power products is significantly affected by government incentives adopted to make solar power competitive with conventional fossil fuel power. The widespread implementation of such incentive policies, as has occurred in many countries in Europe, Asia Pacific and North America, has significantly stimulated demand, whereas reductions or limitations on such policies, as have recently been announced in Germany, Spain and South Korea, can reduce demand for such products. We believe that demand will continue to grow rapidly in the long term as solar power becomes an increasingly important source of renewable energy. We believe the following factors will drive demand in the global solar power industry, including demand for our products:

- advantages of solar power;
- long-term growth in demand for alternative sources of energy;
- government incentives for solar power; and
- decreasing costs of solar energy.

We believe the following are the key challenges presently facing the solar power industry:

- high cost of solar power compared with other sources of energy;
- lack of financing for solar power projects;
- continuing reliance on government subsidies and incentives; and
- the need to promote awareness and acceptance of solar power usage.

Our Competitive Strengths

We believe that the following strengths enable us to compete successfully in the solar power industry:

- our ability to provide high-quality products enables us to increase our sales and enhance our brand recognition;

we have been able to build an increasingly diversified customer base;

our strategic locations provide us with convenient access to key resources and conditions to support our rapid growth and low-cost manufacturing operations;

our in-house recoverable silicon material processing operations provide us with a low-cost source for a substantial part of our silicon materials requirements;

- our efficient, state-of-the-art production equipment and proprietary process technologies enable us to enhance our productivity; and

- we are led by a strong management team with demonstrated execution capabilities and ability to adapt to rapidly changing economic conditions.

Our Strategies

In order to achieve our goal of becoming a leading vertically integrated supplier of solar power products, we intend to pursue the following principal strategies:

- further develop our vertically integrated business model;

- continue to prudently invest in the coordinated expansion of our production capacity to achieve rapid and sustained growth and improve our profitability;

- continue to enhance our research and development capability with a focus on improving our manufacturing processes to reduce our average cost and improve the quality of our products;

- expand our sales and marketing network and enhance our sales and marketing channels both in and outside China; and

- diversify and strengthen our customer relationships while securing silicon raw material supplies at competitive cost.

Our Challenges

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

- we may be adversely affected by volatile market and industry trends, in particular, the demand for our solar power products may decline, which may reduce our revenues and earnings;

- a significant reduction in or discontinuation of government subsidies and economic incentives for installation of solar energy systems may have a material adverse effect on our results of operations;

- our limited operating history makes it difficult to evaluate our results of operations and prospects;

- notwithstanding our continuing efforts to further diversify our customer base, we derive, and expect to continue to derive, a significant portion of our revenues from a limited number of customers. As a result, the loss of, or a significant reduction in orders from, any of these customers would significantly reduce our revenues and harm our results of operations;

- our failure to successfully execute our business expansion plans would have a material adverse effect on the growth of our sales and earnings;

as polysilicon supply increases, the corresponding increase in the global supply of the downstream solar power products including our products may cause substantial downward pressure on the prices of our products and reduce our revenues and earnings;

we may not be able to obtain sufficient silicon raw materials in a timely manner, which could have a material adverse effect on our results of operations and financial condition; and

volatility in the prices of silicon raw materials makes our procurement planning challenging and could have a material adverse effect on our results of operations and financial condition.

Please see Risk Factors beginning on page 15 and other information included in this prospectus for a discussion of these and other risks and uncertainties.

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Our Corporate History and Structure

We are a Cayman Islands holding company and conduct substantially all of our business through our operating subsidiaries in China, Jinko Solar Co., Ltd., or Jiangxi Jinko, and Zhejiang Jinko Solar Co., Ltd., or Zhejiang Jinko. We own 100% of the equity interest in Paker Technology Limited, or Paker, a Hong Kong holding company, which owns 100% of the equity interest in Jiangxi Jinko. Paker and Jiangxi Jinko own 25% and 75%, respectively, of the equity interest in Zhejiang Jinko.

We have also established a number of subsidiaries to provide sales and marketing, payment settlement and logistics services to support our overseas expansion. JinkoSolar International Limited and JinkoSolar GmbH, which are incorporated in Hong Kong and Germany, respectively, are strategically located to increase our visibility and penetration in target market regions. In addition, Jinko Solar Import and Export Co., Ltd., or Jinko Import and Export, was established to facilitate our import and export activities in the PRC.

The following diagram illustrates our corporate structure and the place of organization and ownership interest of each of our subsidiaries immediately before this offering:

We commenced our operations in June 2006 through our then consolidated subsidiary Jiangxi Desun Energy Co., Ltd., or Jiangxi Desun. On November 10, 2006, Paker was established in Hong Kong. On December 13, 2006, Paker established Jiangxi Jinko as our wholly-owned operating subsidiary in China. Jiangxi Desun ceased its solar power business in June 2008. In July 2008, we completed a domestic restructuring, or the 2008 Restructuring, pursuant to which Paker disposed of its interest in Jiangxi Desun.

On May 30, 2008, Paker issued an aggregate of 107,503 series A redeemable convertible preferred shares to Flagship Desun Shares Co., Limited, or Flagship, and Everbest International Capital Limited, or Everbest, and 14,629 ordinary shares to Wealth Plan Investments Limited, or Wealth Plan, in consideration for its consultancy services related to the issuance of series A redeemable convertible preferred shares.

On September 18, 2008, Paker issued an aggregate of 148,829 series B redeemable convertible preferred shares to SCGC Capital Holding Company Limited, or SCGC, CIVC Investment Ltd., or CIVC, Pitango Venture Capital Fund V, L.P. and Pitango Venture Capital Principals Fund V, L.P., or Pintango, TDR Investment Holdings Corporation, or TDR, and New Goldensea (Hong Kong) Group Company Limited, or New Goldensea.

On December 16, 2008, we undertook a share exchange pursuant to which all the then existing shareholders of Paker exchanged their respective shares in Paker for our newly issued shares of the same class and Paker became our wholly-owned subsidiary. Consequently, shareholders of Paker immediately before the share exchange became our shareholders, holding the same number of shares and of the same classes in us (without

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giving effect to the share split on September 15, 2009 discussed below) as in Paker immediately before the share exchange. JinkoSolar was registered as the sole shareholder of Paker on February 9, 2009. Subsequently, our founders and substantial shareholders, Xiande Li, Kangping Chen and Xianhua Li, transferred their shares in us to Brilliant Win Holdings Limited, or Brilliant, Yale Pride Limited, or Yale Pride, and Peaky Investments Limited, or Peaky, on December 16, 2008. Brilliant was owned by Xiande Li, Yale Pride was owned by Kangping Chen and Peaky was owned by Xianhua Li.

On June 26, 2009, Paker acquired 25%, and on June 30, 2009, Jiangxi Jinko acquired 75%, respectively, of the equity interest in Zhejiang Sun Valley Energy Application Technology Co., Ltd., or Sun Valley, a solar cell supplier which was also one of our largest silicon wafer customers by revenue before the acquisition. As a result, Sun Valley became our wholly-owned subsidiary. Subsequently, we changed the name of Sun Valley to Zhejiang Jinko Solar Co., Ltd., or Zhejiang Jinko, on August 10, 2009.

On September 15, 2009, we effected a share split with the result of each share becoming 50 shares of the same class, or the 2009 Share Split, pursuant to which each of the ordinary shares, series A redeemable convertible preferred shares and series B redeemable convertible preferred shares was subdivided into 50 shares of the relevant class.

On September 15, 2009, our founders and substantial shareholders, Xiande Li, Kangping Chen and Xianhua Li, through Brilliant, Yale Pride and Peaky, respectively, ratably transferred an aggregate of 3,812,900 ordinary shares to the holders of series B redeemable convertible preferred shares and an aggregate of 701,550 ordinary shares to Flagship.

On November 25, 2009, Paker established JinkoSolar International Limited, a trading company incorporated in Hong Kong, to facilitate settlement of payments and our overseas sales and marketing efforts.

On December 24, 2009, Jiangxi Jinko and Xiande Li established Jinko Import and Export, which subsequently became Jiangxi Jinko s wholly-owned subsidiary before Xiande Li made any capital contribution to Jinko Import and Export. In addition to conducting sales, Jinko Import and Export coordinates our sales activities with production at our operating subsidiaries and facilitates our import and export activities in the PRC.

On April 1, 2010, Paker established JinkoSolar GmbH, a limited liability company incorporated in Germany, to establish a presence in Europe, expand our sales and marketing network and increase our brand recognition in strategic markets within the region.

Immediately before the completion of this offering, each of Brilliant, Yale Pride and Peaky will become wholly owned by HSBC International Trustee Limited in its capacity as trustee, with each of Brilliant, Yale Pride and Peaky being held under a separate irrevocable trust constituted under the laws of the Cayman Islands.

Corporate Information

Our principal executive office is located at 1 Jingke Road, Shangrao Economic Development Zone, Jiangxi Province, 334100, People s Republic of China. Our telephone number at this address is (86-793) 846-9699 and our fax number is (86-793) 846-1152. Our registered office in the Cayman Islands is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

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

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Conventions That Apply to This Prospectus

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

Euro or refers to the legal currency of the European Union;

HK$ or Hong Kong dollar refers to the legal currency of Hong Kong;

Jiangxi Desun refers to Jiangxi Desun Energy Co., Ltd., an entity in which our founders and substantial shareholders, Xiande Li, Kangping Chen and Xianhua Li, each holds more than 10%, and collectively hold 73%, of the equity interest; Jiangxi Desun s financial results were consolidated into our financial statements from June 6, 2006 to July 28, 2008;

Jiangxi Jinko refers to Jinko Solar Co., Ltd., our wholly-owned operating subsidiary incorporated in the PRC;

June 2009 Modification refers to (i) the agreement our founders and holders of series B redeemable convertible preferred reached on June 22, 2009 to amend the commitment letter executed and delivered by our founders to the holders of series B redeemable convertible preferred shares on December 16, 2008 in connection with the investment by the holders of our series B redeemable convertible preferred shares in us and (ii) the agreement among our founders and Flagship on July 22, 2009, both as described in Description of Share Capital History of Share Issuances and Other Financings June 2009 Modification ;

June 6, 2006 refers to the inception of our business;

long-term supply contracts refers to our polysilicon supply contracts with terms of one year or above;

Photon Consulting Silicon Price Index or PCSPI is an index of virgin polysilicon prices compiled and published by Photon Consulting LLC., an independent consulting firm. PCSPI is a weighted index in which silicon prices reported by each survey participant are weighted to reflect the nuances found in the length of reported silicon contracts, prepayments and price digression. The PCSPI relies on data gathered from survey participants with exposure to silicon contract and spot prices. The current organizational composition of the index includes both privately held and publicly traded buyers (consumers), sellers (producers) and trading companies located in North America, Asia and Europe.

PRC or China refers to the People s Republic of China, excluding, for purposes of this prospectus, Taiwan, Hong Kong and Macau;

Qualified IPO refers to a fully underwritten initial public offering of our shares or ADSs with a listing on the New York Stock Exchange, or the NYSE;

RMB or Renminbi refers to the legal currency of China;

September 2009 Modification refers to the modifications to certain terms of the investment by the holders of series A and series B redeemable convertible preferred shares in us, as described in Description of Share Capital History of Share Issuances and Other

Financings September 2009 Modification;

series A redeemable convertible preferred shares refers to our series A redeemable convertible preferred shares, par value US$0.00002 per share;

series B redeemable convertible preferred shares refers to our series B redeemable convertible preferred shares, par value US$0.00002 per share;

US$, dollars or U.S. dollars refers to the legal currency of the United States;

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watt or W refers to the measurement of total electrical power, where kilowatt or kW means one thousand watts and megawatts or MW means one million watts;

Wp refers to watt-peak, a measurement of power output, most often used in relation to photovoltaic solar energy devices;

Xinwei refers to Shangrao Xinwei Industry Co., Ltd., our PRC subsidiary from July 16, 2007 to December 28, 2007; and

Zhejiang Jinko refers to Zhejiang Jinko Solar Co., Ltd., formerly Zhejiang Sun Valley Energy Application Technology Co., Ltd., a solar cell supplier incorporated in the PRC which has been our wholly-owned subsidiary since June 30, 2009.

Unless we indicate otherwise or in Our Corporate History and Structure Offshore Reorganization , all references to numbers of shares, price per share, earnings per share and par value per share of JinkoSolar have been adjusted to give effect to the 2009 Share Split, which resulted in each share becoming 50 shares of the same class.

Unless we indicate otherwise, all information in this prospectus assumes that the underwriters do not exercise their option to purchase additional ADSs.

This prospectus contains translations of certain Renminbi amounts into U.S. dollars at the rate of RMB6.8259 to US$1.00, the noon buying rate on December 31, 2009, as set forth in the H.10 statistical release of the Federal Reserve Board. We make no representation that the Renminbi or U.S. dollar amounts referred to in this prospectus could have been or could be converted into U.S. dollars or Renminbi, as the case may be, at any particular rate or at all. On April 23, 2010, the exchange rate was RMB6.8270 to US$1.00.

Consistent with industry practice, we measure our silicon wafer, solar cell and solar module production capacity and production output in MW, representing 1,000,000 watts of power-generating capacity. We believe MW is a more appropriate unit to measure our silicon wafer, solar cell and solar module production capacity and production output compared to number of silicon wafers, solar cells and solar modules, as our silicon wafers, solar cells and solar modules are or will be of different sizes. Furthermore, we manufacture both monocrystalline wafers and multicrystalline wafers, which have different conversion efficiencies. For purposes of this prospectus, we have assumed an average conversion efficiency rate of 16.5% for solar cells using our monocrystalline wafers. This conversion efficiency is estimated based on the data provided by our top three customers for monocrystalline wafers based on our 2008 revenues for monocrystalline wafer sales and is highly dependent on the solar cell and solar module production processes of these customers. Based on this conversion efficiency, we have assumed that each 125 millimeter, or mm, by 125 mm monocrystalline wafer we produce can generate approximately 2.45 W of power, and that each 156 mm by 156 mm monocrystalline wafer we produce can generate approximately 4.02 W of power. We have also assumed an average conversion efficiency rate of 15.0% for solar cells using our multicrystalline wafers. This conversion efficiency is estimated based on the data provided by our top three customers for multicrystalline wafers based on our 2008 revenues for multicrystalline wafer sales and is highly dependent on the solar cell and module production processes of these customers. Based on this conversion efficiency, we have assumed that each 156 mm by 156 mm multicrystalline wafer that we produce can generate approximately 3.65 W of power. We also measure our silicon ingot manufacturing capacity and production output in MW according to the silicon wafers in MW that our current manufacturing processes generally yield.

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THE OFFERING

Price per ADS	We currently estimate the initial public offering price will be between US$11.00 and US$13.00 per ADS.
ADSs offered by us	5,835,000 ADSs
Ordinary shares outstanding immediately after this offering	86,927,850 ordinary shares
	The number of ordinary shares outstanding immediately after the offering:
	assumes the conversion of all outstanding series A redeemable convertible preferred shares into 5,375,150 ordinary shares upon completion of the offering;
	assumes the conversion of all outstanding series B redeemable convertible preferred shares into 7,481,250 ordinary shares upon the completion of the offering;
	excludes 4,536,480 ordinary shares issuable upon the exercise of outstanding options granted under our long-term incentive plan; and
	excludes a further 2,788,642 ordinary shares reserved for issuance under our long-term incentive plan.
The ADSs	Each ADS represents four ordinary shares, par value US$0.00002 per share. The ADSs will be evidenced by a global ADR.
	The depositary will be the holder of the ordinary shares underlying the ADSs and you will have the rights of an ADS holder as provided in the deposit agreement among us, the depositary and owners and beneficial owners of ADSs from time to time.
	You may surrender your ADSs to the depositary to withdraw the ordinary shares underlying your ADSs. The depositary will charge you a fee for such an exchange.
	We may amend or terminate the deposit agreement for any reason without your consent. If an amendment becomes effective, you will be bound by the deposit agreement as amended if you continue to hold your ADSs.
	To better understand the terms of the ADSs, you should carefully read the section in this prospectus entitled Description of American Depositary Shares. We also encourage you to read the deposit agreement, which is an exhibit to the registration statement that

includes this prospectus.

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Option to purchase additional ADSs	We have granted the underwriters an option, exercisable within 30 days from the date of this prospectus, to purchase up to an aggregate of 875,250 additional ADSs.
Use of proceeds	We estimate that we will receive net proceeds from this offering of approximately US$60.1 million (or US$69.7 million if the underwriters exercise the option to purchase additional ADSs from us in full), assuming an initial public offering price of US$12.00 per ADS, being the midpoint of the estimated range of the initial public offering price after deducting underwriting discounts and estimated aggregate offering expenses payable by us. We intend to use the net proceeds from this offering primarily for the following purposes: approximately US$50 million to expand our silicon ingot, silicon wafer, solar cell and solar module production capacity, including procuring new equipment and expanding or constructing manufacturing facilities for silicon ingot, silicon wafer, solar cell and solar module production; approximately US$5 million to invest in research and development to improve product quality, reduce manufacturing costs, improve conversion efficiency and overall performance of our products and improve the productivity of our silicon ingot, silicon wafer, solar cell and solar module manufacturing process; and the balance of the net proceeds from this offering to be used as working capital and other general corporate purposes. See Use of Proceeds for additional information.
Risk factors	See Risk Factors and other information included in this prospectus for a discussion of the risks you should carefully consider before deciding to invest in our ADSs.
Listing	We have received approval to list the ADSs on the NYSE. Our ordinary shares will not be listed on any exchange or quoted for trading on any over-the-counter trading system.
NYSE trading symbol	JKS
Depositary	JPMorgan Chase Bank, N.A.
Lock-up	We have agreed for a period of 180 days after the date of this prospectus not to sell, transfer or otherwise dispose of any of our ordinary shares, all of our existing ADSs or similar securities. Furthermore, each of our shareholders, directors and executive officers has agreed to a similar 180-day lock-up. See Underwriting.

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Payment and settlement	The ADSs are expected to be delivered against payment on , 2010. They will be deposited with a custodian for, and registered in the name of a nominee of, The Depository Trust Company, or DTC, in New York, New York. Initially, beneficial interests in the ADSs will be shown on, and transfers of these beneficial interest will be effected through, records maintained by DTC and its direct and indirect participants.

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SUMMARY CONSOLIDATED FINANCIAL AND OPERATING DATA

The following summary consolidated statements of operations data and other consolidated financial and operating data for the period from June 6, 2006 to December 31, 2006 and consolidated balance sheet data as of December 31, 2006 and 2007 have been derived from our audited consolidated financial statements not included in this prospectus. The following summary consolidated statements of operations data and other consolidated financial and operating data for the years ended December 31, 2007, 2008 and 2009 and the consolidated balance sheet data as of December 31, 2008 and 2009 have been derived from our audited consolidated financial statements, which are included elsewhere in this prospectus. Our audited consolidated financial statements have been prepared and presented in accordance with accounting principles generally accepted in the United States, or U.S. GAAP, and have been audited by PricewaterhouseCoopers Zhong Tian CPAs Limited Company, an independent registered public accounting firm.

You should read the summary consolidated financial and operating data in conjunction with our consolidated financial statements and related notes, Selected Consolidated Financial and Operating Data and Management s Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus. Our historical results do not necessarily indicate our expected results for any future periods. We have determined that we were no longer the primary beneficiary of Yangfan and Alvagen as of September 1, 2008 and Tiansheng and Hexing were no longer VIEs as of September 30, 2008. As a result, we were no longer required to consolidate their financial results with ours as of September 1, 2008 and September 30, 2008, respectively.

	For the Period from June 6, 2006 to December 31,	For the Year Ended December 31,			
	2006	2007	2008	2009	2009
	(RMB)	(RMB)	(RMB)	(RMB)	(US$)
	(in thousands, except share and per share data)				
Consolidated Statements of Operations Data:					
Revenues	116,234.2	709,152.9	2,183,614.1	1,567,859.6	229,692.7
Cost of revenues	(115,770.9)	(621,024.0)	(1,872,088.6)	(1,337,647.5)	(195,966.5)
Gross profit	463.3	88,128.9	311,525.5	230,212.1	33,726.2
Total operating expenses	(1,872.5)	(12,540.3)	(40,271.7)	(107,739.5)	(15,783.9)
(Loss)/Income from operations	(1,409.2)	75,588.6	271,253.8	122,472.6	17,942.3
Interest income/(expenses), net	7.0	(321.9)	(6,323.9)	(29,936.8)	(4,385.8)
Subsidy income		546.8	637.3	8,569.1	1,255.4
Investment (loss)/gain			(10,165.5)	82.1	12.0
Exchange loss	(1.1)	(68.0)	(4,979.8)	(2,181.5)	(319.6)
Other income/(expenses), net	33.4	300.0	(490.1)	(1,338.6)	(196.1)
Change in fair value of derivatives			(29,812.7)	(13,599.3)	(1,992.3)
(Loss)/Income before income taxes	(1,369.9)	76,045.5	220,119.1	84,067.6	12,315.9
Income taxes			(822.3)	1,342.0	196.6
Net (loss)/income	(1,369.9)	76,045.5	219,296.8	85,409.6	12,512.5
Less: Net income attributable to the non-controlling interests			(576.8)		
Net (loss)/income attributable to JinkoSolar Holding Co., Ltd.	(1,369.9)	76,045.5	218,720.0	85,409.6	12,512.5
Net (loss)/income attributable to JinkoSolar Holding Co., Ltd s ordinary shareholders per share basic and diluted	(0.11)	2.19	3.52	(0.73)	(0.11)
Net (loss)/income attributable to JinkoSolar Holding Co., Ltd. s ordinary shareholders per ADS(1) basic and diluted	(0.44)	8.77	14.10	(2.93)	(0.43)
Weighted average ordinary shares outstanding basic and diluted	12,500,000	34,691,800	50,429,700	50,731,450	50,731,450

(1) Each ADS represents four ordinary shares

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	As of December 31, 2006 (RMB)	2007 (RMB)	2008 (RMB)	2009 (RMB)	2009 (US$)
	(in thousands)				
Consolidated Balance Sheets Data:					
Cash and cash equivalent	8,508.0	27,242.2	27,323.6	152,479.6	22,338.4
Restricted cash			9,622.0	72,827.2	10,669.2
Accounts receivable a related party			69,062.1	100.4	14.7
Accounts receivable third parties		228.4	8,039.5	236,796.6	34,691.9
Advances to suppliers	39,776.5	151,455.7	110,638.3	93,324.1	13,672.1
Inventories	11,376.3	172,134.9	272,030.5	245,192.4	35,920.9
Total current assets	66,174.1	398,470.1	528,980.4	970,650.4	142,201.1
Property, plant and equipment, net	9,778.1	57,479.4	352,929.5	741,481.4	108,627.6
Land use rights, net	1,810.9	6,962.0	165,509.6	228,377.5	33,457.5
Advances to suppliers to be utilized beyond one year			187,270.6	230,899.5	33,827.0
Total assets	77,763.1	559,279.8	1,278,020.4	2,242,649.3	328,550.0
Accounts payable	844.9	8,721.3	23,985.3	99,932.8	14,640.2
Notes payable				81,643.2	11,960.8
Advance from a related party	49,810.6	92,433.3			
Advance from third party customers		162,001.8	184,749.0	36,777.8	5,388.0
Derivative liabilities			30,017.4	54.9	8.0
Short-term borrowings from third parties	1,000.0	22,990.0	150,000.0	576,084.0	84,396.8
Total current liabilities	66,115.5	310,922.2	481,330.6	946,782.3	138,704.4
Long-term borrowings				348,750.0	51,092.2
Total liabilities	66,115.5	372,585.9	485,043.7	1,299,811.8	190,423.5
Series A redeemable convertible preferred shares			157,224.9	189,057.9	27,697.1
Series B redeemable convertible preferred shares			245,402.2	287,703.8	42,148.8
Total JinkoSolar Holding Co., Ltd. shareholders equity	5,707.6	175,753.9	390,349.6	466,075.8	68,280.5
Non-controlling interests	5,940.1	10,940.1			
Total liabilities and equity	77,763.1	559,279.8	1,278,020.4	2,242,649.3	328,550.0

The following tables set forth certain other financial and operating data of our company for the periods since we commenced operations on June 6, 2006. Gross margin, operating margin and net margin represent the gross profit, (loss)/income from operations and net (loss)/income as a percentage of our revenues, respectively.

	For the Period from June 6, 2006 to December 31, 2006	For the Year Ended December 31, 2007	2008	2009
	(RMB in thousands, except percentages)			
Other Financial Data:				
Gross margin	0.4%	12.4%	14.3%	14.7%
Operating margin	(1.2%)	10.7%	12.4%	8.0%
Net margin	(1.2%)	10.7%	10.0%	5.6%
Total revenues:				
Sales of recovered silicon materials	116,234.2	536,755.2	902,249.0	28,039.4
Sales of silicon ingots		170,007.2	483,544.9	98.9
Sales of silicon wafers			794,860.1	1,102,232.8
Sales of solar cells				225,866.3
Sales of solar modules				182,015.1
Processing service fees		2,390.5	2,960.1	29,607.1

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	For the Period from June 6, 2006 to December 31, 2006	For the Year Ended December 31, 2007	2008	2009
Operating Data:				
Sales volume:				
Recovered silicon materials (metric tons)	128.3	349.1	397.9	11.7
Silicon ingots (MW)		12.6	33.1	0.01
Silicon wafers (MW)			51.4	180.4
Solar cells (MW)				27.3
Solar modules (MW)				14.4
Average selling price (RMB):				
Recovered silicon materials (per kilogram)	906.0	1,537.5	2,267.5	2,397.1(1)
Silicon ingot (per watt)		13.5	14.6	6.8
Silicon wafer (per watt)			15.5	6.1
Solar cells (per watt)				8.3
Solar modules (per watt)				12.7

(1) Sales were contracted in 2008 prior to the significant decrease in selling price and made in the first quarter of 2009.

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RISK FACTORS

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

Risks Related to Our Business and Our Industry

We may be adversely affected by volatile market and industry trends, in particular, the demand for our solar power products may decline, which may reduce our revenues and earnings.

We are affected by solar power market and industry trends. In the fourth quarter of 2008 and the first half of 2009, the global solar power industry experienced a significant decline in demand due to decreased availability of financing for downstream buyers of solar power products as a result of the global recession. Meanwhile, the manufacturing capacity of solar power products increased during the same period. As a result, the prices of solar power products declined significantly. The prices of solar power products further declined for the remainder of 2009 primarily due to decreased prices of silicon materials and increased manufacturing capacity. During the same period, however, lowered costs of raw materials reduced the cost of producing solar power products. As the global economy has significantly recovered since June 2009 and availability of financing for solar power projects has increased, coupled with the decreased average selling prices of solar power products, demand for solar power products has increased since the second half of 2009. However, if demand for solar power products declines again and the supply of solar power products continues to grow, the average selling price of our products will be materially and adversely affected.

The demand for solar power products is also influenced by macroeconomic factors such as the global economic downturn, the supply and prices of other energy products, such as oil, coal and natural gas, as well as government regulations and policies concerning the electric utility industry. A decrease in oil prices, for example, may reduce demand for investment in alternative energy. The global economic downturn, which affects the availability of financing, also contributed to decreased sales and shipments of solar power products and the slowdown of the solar project market. If these negative market and industry trends continue and the prices of our solar power products continue to decrease as a result, our business and results of operations may be materially and adversely affected.

A significant reduction in or discontinuation of government subsidies and economic incentives for installation of solar energy systems may have a material adverse effect on our results of operations.

A majority of our products sold are eventually incorporated into solar power systems, which are utilized in both the on-grid and off-grid markets. In the case of on-grid applications, the solar power systems are connected to the utility grid and generate electricity which is then fed into the grid, while in the case of the off-grid applications, the solar power systems are not connected to the power grids. We believe that the near-term growth of the market for on-grid and off-grid applications of solar power systems depends substantially on government incentives because the cost of solar power continues to substantially exceed the cost of conventional power in many locations around the world. Various governments have used different policy initiatives to encourage or accelerate the development and adoption of solar power and other renewable energy sources. Countries in Europe, most notably Germany and Spain, certain countries in Asia, including China, Japan and South Korea, as well as Australia and the United States have adopted renewable energy policies. Examples of government-sponsored financial incentives include capital cost rebates, feed-in tariffs, tax credits, net metering and other incentives to end-users, distributors, system integrators and manufacturers of solar power products to promote the use of solar power in both on-grid and off-grid applications and reduce dependency on other forms of energy. Nonetheless, the lack of implementation details for recent incentive schemes released by PRC government authorities may cause demand for PV products, including our products, not to grow as rapidly as we expect, if at all. In addition, political changes in a particular country could result in significant reductions or eliminations of subsidies or economic incentives, and the effects of the recent global financial crisis may affect the fiscal ability of governments to offer certain types of incentives, such as tax credits. A significant reduction in the scope or discontinuation of government incentive programs, especially those in China and our target overseas 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. Governments may decide to reduce or eliminate these economic incentives for political, financial or other reasons. Reductions in, or eliminations of government subsidies and economic incentives before the solar power industry reaches a sufficient scale to be cost-effective in a non-subsidized marketplace could reduce demand for our products and adversely affect our business prospects and results of operations. For example, in February 2010, the Spanish government announced that it would significantly reduce the feed-in tariffs for PV installations, which may significantly reduce incentives for solar power industry. In 2009, the German government reduced solar feed-in tariffs by 9%. In March 2010, the German government announced the reduction of feed-in tariffs for rooftop installations ground mounted installations on commercial land and ground mounted installations on converted land by 16%, 15% and 11%, respectively. In addition, PV installations on agricultural land will be ineligible for subsidies. These adjustments, which are to take effect on July 1, 2010, may result in a significant fall in the price of and demand for PV products. A significant reduction in the scope or discontinuation of government incentive programs, especially those in the target markets of our major customers, could cause demand for our products and our revenue to decline and have a material adverse effect on our business, financial condition, results of operations and prospects.

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

We have only been in existence since June 2006 and have limited operating history with respect to each of our principal products. We commenced processing recoverable silicon materials in June 2006, manufacturing monocrystalline ingots and wafers in August 2007 and March 2008, respectively, and manufacturing multicrystalline ingots and wafers in June and July 2008, respectively. We commenced producing solar cells in July 2009 following our acquisition of Zhejiang Jinko, which has manufactured solar cells since June 2007. In addition, we commenced producing solar modules in August 2009. We made our first commercial shipments of monocrystalline ingots and wafers in August 2007 and March 2008, respectively, and our first commercial shipments of multicrystalline wafers and solar cells in July 2008 and 2009, respectively. We made our first commercial shipment of solar modules in August 2009.

Our future success will require us to scale up our production capacity beyond our existing capacity and further expand our customer base. Our business model and ability to achieve satisfactory manufacturing yields at higher volumes are unproven. To address these risks, we must, among other things, continue to (i) respond to competitive pressures and volatile market developments, (ii) attract, retain and motivate qualified personnel, (iii) implement and successfully execute our further vertical integration and expansion plans and (iv) improve our technologies. We cannot assure you that we will be successful in addressing such risks. Although we have experienced revenue growth in periods prior to the global recession, we cannot assure you that our revenues will increase at previous rates or at all, or that we will be able to operate profitably in future periods. 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 manufacture and sell new products in a volatile and challenging market.

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Notwithstanding our continuing efforts to further diversify our customer base, we derive, and expect to continue to derive, a significant portion of our revenues from a limited number of customers. As a result, the loss of, or a significant reduction in orders from, any of these customers would significantly reduce our revenues and harm our results of operations.

We expect that our results of operations will, for the foreseeable future, continue to depend on the sale of our products to a relatively small number of customers. For the years ended December 31, 2007 and 2008, sales to customers that individually exceeded 10% of our revenues accounted for approximately 53.8% and 47.1%, respectively, of our revenues, while for the year ended December 31, 2009, no customer generated sales that individually exceeded 10% of our revenues. Our relationships with our key customers were developed over a short period of time and are generally in their early stages. In particular, some of our key customers are either our silicon wafer customers or recovered silicon materials customers. We plan to use substantially all of our output of recovered silicon materials for our own silicon wafer production and use an increasing amount of our silicon wafers in our own solar cell and solar module production as we expand our solar cell and solar module production capacity. As a result, our silicon wafers and recovered silicon materials available for sale to such key customers may decrease over time or we may eventually cease selling our silicon wafers and recovered silicon materials to such key customers. We cannot assure you that these customers will continue to generate significant revenues for us or that we will be able to maintain these customer relationships. In addition, our business is affected by competition in the market for products that many of our major customers sell, and any decline in the businesses of our customers could reduce the purchase of our products by these customers. The loss of sales to any of these customers could also have a material adverse effect on our business, prospects and results of operations.

In addition, although as of the date of this prospectus, we had long-term sales contracts with four customers outstanding for the sale of an aggregate of approximately 266 MW of silicon wafers from 2010 to 2013, we may allow our customers flexibility in relation to the volume, timing and pricing of their orders under these contracts on a case-by-case basis. Therefore, the volumes of silicon wafers actually purchased by customers under these contracts in any given period and the timing and amount of revenues we recognize in such period may not correspond to the terms of these contracts. As a result, the revenues we recognize from sales under these contracts from period to period may vary, and such variance could have a material adverse effect on our results of operations.

Our failure to successfully execute our business expansion plans would have a material adverse effect on the growth of our sales and earnings.

Our future success depends, to a large extent, on our ability to increase vertical integration and expand our production capacity. We plan to increase our annual silicon wafer and solar module production capacity to approximately 500 MW each and annual solar cell production capacity to approximately 400 MW by the end of 2010. If we are unable to do so, we will not be able to achieve our goal of becoming a leading vertically integrated solar product supplier, attain the desired level of economies of scale in our operations or cut the marginal production cost to the level necessary to effectively maintain our pricing and other competitive advantages. This expansion has required and will continue to require substantial capital expenditures, significant engineering efforts, timely delivery of manufacturing equipment and dedicated management attention, and is subject to significant risks and uncertainties, including:

- in order to finance our production capacity expansion, we may need to continue to contribute significant additional capital to our operating subsidiaries through bank borrowings or the issuance of our equity or debt securities, which may not be available on reasonable terms or at all, and which could be dilutive to our existing shareholders. Such capital contributions would also require PRC regulatory approvals in order for the proceeds from such issuances to be remitted to our operating subsidiaries, which approvals may not be granted in a timely manner or at all;

we will be required to obtain government approvals, permits or documents of similar nature with respect to any acquisitions or new expansion projects, and we cannot assure you that such approvals, permits or documents will be obtained in a timely manner or at all;

we may experience cost overruns, construction delays, equipment problems, including delays in manufacturing equipment deliveries or deliveries of equipment that does not meet our specifications, and other operating difficulties;

we are using new equipment and technology for our solar cell and solar module production and to lower our unit capital and operating costs, but we cannot assure you that such new equipment and technology will perform as we anticipate; and

we may not have sufficient management resources to properly oversee capacity expansion as currently planned.

Any of these or similar difficulties could significantly delay or otherwise constrain our ability to undertake our capacity expansion as currently planned, which in turn would limit our ability to increase sales, reduce marginal manufacturing costs or otherwise improve our prospects and profitability.

In addition, we may have limited access to financing to fund working capital requirements, or may have to adjust the terms of our contracts with our suppliers or customers to accommodate their requests, or our suppliers and customers may be unable to perform their obligations under our existing contracts with them. Furthermore, we may be unable to secure new sales contracts, raw materials and equipment required for our production. The occurrence of any of these events would affect our ability to achieve economies of scale and higher utilization rates, which may in turn hinder our ability to increase vertical integration and expand our production capacity as planned.

As polysilicon supply increases, the corresponding increase in the global supply of the downstream solar power products including our products may cause substantial downward pressure on the prices of our products and reduce our revenues and earnings.

Polysilicon is an essential raw material used in the production of solar cells and modules. Prior to the second half of 2008, there was an industry-wide shortage of polysilicon, primarily as a result of the growing demand for solar power products. According to Solarbuzz, the average long-term supply contract price of polysilicon increased from approximately US$60-US$65 per kilogram delivered in 2007 to US$60-US$75 per kilogram in 2008. In addition, according to Solarbuzz, spot prices for solar grade polysilicon were in the range of US$230-US$375 per kilogram for most of the first half of 2008 and rose to a peak of US$450-US$475 per kilogram by mid-2008. Increases in the price of polysilicon have in the past increased our production costs, and any significant price increase in the future may adversely impact our business and results of operations. Due to the historical scarcity of polysilicon, supply chain management and financial strength were the key barriers to entry. In late 2008 and 2009, however, newly available polysilicon capacity has resulted in an increased supply of polysilicon, which created a downward pressure on the price of polysilicon. According to Solarbuzz, the average initial price range of long-term polysilicon supply contracts decreased to US$50-US$60 in the fourth quarter of 2009, and spot prices for solar grade polysilicon decreased rapidly to US$150-US$200 per kilogram by the beginning of 2009, and further declined to US$55-US$60 per kilogram by the end of 2009. We cannot assure you that the price of polysilicon will continue to decline or remain at its current levels, especially if the global solar power market regains its growth momentum. As the shortage of polysilicon eases, industry barriers to entry become less significant and the production of downstream solar power products including our products may increase globally. A decrease in polysilicon prices and an increase in the production of downstream solar power products may result in substantial downward pressure on the prices of those products, including our products. Such price reductions could have a negative impact on our revenues and earnings, and materially and adversely affect our business and results of operations.

We may not be able to obtain sufficient silicon raw materials in a timely manner, which could have a material adverse effect on our results of operations and financial condition.

Up to mid-2008, an industry-wide shortage of virgin polysilicon, the basic raw material for all crystalline silicon solar power products and semiconductor devices, coupled with rapidly growing demand from the solar power industry, caused rapid escalation of virgin polysilicon prices and an industry-wide silicon shortage. However, in the second half of 2008 and first half of 2009, industry demand for solar power products was seriously affected by the global recession and credit market contraction. At the same time, global silicon feedstock manufacturing capacity experienced a significant expansion in 2008, which further reduced the market prices of virgin polysilicon and downstream solar power products, including our products. Nevertheless, we may experience interruption to our supply of silicon raw materials or late delivery in the future for the following reasons, among others:

- the terms of our silicon material supply contracts with, or purchase orders to, our suppliers may be altered or cancelled by the suppliers with limited or no penalty to them, in which case we may not be able to recover damages fully or at all;

- as we only began our business operations in June 2006, we generally do not have a long history with our virgin polysilicon suppliers and there can be no assurance that they will be able to meet our production needs consistently or on a timely basis;

- compared to us, many of our competitors who also purchase virgin polysilicon from our suppliers have had longer and stronger relationships with and have greater buying power and bargaining leverage over some of our key suppliers; and

- our supply of silicon raw materials is subject to the business risk of our suppliers, one or more of which may go out of business for any one of a number of reasons beyond our control in the current economic environment. See Hoku may not be able to complete its plant construction in a timely manner or may cease to continue as a going concern, which may have a material adverse effect on our results of operations and financial condition.

If we experience interruption to our supply of silicon raw materials or fail to obtain delivery of silicon raw materials in amounts and according to time schedules that we expect, we may be forced to reduce production, which will adversely affect our revenues. In addition, our failure to obtain the required amounts of silicon raw materials in a timely manner and on commercially reasonable terms will substantially limit our ability to meet our contractual obligations to deliver products to our customers. Any failure by us to meet such obligations could have a material adverse effect on our reputation, ability to retain customers, market share, business and results of operations and may subject us to claims from our customers and other disputes. Furthermore, our failure to obtain sufficient silicon raw materials would result in under-utilization of our production facilities and an increase in our marginal production costs. Any of the above events could have a material adverse effect on our growth, profitability and results of operations.

Volatility in the prices of silicon raw materials makes our procurement planning challenging and could have a material adverse effect on our results of operations and financial condition.

We procure silicon raw materials through a combination of long-term supply contracts and spot market purchases. Currently, we have two long-term virgin polysilicon supply contracts with Zhongcai Technological Co., Ltd., or Zhongcai Technological, and Hoku Materials, Inc., together with its parent company, Hoku Corporation (formerly known as Hoku Scientific, Inc.), or Hoku, under which we have agreed to procure an aggregate of 5,350 metric tons of virgin polysilicon from 2009 to 2019. The annual prices under our long-term supply contract with Hoku are fixed with declining annual prices over the contract s nine-year term, and the contract is subject to a prepayment arrangement. The average of the contract prices under the supply contract with Hoku over the term of the contract is above the April 2010 spot market index price as reflected in the Photon Consulting Silicon Price Index, or PCSPI. If the price of virgin polysilicon continues to decrease, this fixed-price, prepaid arrangement may cause our cost of silicon raw materials to be greater than that of our competitors who source their supply of silicon raw materials based on floating-price arrangements or spot market purchases unless we are able to renegotiate or otherwise adjust the purchase prices or volumes. Due to the volatility in the prices of virgin polysilicon, we cannot assure you that the prices under our long-term supply contract with Hoku will be below the spot market price. To the extent we may not be able to fully pass increased costs and expenses on to our customers, our profit margins, results of operations and financial condition may be materially and adversely affected.

In addition, we expect that the prices of virgin polysilicon feedstock may become increasingly volatile, making our procurement planning challenging. For example, if we refrain from entering into more fixed-price, long-term supply contracts, we may miss opportunities to secure long-term supplies of virgin polysilicon at favorable prices if the price of virgin polysilicon increases significantly in the future. On the other hand, if we enter into more fixed-price, long-term supply contracts, we may not be able to renegotiate or otherwise adjust the purchase prices under such long-term supply contracts if the price declines. In each case, our business, financial condition and results of operations may be materially and adversely affected.

We have grown our business through acquisition and may continue to undertake acquisitions, investments, joint ventures or other strategic alliances, and such undertakings may be unsuccessful.

As part of our strategy, our growth is also driven by acquisition. For example, we expanded our product lines into solar cells through our acquisition of Zhejiang Jinko in June 2009, and we may in the future continue to grow our operations through acquisitions, participation in joint ventures or other strategic alliances with suppliers or other companies in China and overseas along the solar power industry value chain. Such acquisitions, participation in joint ventures and strategic alliances may expose us to new operational, regulatory, market and geographical risks as well as risks associated with additional capital requirements and diversion of management resources.

In particular, our acquisition of Zhejiang Jinko and future acquisitions may expose us to various risks:

- There may be unforeseen risks relating to the target s business and operations or liabilities of the target that were not discovered by us through our legal and business due diligence prior to such acquisition. Such undetected risks and liabilities could have a material adverse effect on our business and results of operations in the future.

- There is no assurance that we will be able to maintain customer relationships with previous customers of the target, or develop new customer relationships in the future. Loss of our existing customers or failure to establish relationships with new customers could have a material adverse effect on our business and results of operations.

- Acquisitions will generally divert a significant portion of our management and financial resources from our existing business and the integration of the target s operations with our existing operations has required, and will continue to require, significant management and financial resources, potentially straining our ability to finance and manage our existing operations.

- There is no assurance that the expected synergies from the acquisition of Zhejiang Jinko or any other target will actually materialize. If we are not successful in the integration of Zhejiang Jinko or any other target s operations, we may not be able to generate sufficient revenue from the operations of Zhejiang Jinko, or any such other target to recover costs and expenses of the acquisition.

The materialization of any of these risks could have a material adverse effect on our business, financial condition and results of operations.

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

Upon completion of this offering, we will become a public company in the United States and will be subject to reporting obligations under the U.S. securities laws. Section 404 of the Sarbanes-Oxley Act of 2002, or SOX 404, will require that we include a management report that assesses the effectiveness of our internal control over financial reporting in our annual report on Form 20-F beginning with our annual report for the fiscal year ending December 31, 2011. In addition, our independent registered public accounting firm will be required to attest to and report on the effectiveness of our internal control over financial reporting. Our management may conclude that our internal control over financial reporting is not effective. Moreover, even if our management concludes that our internal control over financial reporting is effective, our independent registered public accounting firm may still issue a report that is qualified if it is not satisfied with our internal controls or the level at which our controls are documented, designed, operated or reviewed. Our reporting obligations as a public company will place a significant strain on our management, operational and financial resources and systems for the foreseeable future.

Prior to this offering, we have been a private company with a short operating history and have limited accounting personnel and other resources with which to address our internal control over financial reporting. In the course of the preparation and external audit of our consolidated financial statements for the years ended December 31, 2007, 2008 and 2009, we and our independent registered public accounting firm identified a number of control deficiencies in our internal control over financial reporting, including two material weaknesses and a significant deficiency, as defined in the standards established by the U.S. Public Company Accounting Oversight Board.

The material weaknesses identified were: (1) the lack of resources with appropriate accounting knowledge and experience to prepare and review financial statements and related disclosures in accordance with U.S. GAAP, which was evidenced by (i) the lack of sufficient resources with adequate U.S. GAAP knowledge and experience to identify, evaluate and conclude on certain accounting matters independently, and (ii) the lack of effective controls designed and in place to ensure the completeness and accuracy of the consolidated financial statements and disclosures in accordance with U.S. GAAP, including inappropriate presentation of statement of cash flows for the year ended December 31, 2009 and (2) inadequate review procedures, including appropriate levels of review in the design of period end reporting process that are consistently applied across our entities, to identify inappropriate accounting treatment of transactions, which was evidenced by audit adjustments for corrections of (i) revenue and inventory balance in relation to deliveries to a customer pending the customer s formal acceptance as of December 31, 2008, (ii) preferred share accretion and earnings per share for the year ended December 31, 2008 and (iii) deferred taxation accounting for the year ended December 31, 2009 and inappropriate presentation of intangible assets in the consolidated balance sheet as of December 31, 2009.

The significant deficiency was the lack of formally documented corporate accounting policies in relation to the preparation of financial statements in accordance with U.S. GAAP.

Material weaknesses and significant deficiencies in our internal control over financial reporting could result in a material misstatement of our financial statements that will not be prevented or detected. Following the identification of these material weaknesses and control deficiencies, we have begun taking and/or plan to take actions and measures to significantly improve our internal control over financial reporting in order to obtain reasonable assurance regarding the reliability of our financial statements. See Management s Discussion and Analysis of Financial Condition and Results of Operations Internal Control Over Financial Reporting. However, the implementation of these actions and measures may not be sufficient to address the material weaknesses and significant deficiency in our internal control over financial reporting to provide reasonable assurance that our internal control over financial reporting is effective, and we cannot yet conclude that such control deficiencies have been fully remedied. In addition, we cannot assure you if or when we will be able to remedy these control deficiencies or that our independent registered public accounting firm will agree with our assessment. Our failure to remedy these control deficiencies, identify and address any other material weaknesses or significant deficiencies, and implement new or improved controls successfully in a timely manner could result in inaccuracies in our financial statements and could impair our ability to comply with applicable financial reporting requirements and related regulatory filings on a timely basis. As a result, our business, financial condition, results of operations and prospects, as well as the trading price of our ADSs, may be materially and adversely affected.

We plan to continue to address and remedy these control deficiencies in time to meet the deadline for compliance with the requirements of SOX 404. Effective internal control over financial reporting is necessary for us to produce reliable financial reports and are important to help prevent fraud. Our failure to timely achieve and maintain the adequacy of our internal control could result in a loss of investor confidence in the reliability of our reporting processes, which could negatively impact the market price of our ADSs. Moreover, we anticipate that we will incur considerable costs and devote significant management time and other resources to comply with SOX 404 and other requirements of the Sarbanes-Oxley Act.

We may not be successful in expanding our product lines to include new products, which could limit our growth prospects.

In line with our strategy to become a leading vertically integrated solar product supplier, we commenced producing solar cells and solar modules in July and August 2009, respectively. We plan to increase our annual silicon wafer and solar module production capacity to approximately 500 MW each and annual solar cell production capacity to approximately 400 MW by the end of 2010. However, we had no prior experience in the manufacturing of solar cells or solar modules prior to our acquisition of Zhejiang Jinko in June 2009. Zhejiang Jinko had only approximately two years of experience in the manufacturing of solar cells before it was acquired by us and had no experience in the mass-production of solar modules. Solar cell and solar module production involves processes and technologies that are significantly different from the processing of recovered silicon materials and the production of silicon ingots and wafers. We will also need to establish relationships with customers and suppliers for our solar cells and solar modules which will be different from existing customers and suppliers for our silicon wafers. As such, we face various risks relating to the commencement of these new business operations, including our potential failures to:

- procure solar cell and solar module production equipment and supplies of consumables and other materials for the production of solar cells and solar modules at reasonable costs and on a timely basis;
- attract, train, motivate and retain skilled employees, including technicians and managers at different levels, for our solar cell and solar module production;
- produce solar cells and solar modules cost-effectively and maintain adequate control of our expenses in relation to the production of solar cells and solar modules;
- achieve acceptable quality of our solar cells and solar modules;
- develop and retain customers for our solar cells and solar modules and increase the market awareness of our solar cells and solar modules;
- keep up with evolving industry standards and market developments and respond to competitive market conditions; or
- protect our proprietary technologies relating to the production of solar cells and solar modules.

In addition, we may continue to develop and produce new products, which may expose us to similar risks above. If we are unsuccessful in addressing any of these risks, our business, financial position and results of operations may be materially and adversely affected.

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We manufacture our products in two locations in China, which exposes us to various risks relating to long-distance transportation of our silicon wafers and solar cells in the manufacturing process.

Our manufacturing facilities for the production of silicon ingots, wafers and solar modules are, and will continue to be, located in Shangrao, Jiangxi Province while our manufacturing facilities for the production of solar cells are located in Haining, Zhejiang Province. We expect to use an increasingly large portion of our silicon wafer output for our own solar cell production, and as a result, we transport a substantial volume of our silicon wafers from Shangrao to Haining to be processed into solar cells. Our principal manufacturing base for our solar modules is located in Shangrao, and as a result, we need to transport a substantial volume of our solar cells from Haining to Shangrao to be processed into solar modules. The geographical separation of our manufacturing facilities necessitates constant long-distance transportation of substantial volumes of our silicon wafers and solar cells between Shangrao and Haining. The distance between Shangrao and Haining is approximately 410 kilometers and the two cities are connected by roads and railway. The constant long-distance transportation of a large volume of our silicon wafers and solar cells may expose us to various risks, including (i) increase in transportation costs, (ii) loss of our silicon wafers and/or solar cells as a result of any accidents that may occur in the transportation process; (iii) delays in the transportation of our silicon wafers or solar cells as a result of any severe weather conditions, natural disasters or other conditions adversely affecting road traffic between Haining and Shangrao; and (iv) disruptions to our production of solar cells and solar modules as a result of delays in the transportation of our silicon wafers and solar cells. Any of these risks could have a material adverse effect on our business and results of operations.

We may not be able to manage our expansion of operations effectively.

In anticipation of the growth in demand for our products, we plan to increase vertical integration and expand our business operations significantly. Our ability to meet existing contractual commitments to our customers depends on the successful and timely implementation of our expansion plan. If we are unable to fulfill our commitments to customers or customer orders on a timely basis or at all, we may lose our customers and our reputation may be damaged. Moreover, our contracts with our customers sometimes provide for specified monetary damages or penalties, which may be significant, for non-delivery or failure to meet delivery schedules or product specifications and allow a termination of the contract by our customer. If any of our customers invoke these clauses against us, we may lose future sales and need to defend against the relevant claims, which could be time consuming and expensive. We may be found liable under these clauses and be required to pay damages.

The success of our business expansion and operational growth depends on the improvement of our operational and financial systems, enhancement of our internal procedures and controls, and effective recruitment of, training and retention of technicians and skilled employees. If we fail to improve our operational and financial systems, enhance our internal procedures and controls and risk monitoring and management system and recruit, train and retain adequate management resources, we may not be able to take advantage of growth opportunities or identify unfavorable business trends, administrative oversights or other risks that could materially and adversely affect our business, prospects, financial condition and results of operations. Furthermore, our management will be required to maintain and expand our relationships with our customers, suppliers and other third parties. We cannot assure you that our current and planned operations, personnel, systems, internal procedures and controls will be adequate to support our future growth. If we are unable to manage our growth effectively, we may not be able to take advantage of market opportunities, execute our business strategies or respond to competitive pressures.

Our dependence on a limited number of suppliers for a substantial majority of silicon materials could prevent us from delivering our products in a timely manner to our customers in the required quantities, which could result in order cancellations, decreased revenue and loss of market share.

In 2008 and 2009, our five largest suppliers, including the VIEs, supplied in the aggregate approximately 81.2% and 54.1%, respectively, of our total silicon material purchases by value. If we fail to develop or maintain our relationships with these or our other suppliers, we may be unable to manufacture our products, our products may only be available at a higher cost or after a long delay, or we could be prevented from delivering our products to our customers in the required quantities, at competitive prices and on acceptable terms of delivery. Problems of this kind could cause us to experience order cancellations, decreased revenue and loss of market share. In general, the failure of a supplier to supply silicon materials that meet our quality, quantity and cost requirements in a timely manner due to lack of supplies or other reasons could impair our ability to manufacture our products or could increase our costs, particularly if we are unable to obtain these materials and components from alternative sources in a timely manner or on commercially reasonable terms. Some of our suppliers have a limited operating history and limited financial resources, and the contracts we entered into with these suppliers do not clearly provide for remedies to us in the event any of these suppliers is not able to, or otherwise does not, deliver, in a timely manner or at all, any materials it is contractually obligated to deliver. Any disruption in the supply of silicon materials to us may adversely affect our business, financial condition and results of operations.

Prepayment arrangements to suppliers for the procurement of silicon raw materials expose us to the credit risks of such suppliers and may also significantly increase our costs and expenses, which could in turn have a material adverse effect on our financial condition, results of operations and liquidity.

Our supply contracts generally include prepayment obligations for the procurement of silicon raw materials. As of December 31, 2009, we had approximately RMB324.2 million (US$47.5 million) of advances to suppliers. We do not receive collateral to secure such payments for some of these contracts. Our prepayments, secured or unsecured, would expose us to the credit risks of our suppliers in the event that our suppliers become insolvent or bankrupt and would undermine our chances of obtaining the return of such payments. Moreover, we may not be able to recover such prepayments and would suffer losses if any of our suppliers fails to fulfill its contractual delivery obligations to us for any other reason. Accordingly, a default by our suppliers to whom we have made substantial prepayment may have a material adverse effect on our financial condition, results of operations and liquidity. See Hoku may not be able to complete its plant construction in a timely manner or may cease to continue as a going concern, which may have a material adverse effect on our results of operations and financial condition. In addition, if the market price of silicon raw materials decreases, we may not be able to adjust any historical payment insofar as it relates to a future delivery at a fixed price. To the extent that we are unable to pass these increased costs and expenses to our customers, our business, financial condition and results of operations may be materially and adversely affected.

Hoku may not be able to complete its plant construction in a timely manner or may cease to continue as a going concern, which may have a material adverse effect on our results of operations and financial condition.

We have entered into a long-term supply contract with Hoku, a virgin polysilicon supplier, pursuant to which we had made a total prepayment of US$20.0 million to Hoku as of July 8, 2009. Hoku is currently in the process of undertaking a construction project for producing the virgin polysilicon we have contracted for. While our prepayment is secured by a lien on Hoku s assets according to the terms of our supply contract with Hoku, such lien is deeply subordinated and shared with all other customers and other senior lenders of Hoku. On December 23, 2009, Hoku publicly announced that on December 22, 2009, it issued shares and warrants representing a majority of its shares to Tianwei New Energy Holdings Co., Ltd., or Tianwei, a PRC company engaged in the manufacturing of silicon wafers, solar cells and modules. In addition, pursuant to the arrangement between Hoku and Tianwei, Tianwei has the right to appoint a majority of the directors of Hoku Scientific, thus giving Tianwei control of Hoku. In exchange, Tianwei cancelled US$50 million of indebtedness that Hoku would be obligated to repay to Tianwei under certain polysilicon supply agreements and Tianwei agreed to provide Hoku with a loan of US$50 million through China Construction Bank in two tranches within 60 days after December 22, 2009. As disclosed in Hoku s Form 10-Q filed on February 5, 2010, Hoku would have sufficient financing to pay its current liabilities and complete construction of its virgin polysilicon production plant to the point where it could commence initial shipment of virgin polysilicon to its customers if Hoku receives the US$50 million loan from Tianwei and US$55 million of additional prepayments from its existing customers. As of

March 8, 2010, Hoku had received the US$50 million loan from Tianwei. If Hoku does not receive anticipated prepayments under its polysilicon supply agreements, it may need to curtail the construction of its virgin polysilicon plant. In addition, Hoku will still need to seek additional financing to complete its virgin polysilicon construction project. If Hoku is unable to obtain the required financing, it could raise substantial doubt about Hoku s ability to continue as a going concern. The inability to continue as a going concern could result in an orderly wind-down of Hoku or other potential restructuring of Hoku. Tianwei has committed to assist Hoku in obtaining additional financing that may be required by Hoku to construct and operate its virgin polysilicon manufacturing facility. However, if Hoku is not successful in obtaining financing required to complete construction of the virgin polysilicon manufacturing facility, causing it to fail to fulfill its contractual delivery obligations to us, or if Hoku ceases to continue as a going concern, we may have difficulty recovering all or any of the deposits we have paid to Hoku. In any such case, we may be obliged to record provisions for impairment loss for all or part of our prepayments to Hoku, which could have a material adverse effect on our financial condition. As of December 31, 2009, we did not record any provisions in relation to the prepayment to Hoku as the potential impairment loss was not probable or estimable. Moreover, because Tianwei is our competitor, Hoku could decide to discontinue supplying, or reduce its supply of, virgin polysilicon to us after the termination of the current contract. If Hoku fails to fulfill its contractual delivery obligations to us on time or at all, we may not be able to procure replacement virgin polysilicon from other suppliers on a timely basis and on commercially reasonable terms and our production may be interrupted, which could have a material adverse effect on our results of operations and financial condition.

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

We consume a significant amount of electricity in our operations. Electricity prices in China have increased in the past few years. Our per kilowatt-hour, or kWh, electricity price increased from RMB0.525 in 2007 to RMB0.584 (US$0.086) in 2009. Moreover, with the rapid development of the PRC economy, demand for electricity has continued to increase. There have been shortages or disruptions in electricity supply in various regions across China, especially during peak seasons, such as the summer, or when there are severe weather conditions. For example, we experienced a production disruption at our facilities in the Shangrao Municipality due to power blackouts resulting from severe winter weather conditions in early 2008. Any disruption in the power supply to our furnaces could result in the loss of an entire production run. To prevent further disruption in our power supply, the Shangrao Economic Development Zone Management Committee and Shangrao County Power Supply Co., Ltd. have completed the construction of the first stage of an electric power transformation and distribution substation at our manufacturing site. The electric power transformation and distribution substation currently has an annual capacity of 438 million kWh and is expected to be sufficient to support our current operations and our expansion plans through 2010. However, we cannot assure you that there will not be further disruptions or shortages in our electricity supply or that there will be sufficient electricity available to us to meet our future requirements. Increases in electricity costs, shortages or disruptions in electricity supply may significantly disrupt our normal operations, cause us to incur additional costs and adversely affect our profitability.

Decreases in the price of silicon raw materials and products may result in additional provisions for inventory losses.

We typically plan our production and inventory levels based on our forecasts of customer demand, which may be unpredictable and can fluctuate materially. The current global economic downturn and market instability make it increasingly difficult for us to accurately forecast future product demand trends. Due to the decrease in the price of silicon materials and products, we recorded inventory provision of RMB5.2 million and RMB4.8 million (US$0.7 million) as of December 31, 2008 and 2009 respectively. If the prices of silicon materials and products decrease again, the carrying value of our existing inventory may exceed its market price in future periods, thus requiring us to make additional provisions for inventory valuation, which may have a material adverse effect on our financial position and results of operations.

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We face intense competition in solar power product markets. If we fail to adapt to changing market conditions and to compete successfully with existing or new competitors, our business prospects and results of operations would be materially and adversely affected.

The markets for monocrystalline and multicrystalline silicon wafers, solar cells and solar modules are intensely competitive. As we build up our solar cell and solar module production capacity and increase the output of these two products, we compete with manufacturers of solar cells and solar modules such as BP Solar Inc., or BP Solar, Sharp Corporation, SunPower Corporation, Suntech Power Holdings Co., Ltd., or Suntech, Trina Solar Ltd., or Trina, and Yingli Green Energy Holding Co., Ltd., or Yingli Green Energy, in a continuously evolving market. In the silicon wafer market, our competitors include international vendors such as MEMC Electronic Materials, Inc., or MEMC, Deutsche Solar AG, or Deutsche Solar, M. SETEK Co., Ltd., or M. SETEK, and PV Crystalox Solar plc, or PV Crystalox, as well as companies with operations in China such as ReneSola, LDK Solar, or LDK, Jiangsu Shunda Group, or Shunda, Jiangyin Hairun Science & Technology Co., Ltd., or Hairun, Shanghai Comtec Solar Technology Co., Ltd., or Comtec. Recently, some upstream polysilicon manufacturers as well as downstream manufacturers have also built out or expanded their silicon wafer or solar cell production operations. Some of these competitors are also our customers and suppliers.

Many of our current and potential competitors have a longer operating history, stronger brand recognition, more established relationships with customers, greater financial and other resources, a larger customer base, better access to raw materials and greater economies of scale than we do. Furthermore, many of our competitors are integrated players in the solar industry that engage in the production of virgin polysilicon and solar modules. Their business models may give them competitive advantages as these integrated players place less reliance on the upstream suppliers and/or downstream customers.

Moreover, due to the growth in demand for monocrystalline and multicrystalline wafers, solar cells and solar modules, we expect an increase in the number of competitors entering this market over the next few years. The key barriers to entry into our industry at present consist of availability of financing and availability of experienced technicians and executives familiar with the industry. If these barriers disappear or become more easily surmountable, new competitors may successfully enter into our industry, resulting in loss of our market share and increased price competition, which could adversely affect our operating and net margins.

We also compete with alternative solar technologies. Some companies have spent significant resources in the research and development of proprietary solar technologies that may eventually produce photovoltaic products at costs similar to, or lower than, those of monocrystalline or multicrystalline wafers without compromising product quality. For example, some companies are developing or currently producing photovoltaic products based on thin film photovoltaic materials, which require significantly less polysilicon to produce than monocrystalline or multicrystalline solar power products. These alternative photovoltaic products may cost less than those based on monocrystalline or multicrystalline technologies while achieving the same level of conversion efficiency, and therefore, may decrease the demand for monocrystalline and multicrystalline wafers, which may adversely affect our business prospects and results of operations.

In addition, the solar power market in general also competes with other sources of renewable energy and conventional power generation. If prices for conventional and other renewable energy sources decline, or if these sources enjoy greater policy support than solar power, the solar power market could suffer and our business and results of operations may be adversely affected.

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

The solar power market is at a relatively early stage of development, and the extent of acceptance of solar power products is uncertain. Market data on the solar power industry is not as readily available as those for 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 wide commercial adoption and application of solar power technology, including:

- cost-effectiveness, performance and reliability of solar power products compared to conventional and other renewable 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 wind power, hydroelectric power and biomass;
- fluctuations in economic and market conditions that affect the viability of conventional and other renewable energy sources, such as increases or decreases in the prices of oil and other fossil fuels;
- capital expenditures by end users of solar power products, which tend to decrease when the economy slows down; and
- deregulation of the electric power industry and broader energy industry.

If solar power technology proves unsuitable for wide commercial adoption and application 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.

Technological changes in the solar power industry could render our products uncompetitive or obsolete, which could reduce our market share and cause our revenue and net income to decline.

The solar power industry is characterized by evolving technologies and standards. These technological evolutions and developments place increasing demands on the improvement of our products, such as solar cells with higher conversion efficiency and larger and thinner silicon wafers and solar cells. Other companies may develop production technologies enabling them to produce silicon wafers that could yield higher conversion efficiencies at a lower cost than our products. Some of our competitors are developing alternative and competing solar technologies that may require significantly less silicon than solar cells and modules, or no silicon at all. Technologies developed or adopted by others may prove more advantageous than ours for commercialization of solar power products and may render our products obsolete. As a result, we may need to invest significant resources in research and development to maintain our market position, keep pace with technological advances in the solar power industry and effectively compete in the future. Our failure to further refine and enhance our products or to keep pace with evolving technologies and industry standards could cause our products to become uncompetitive or obsolete, which could in turn reduce our market share and cause our revenue and net income to decline.

Existing regulations and policies and changes to these regulations and policies 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 electricity generation products is heavily influenced by government regulations and policies concerning the electric utility industry, as well as policies adopted by electric utilities companies. These regulations and policies often relate to electricity pricing and technical interconnection of customer-owned electricity generation. In a number of countries, these regulations and policies are being modified and may continue to be modified. Customer purchases of, or further investment in the research and development of, alternative energy sources, including solar power technology, could be deterred by these regulations and policies, which could result in a significant reduction in the demand for our products. For example, without a regulatory mandated exception for solar power systems, utility customers are often charged interconnection or standby fees for putting distributed power generation on the electric utility grid. These fees could increase the cost of solar power and make it less desirable, thereby decreasing the demand for our products, harming our business, prospects, results of operations and financial condition.

In addition, we anticipate that solar power products and their installation will be subject to oversight and regulation in accordance with national and local regulations relating to building codes, safety, environmental protection, utility interconnection, and metering and related matters. Any new government regulations or utility policies pertaining to solar power products may result in significant additional expenses to the users of solar power products and, as a result, could eventually cause a significant reduction in demand for our products.

We may be subject to significant vacant land fees or even forfeit our land use rights with respect to two pieces of land zoned for residential use.

In January and June 2008, Jiangxi Jinko obtained the land use rights for two parcels of land zoned for residential use in the Shangrao Economic Development Zone with site areas of approximately 102,507 square meters and 133,334 square meters, respectively. Jiangxi Jinko paid an aggregate amount of RMB157.7 million in relation to such land use rights, including land use right fees of RMB151.5 million and relevant taxes and fees of RMB6.2 million. Under the agreement between the local land and resource bureau and Jiangxi Jinko, Jiangxi Jinko is only permitted to develop residential buildings on these two parcels of land and are required to commence its construction and development work no later than August 31, 2008 and December 31, 2008, respectively. While we intend to construct employee dormitories on these two parcels in connection with our capacity expansion plans for our silicon wafer and solar module production, we have not started construction on these parcels of land yet and do not have any concrete plan for construction either.

Under the relevant PRC laws and regulations, unless the delay of the construction is caused by force majeure, government actions or any necessary pre-construction work, if Jiangxi Jinko fails to commence construction and development work on these two parcels of land within one year after the respective deadlines, it may be subject to a fine of 20% of the land use right fees, which is up to approximately RMB30.3 million. We may also be subject to liquidated damages for failure to commence construction promptly. If Jiangxi Jinko does not commence construction and development work within two years after the respective deadlines, it may forfeit its land use rights without compensation. Jiangxi Jinko obtained a confirmation letter dated August 16, 2009 issued by the local land and resource bureau, or the local land bureau, in which the local land bureau confirmed that the two parcels of land had not been delivered to Jiangxi Jinko because the pre-construction work had not been finished by the local land bureau, and therefore, Jiangxi Jinko would not be subject to any vacant land fees or liquidated damages due to its failure to commence construction before the above-mentioned deadlines. The letter further confirmed that Jiangxi Jinko s ownership to the two parcels of land would not be affected.

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

We rely on a limited number of equipment suppliers for all our principal manufacturing equipment and spare parts, including our ingot furnaces, squaring machines, wire saws, diffusion furnaces, firing furnaces and screen print machine. Our equipment suppliers include Miyamoto Trading Limited, or Miyamoto, GT Solar Incorporated, or GT Solar, Changzhou Huasheng Tianlong Mechanical Co., Ltd or Huasheng Tianlong, NPC Incorporated, or NPC. These suppliers have supplied most of our current principal equipment and spare parts, and we will also rely on them to provide a substantial portion of the principal manufacturing equipment and spare parts contemplated in our expansion plan. We have entered into contracts with these and other equipment manufacturers to purchase additional equipment from them for our planned expansion of annual silicon wafer and solar module production capacity to approximately 500 MW each and annual solar cell production capacity to approximately 400 MW by the end of 2010.

If we fail to develop or maintain our relationships with these and other equipment suppliers, or should any of our major equipment suppliers encounter difficulties in the manufacturing or shipment of its equipment or spare parts to us, including due to natural disasters or otherwise fail to supply equipment or spare parts according to our requirements, it will be difficult for us to find alternative providers for such equipment on a timely basis and on commercially reasonable terms. As a result, the implementation of our expansion plan may be interrupted and our production could be adversely affected.

We require a significant amount of cash to fund our operations and business expansion; if we cannot obtain additional capital on terms satisfactory to us when we need it, our growth prospects and future profitability may be materially and adversely affected.

We require a significant amount of cash to fund our operations, including payments to suppliers for our polysilicon feedstock. We will also need to raise fund for the expansion of our production capacity and other investing activities, as well as our research and development activities in order to remain competitive. We believe that our current cash, anticipated cash flow from operations and the proceeds from this offering will be sufficient to meet our anticipated cash needs for the next 12 months, including for working capital and capital expenditures. However, future acquisitions, expansions, market changes or other developments may cause us to require additional funds. Our ability to obtain external financing is subject to a number of uncertainties, including:

- our future financial condition, results of operations and cash flows;
- the state of global credit markets;
- general market conditions for financing activities by companies in our industry; and
- economic, political and other conditions in China and elsewhere.

If we are unable to obtain funding in a timely manner or on commercially acceptable terms, or at all, our growth prospects and future profitability may be materially and adversely affected.

We do not expect to require customers to make advance payments to us in the future and began selling our products on credit terms, which may increase our working capital requirements and expose us to the credit risk of our customers.

Historically, we required customers, including our long-term customers, to make prepayments equivalent to a certain percentage of the contract price before product delivery, a business practice that helped us to manage our accounts receivable, prepay our suppliers and reduce the amount of funds that we need to finance our working capital requirements. However, as the market becomes increasingly competitive, we do not expect to enter into further sales contracts that will require our customers to make prepayments.

Commencing in the fourth quarter of 2008, we also began selling our products to some customers on credit terms and allowed them to delay payments of the full purchase price for a certain period of time after delivery of our products. Eliminating advance payment arrangements and starting credit sales to our customers have increased, and may continue to increase our working capital requirement, which may negatively impact our short-term liquidity. Although we have been able to maintain adequate working capital primarily through cash generated from our operating activities, we may not be able to continue to do so in the future and may need to secure additional financing for our working capital requirements. If we fail to secure additional financing on a timely basis or on terms acceptable to us, our financial conditions, results of operations and liquidity may be adversely affected. In addition, we are exposed to the credit risk of our customers to which we have made credit sales in the event that any of such customers becomes insolvent or bankrupt or otherwise does not make payments to us on time.

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

We commenced sales in overseas markets in May 2008, when we exported a small portion of our products to Hong Kong. Since then we have increased our sales in overseas markets. In 2009, we generated 42.8% of our

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revenues from export sales. We plan to continue to increase sales outside of China and expand our customer base overseas. However, the marketing, distribution and sale of our products in overseas markets may expose us to a number of risks, including:

- fluctuations in currency exchange rates;
- increased costs associated with maintaining the ability to understand the local markets and follow their trends, as well as develop and maintain effective marketing and distributing presence in various countries;
- providing customer service and support in these markets;
- failure to develop appropriate risk management and internal control structures tailored to overseas operations;
- difficulty and cost relating to compliance with the different commercial and legal requirements of the overseas markets in which we offer or plan to offer our products and services;
- failure to obtain or maintain certifications for our products or services in these markets;
- inability to obtain, maintain or enforce intellectual property rights;
- unanticipated changes in prevailing economic conditions and regulatory requirements;
- difficulty in employing and retaining sales personnel who are knowledgeable about, and can function effectively in, overseas markets; and
- trade barriers such as export requirements, tariffs, taxes and other restrictions and expenses, which could increase the prices of our products and make us less competitive in some countries.

We may be subject to non-competition or other similar restrictions or arrangements relating to our business.

We may from time to time enter into non-competition, exclusivity or other restrictions or arrangements of a similar nature as part of our sales agreements with our customers. Such restrictions or arrangements may significantly hinder our ability to sell additional products, or enter into sales agreements with new or existing customers that plan to sell our products, in certain markets. As a result, such restrictions or arrangements may have a material adverse effect on our business, financial condition and results of operation.

Our failure to maintain sufficient collaterals under certain pledge contracts for our short-term bank loans may materially and adversely affect our financial condition and results of operations.

As of December 31, 2009, Jiangxi Jinko had short-term bank borrowings of RMB219.0 million (US$32.1 million) with Bank of China, Shangrao Branch, or Shangrao Bank of China and Agricultural Bank of China, Shangrao Branch. These borrowings were secured by certain of our inventory. The net book value of the inventory at the time of the pledge contracts amounted to approximately RMB539.9 million (US$79.1 million). Due to the decline in the prices of silicon raw materials, the net book value of our inventory has decreased. According to the pledge contracts, loan agreements and applicable laws, we may be requested by the pledgees to provide additional collaterals to bring the value of the collaterals to the level required by the pledgees. If we fail to provide additional collaterals, the pledgees will be entitled to require the immediately repayment by us of the outstanding bank loans, otherwise, the pledgees may auction or sell the inventory and negotiate with us to apply the proceeds from the auction or sale to the repayment of the underlying loan. Furthermore, we may be subject to liquidated damages pursuant to relevant pledge contracts. Although the pledgees have conducted regular site inspections on our inventory since the pledge contracts were executed, they have not requested us to provide additional collaterals or take other remedial actions. However, we cannot assure you the pledgees will not require us to provide additional collaterals in the future or take other remedial actions or otherwise enforce their rights under the pledge contracts and loan agreements. If any of the foregoing occurs, our financial condition and results of operations may be materially and adversely affected.

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We may be exposed to the credit and performance risks of a third party, which may materially and adversely affect our financial condition.

On June 13, 2009, we entered into a loan agreement, or the Heji Loan Agreement, with Jiangxi Heji Investment Co., Ltd., or Heji Investment, for loans with an aggregate principal amount of up to RMB100 million. We borrowed RMB50.0 million from Heji Investment under the Heji Loan Agreement. In September and October 2009, we and Heji Investment re-arranged our borrowings under the Heji Loan Agreement into entrusted loans with an aggregate principal amount of RMB50.0 million pursuant to the entrusted loan agreements with Agricultural Bank of China, or the Entrusted Loan Agreements. In connection with the Heji Loan Agreement, we entered into a guarantee agreement, or the Guarantee Agreement, with Jiangxi International Trust Co., Ltd., or JITCL, on May 31, 2009 to guarantee Heji Investment s repayment obligations to JITCL under a loan agreement, or the JITCL Loan Agreement, pursuant to which JITCL extended a loan to Heji Investment in the principal amount of RMB50 million for a term of three years. None of the Heji Loan Agreement, the Entrusted Loan Agreements, the Guarantee Agreement and the JITCL Loan Agreement requires Heji Investment to apply the proceeds it will receive from our repayment of the entrusted loans to perform its repayment obligations under the JITCL Loan Agreement. If Heji Investment fails to perform its obligations under the JITCL Loan Agreement for any reason or otherwise defaults thereunder, we will become liable for Heji Investment s obligations under the JITCL Loan Agreement. We cannot assure you that Heji Investment will apply the proceeds of our loan repayment under the Entrusted Loan Agreements to perform its obligations under the JITCL Loan Agreement or otherwise make full repayment thereunder upon maturity. We may not be released from our obligations under the Guarantee Agreement even if we repay in full the entrusted loans. In addition, we may not be released from our repayment obligations under the Entrusted Loan Agreements even if we are asked to fulfill our obligations as guarantor under the Guarantee Agreement. If any of the above occurs, we may be required to perform obligations under both the Entrusted Loan Agreements and the Guarantee Agreement, which would have a materially adverse effect on our financial condition.

Our substantial indebtedness could adversely affect our business, financial condition and results of operations.

We typically require a significant amount of cash to meet our capital requirements, including the expansion of our production capacity, as well as to fund our operations. As of December 31, 2009, we had approximately RMB576.1 million (US$84.4 million) in outstanding short-term borrowings (including the current portion of long-term bank borrowings) and RMB348.8 million (US$51.1 million) in outstanding long-term bank borrowings (excluding the current portion and deferred financing cost).

This level of debt could have significant consequences on our operations, including:

- reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions and other general corporate purposes as a result of our debt service obligations, and limiting our ability to obtain additional financing;

- 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

- potentially increasing the cost of any additional financing.

Any of these factors and other consequences that may result from our substantial indebtedness could have an adverse effect on our business, financial condition and results of operations as well as our ability to meet our payment obligations under our debt.

Our ability to meet our payment obligations under our outstanding debt 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 believe that available credit under existing bank credit facilities as well as cash on hand and expected operating cash flow, will be sufficient to meet our anticipated cash needs, including our cash needs for working capital and capital expenditure for the next 12 months. However, we cannot assure you that our business will generate adequate cash flow from operations to support our operations and service our debt obligations, or that future borrowings will be available to us under our existing or any future credit facilities or otherwise, in an amount sufficient to enable us to meet our payment obligations under our outstanding debt while continuing to fund our other 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, sell assets, reduce or delay capital investments, or seek to raise additional capital. If we are unable to implement one or more of these alternatives, we may not be able to meet our payment and other obligations under our outstanding debt, which may have a material adverse effect on our operations and financial condition.

Our research and development initiatives may fail to enhance manufacturing efficiency or quality of our products.

We are making efforts to improve our manufacturing processes and improve the conversion efficiency and quality of our products. We plan to focus our research and development efforts on improving each step of our production process, making us an industry leader in technological innovation. In addition, we undertake research and development to enhance the quality of our products. We cannot assure you that such efforts will improve the efficiency of manufacturing processes or yield products with expected quality. In addition, the failure to realize the intended benefits from our research and development initiatives could limit our ability to keep pace with rapid technological changes, which in turn would hurt our business and prospects.

Failure to achieve satisfactory production volumes of our products could result in a decline in sales.

The production of silicon wafers, solar cells, solar modules, silicon ingots and recovered silicon materials involves complex processes. Deviations in the manufacturing process can cause a substantial decrease in output and, in some cases, disrupt production significantly or result in no output. We have from time to time experienced lower-than-anticipated manufacturing output during the ramp-up of production lines. This often occurs during the introduction of new products, the installation of new equipment or the implementation of new process technologies. As we bring additional lines or facilities into production, we may operate at less than intended capacity during the ramp-up period. This would result in higher marginal production costs and lower than expected output, which could have a material adverse effect on our results of operations.

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

Our results may be affected by factors such as changes in costs of raw materials, delays in equipment delivery, suppliers failure to perform their delivery obligations and interruptions in electricity supply and other key production inputs. In particular, our results may be affected by the general economic conditions and the state of the credit markets both in China and elsewhere in the world, which may affect the demand for our products and availability of financing resources. The rapid expansion of virgin polysilicon manufacturing capacity and falling demand for solar power products including our products resulting from the global recession and credit market contraction caused the prices of solar power products including our products to decline in the fourth quarter of 2008 and first half of 2009. As a consequence, although we experienced revenue growth in periods prior to the global recession, our profit margins were adversely affected in the fourth quarter of 2008 and first half of 2009. In addition, because demand for solar power products tends to be weaker during the winter months partly due to adverse weather conditions in certain regions, which complicate the installation of solar power systems, our operating results may fluctuate from period to period based on the seasonality of industry demand for solar power products. Our sales in the first quarter of any year may also be affected by the occurrence of the Chinese New Year holiday during which domestic industrial activity is normally lower than that at other times. Further, in order to become a fully-integrated maker of solar power products, we have rapidly expanded our manufacturing capacities of silicon wafers, solar cells and solar modules over the past few years, and the respective manufacturing capacities of each product in the value chain have not been perfectly matched. To fully capture demand for various types of solar power products, at different times during 2009 we sold silicon wafers and solar cells as end-products to certain customers, and also purchased silicon wafers and solar cells as inputs for the manufacturing of solar cells and solar modules, respectively, and sold these solar cells and solar modules as end-products. As a result, compared to a fully-integrated maker of solar power products of comparable size with equal manufacturing capacities for silicon wafers, solar cells and solar modules, our sales and our total revenues were larger and our gross profit margin was lower as we were not able to capture the profit in the entire value chain. In future periods, our sales revenues and gross profit margin may vary as we better match our silicon wafer and solar cell capacity to our solar module capacity to become fully vertically integrated. In addition, from time to time we may apply for and receive government incentives in the form of subsidy income, and the amount of such subsidy varies from period to period, which may cause our net income and net margin to vary from period to period. In 2009, we received government subsidy totaling RMB8.6 million (US$1.3 million), which included subsidy for our expansion of production scale, technology upgrades and development of export markets. We cannot assure you that we will continue to receive a similar amount or any amount of government subsidy in future periods. As a result of the foregoing, you may not be able to rely on period to period comparisons of our operating results as an indication of our future performance.

Unsatisfactory performance of or defects in our products may cause us to incur additional expenses and warranty costs, damage our reputation and cause our sales to decline.

Our products may contain defects that are not detected until after they are shipped or inspected by our customers. Our silicon wafer sales contracts normally require our customers to conduct inspection before delivery. We may, from time to time, allow those of our silicon wafer customers with good credit to return our silicon wafers within a stipulated period, which normally ranges from seven to 45 working days after delivery, if they find our silicon wafers do not meet the required specifications. Our standard solar cell sales contract requires our customer to notify us within seven days of delivery if such customer finds our solar cells do not meet the specifications stipulated in the sales contract. If our customer notifies us of such defect within the specified time period and provides relevant proof, we will replace those defective solar cells with qualified ones after our confirmation of such defects. Our solar modules are typically sold with either a two-year or five-year warranty for all defects and a 10-year and 25-year warranty against declines of more than 10.0% and 20.0%, respectively, from the initial minimum power generation capacity at the time of delivery. If a solar module is defective during the relevant warranty period, we will either repair or replace the solar module. If we experience a significant increase in warranty claims, we may incur significant repair and replacement costs associated with such claims. In addition, product defects could cause significant damage to our market reputation and reduce our product sales and market share, and our failure to maintain the consistency and quality throughout our production process could result in substandard quality or performance of our products. If we deliver our products with defects, or if there is a perception that our products are of substandard quality, we may incur substantially increased costs associated with returns or replacements of our products, our credibility and market reputation could be harmed and our sales and market share may be adversely affected.

As the import of recoverable silicon materials is subject to approvals from relevant governmental authorities, if we have to import recoverable silicon materials in the future for our silicon ingot manufacturing and we cannot obtain such approvals in a timely manner or at all, our raw material supplies may be adversely affected.

Historically, a portion of our recoverable silicon raw materials were imported from overseas suppliers. China has implemented rules regulating the import of waste materials into China, under which waste materials are categorized as automatically permitted, restricted or prohibited. If certain imported material is recognized as waste material and is not categorized as automatically permitted or restricted, it generally will be deemed as prohibited for import. The prohibited waste materials are not allowed to be imported into China. The import of restricted waste material is subject to the approval of various government authorities, including environmental protection authorities. On July 3, 2009, the PRC Ministry of Environmental Protection, Ministry of Commerce, National Development and Reform Commission, General Administration of Customs and General

Administration of Quality Supervision, Inspection and Quarantine jointly issued the Revised Imported Solid Waste Catalogues, or the Revised Catalogues, which became effective on August 1, 2009. According to the Revised Catalogues, recoverable silicon materials with a purity rate above 99.99% fall into the restricted catalogue and, consequently, the import of such recoverable silicon materials is subject to approvals from environmental protection authorities and other relevant governmental authorities. Currently, we do not import any recoverable silicon materials for our silicon ingot production. However, if we have to import recoverable silicon materials in the future to meet our capacity expansion requirement and we cannot obtain relevant approvals in timely manner or at all, we may be unable to obtain recoverable silicon in sufficient quantities to support our production. If this occurs, we may be forced to rely more heavily on virgin polysilicon suppliers to source silicon in quantities sufficient to support our production, resulting in production delays and increased costs, which could materially and adversely affect our business and results of operations.

Fluctuations in exchange rates could adversely affect our results of operations.

Although most of our sales since our inception have been denominated in Renminbi, in 2009 we generated 42.8% of our revenue from export sales. As a result of our business expansion into the U.S. and European markets, we expect that an increasing portion of our sales will be denominated in U.S. dollars and Euro. A portion of our costs and capital expenditures, including purchase of raw materials and equipment from foreign vendors, are denominated in U.S. dollars and Japanese Yen. In addition, we have outstanding debt obligations, and may continue to incur debts from time to time, denominated and repayable in foreign currencies. We do not currently hedge our exchange rate exposure. 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. In addition, we make advance payments in U.S. dollars to overseas silicon raw material suppliers, and from time to time, we may incur foreign exchange losses if we request our suppliers to return such advance payments due to changes in our business plans. In 2008, we incurred foreign exchange losses of approximately RMB5.0 million as one third-party supplier returned our U.S. dollar advance payments which depreciated against the Renminbi in 2008. Fluctuations in exchange rates, particularly among the U.S. dollar, Renminbi, Euro and Japanese Yen, may affect our gross and net profit margins and could result in foreign exchange and operating losses.

Our financial statements are expressed in Renminbi and the functional currency of our principal operating subsidiaries, Jiangxi Jinko and Zhejiang Jinko, is also Renminbi. The value of your investment in our ADSs will be affected by the foreign exchange rate between U.S. dollars and Renminbi. In addition, to the extent we hold assets denominated in U.S. dollars, including the net proceeds to us from this offering, any appreciation of Renminbi against the U.S. dollar could result in a change to our statement of operations and a reduction in the value of our U.S. dollar denominated assets. On the other hand, if we decide to convert our Renminbi amounts into U.S. dollars for the purpose of making payments for dividends on our ordinary shares and ADSs or for other business purposes, including foreign debt service, a decline in the value of Renminbi against the U.S. dollar would reduce the U.S. dollar equivalent amounts of the Renminbi we convert. In addition, a depreciation of Renminbi against the U.S. dollar could reduce the U.S. dollar 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 price of our ADSs.

Renminbi is not a freely convertible currency. The PRC government may take actions that could cause future exchange rates to vary significantly from current or historical exchange rates. The conversion of Renminbi into foreign currencies, including U.S. dollars, has been based on rates set by the People s Bank of China. On July 21, 2005, in a reversal of a long-standing policy, the PRC government announced that the Renminbi would be permitted to fluctuate within a narrow and managed band against a basket of specified foreign currencies. Since this announcement, the value of the Renminbi has been fluctuating. The Renminbi appreciated against the U.S. dollar by approximately 5.7% as of December 31, 2006, approximately 11.9% as of December 31, 2007, approximately 17.6% as of December 31, 2008 and approximately 17.5% as of December 31, 2009. However, influenced by the global economic crisis, the exchange rate between U.S. dollar and Renminbi has become more unpredictable. While international reactions to the Renminbi revaluation have generally been positive, there

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remains significant international pressure on the PRC government to adopt an even more flexible foreign currency policy, which could result in further and more significant appreciation of the Renminbi against the U.S. dollar. There can be no assurance that any future movements in the exchange rate of the Renminbi against the U.S. dollar or other foreign currencies will not adversely affect our results of operations and financial condition (including our ability to pay dividends). Conversely, significant depreciation in the Renminbi against major foreign currencies may have a material adverse impact on our results of operations, financial condition and share price because our ADSs are expected to be quoted in U.S. dollars, whereas most of our revenues, costs and expenses are denominated in Renminbi.

In addition, as we increase our sales to international customers, we expect the portion of our sales denominated in foreign currencies, particularly, U.S. dollars and Euros to our total revenue will increase. We also expect to incur increased foreign currency denominated capital expenditures in connection with our capacity expansion plans. In addition, we make advance payments in U.S. dollars to overseas silicon raw material suppliers, and from time to time, we may incur foreign exchange losses if we request our suppliers to return such advance payments due to changes in our business plans. These could expose us to significant risks resulting from fluctuations in currency exchange rates, particularly, among Renminbi, the U.S. dollars, Japanese Yen and Euros.

Very limited hedging transactions are available in China to reduce our exposure to exchange rate fluctuations. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited so that we may not be able to successfully hedge our exposure at all. Our currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert Renminbi into foreign currency. As a result, fluctuations in exchange rates may have a material adverse effect on our results of operations.

Our operations are subject to natural disasters, adverse weather conditions, operating hazards and labor disputes.

We may experience earthquakes, floods, snowstorms, typhoon, power outages, labor disputes or similar events beyond our control that would affect our operations. Our manufacturing processes involve the use of hazardous equipment, such as furnaces, squaring machines and wire saws, and we also use, store and generate volatile and otherwise dangerous chemicals and wastes during our manufacturing processes, which are potentially destructive and dangerous if not properly handled or in the event of uncontrollable or catastrophic circumstances, including operating hazards, fires and explosions, natural disasters, adverse weather conditions and major equipment failures, for which we cannot obtain insurance at a reasonable cost or at all.

In addition, our silicon wafer and solar module production and storage facilities are located in close proximity to one another in the Shangrao Economic Development Zone in Jiangxi Province, and our solar cell production and storage facilities are located in close proximity to one another in Haining, Zhejiang Province. The occurrence of any natural disaster, unanticipated catastrophic event or unexpected accident in either of the two locations could result in production curtailments, shutdowns or periods of reduced production, which could significantly disrupt our business operations, cause us to incur additional costs and affect our ability to deliver our products to our customers as scheduled, which could adversely affect our business, financial condition and results of operations. Moreover, such events could result in severe damage to property, personal injuries, fatalities, regulatory enforcement proceedings or in our being named as a defendant in lawsuits asserting claims for large amounts of damages, which in turn could lead to significant liabilities.

We experienced a production disruption due to power blackouts at our facilities in the Shangrao Municipality resulting from severe winter weather conditions in early 2008. In May 2008, Sichuan Province in southwest China experienced a severe earthquake. Although the Sichuan Province earthquake did not materially affect our production capacity and operations, other occurrences of natural disasters, as well as accidents and incidents of adverse weather in or around Shangrao and Haining in the future may result in significant property damage, electricity shortages, disruption of our operations, work stoppages, civil unrest, personal injuries and, in

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severe cases, fatalities. Such incidents may result in damage to our reputation or cause us to lose all or a portion of our production capacity, and future revenues anticipated to be derived from the relevant facilities.

As our founders collectively hold a controlling interest in us, they have significant influence over our management and their interests may not be aligned with our interests or the interests of our other shareholders.

As of the date of this prospectus, our founders, Xiande Li who is our chairman, Kangping Chen who is our chief executive officer, and Xianhua Li who is our vice president, beneficially owned approximately 35.8%, 21.5% and 14.3%, respectively, of our outstanding ordinary shares on an as-converted basis. Xiande Li, the brother-in-law of Kangping Chen, and Xianhua Li are brothers. Upon completion of this offering, an aggregate of approximately 52.3% of our outstanding ordinary shares will be held by our founders. If the founders act collectively, they will have substantial control over our business, including decisions regarding mergers, consolidations and the sale of all or substantially all of our assets, election of directors, dividend policy and other significant corporate actions. They may take actions that are not in the best interest of our company or our securities holders. For example, this concentration of ownership may discourage, delay or prevent a change in control of our company, which could deprive our shareholders of an opportunity to receive a premium for their shares as part of a sale of our company and might reduce the price of our ADSs. On the other hand, if the founders are in favor of any of these actions, these actions may be taken even if they are opposed by our other shareholders, including you and those who invest in ADSs. In addition, under our third amended and restated articles of association that will become effective upon the completion of this offering, the quorum required for the general meeting of our shareholders is two shareholders entitled to vote and present in person or by proxy or, if the shareholder is a corporation, by its duly authorized representative representing not less than one-third in nominal value of our total issued voting shares. As such, a shareholders resolution may be passed at our shareholders meetings with the presence of our founders only and without the presence of any of our other shareholders, which may not represent the interests of our other shareholders, including holders of ADSs.

Our founders may be obligated to transfer up to 41.3% of our issued and outstanding share capital to holders of our series B redeemable convertible preferred shares for no further consideration, which may result in our founders losing control of our company.

In connection with the investment by the holders of series B redeemable convertible preferred shares in us, our founders executed and delivered a commitment letter to the holders of our series B redeemable convertible preferred shares on December 16, 2008, which was subsequently amended on June 22, 2009. Pursuant to the June 2009 Modification, we will deliver to the holders of series B redeemable convertible preferred shares our audited financial statements for 2010 by April 30, 2011. If by the time we deliver our audited financial statements for 2010, the Qualified IPO has not been completed and our net income after certain adjustments is less than the target amount for 2010, our founders will be obligated to transfer to the holders of series B redeemable convertible preferred shares for no further consideration an aggregate of up to 26,273,540 ordinary shares, representing 41.3% of our issued and outstanding share capital immediately before this offering, which may result in our founders losing control of our company. This offering is expected to constitute a Qualified IPO. See Description of Share Capital History of Share Issuances and Other Financings Share Exchange , June 2009 Modification and September 2009 Modification. If such transfer occurs, ou founders may be unwilling or unable to continue to serve our company in their present positions, and we may not be able to replace them readily with a management team with comparable experience, commitment and incentives in managing our company, if at all. As a result, our business may be severely disrupted and we may have to incur additional expenses in order to recruit and retain new management team and other personnel. In addition, if any of our founders joins a competitor or forms a competing company, we may lose some of our customers and market share. As a result, our business and results of operation may be materially and adversely affected. See Our business depends substantially on the continuing efforts of our executive officers and key technical personnel, as well as our ability to maintain a skilled labor force. Our business may be materially and adversely affected if we lose their services.

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We have limited insurance coverage and may incur losses resulting from product liability claims, business interruption or natural disasters.

We are exposed to risks associated with product liability claims in the event that the use of our products results in property damage or personal injury. Since our products are ultimately incorporated into electricity generating systems, it is possible that users could be injured or killed by devices that use our products, whether as a result of product malfunctions, defects, improper installations or other causes. Due to our limited operating history, we are unable to predict whether product liability claims will be brought against us in the future or to predict the impact of any resulting adverse publicity on our business. The successful assertion of product liability claims against us could result in potentially significant monetary damages and require us to make significant payments. We carry limited product liability insurance and may not have adequate resources to satisfy a judgment in the event of a successful claim against us. In addition, we do not carry any business interruption insurance. As the insurance industry in China is still in its early stage of development, even if we decide to take out business interruption coverage, such insurance available in China offers limited coverage compared with that offered in many other countries. Any business interruption or natural disaster could result in substantial losses and diversion of our resources and materially and adversely affect our business, financial condition and results of operations.

The grant of employee share options and other share-based compensation could adversely affect our net income.

We adopted a share incentive plan on July 10, 2009 which was subsequently amended and restated, or the 2009 Long Term Incentive Plan. As of the date of this prospectus, we reserved 7,325,122 ordinary shares under the 2009 Long Term Incentive Plan, and share options with respect to 4,536,480 ordinary shares have been granted to our directors, officers and employees pursuant to such plan. U.S. GAAP requires us to recognize share-based compensation as compensation expense in the statement of operations based on the fair value of equity awards on the date of the grant, with the compensation expense recognized over the period in which the recipient is required to provide service in exchange for the equity award. If we grant more share options to attract and retain key personnel, the expenses associated with share-based compensation may adversely affect our net income. However, if we do not grant share options or reduce the number of share options that we grant, we may not be able to attract and retain key personnel.

Our lack of sufficient patent protection in and outside of China may undermine our competitive position and subject us to intellectual property disputes with third parties, both of which may have a material adverse effect on our business, results of operations and financial condition.

We have developed various production process related know-how and technologies in the production of our products. Such know-how and technologies play a critical role in our quality assurance and cost reduction. In addition, we have implemented a number of research and development programs with a view to developing techniques and processes that will improve production efficiency and product quality. Our intellectual property and proprietary rights arising out of these research and development programs will be crucial in maintaining our competitive edge in the solar power industry. As of the date of this prospectus, we had four patents and ten pending patent applications in China. We plan to continue to seek to protect our intellectual property and proprietary knowledge by applying for patents for them. However, we cannot assure you that we will be successful in obtaining patents in China in a timely manner or at all. Moreover, even if we are successful, China currently affords less protection to a company s intellectual property than some other countries, including the United States. We also use contractual arrangements with employees and trade secret protections to protect our intellectual property and proprietary rights. Nevertheless, contractual arrangements afford only limited protection and the actions we may take to protect our intellectual property and proprietary rights may not be adequate.

In addition, others may obtain knowledge of our know-how and technologies through independent development. Our failure to protect our production process, related know-how and technologies and/or our intellectual property and proprietary rights may undermine our competitive position. Third parties may infringe or misappropriate our proprietary technologies or other intellectual property and proprietary rights. Policing unauthorized use of proprietary technology can be difficult and expensive. Litigation, which can be costly and divert management attention and other resources away from our business, may be necessary to enforce our intellectual property rights, protect our trade secrets or determine the validity and scope of our proprietary rights. We cannot assure you that the outcome of such potential litigation will be in our favor. An adverse determination in any such litigation will impair our intellectual property and proprietary rights and may harm our business, prospects and reputation.

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

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

Our business depends substantially on the continuing efforts of our executive officers and key technical personnel, as well as our ability to maintain a skilled labor force. Our business may be materially and adversely affected if we lose their services.

Our success depends on the continued services of our executive officers and key personnel, in particular Mr. Xiande Li, Mr. Kangping Chen and Mr. Xianhua Li, who are our founders. We do not maintain key-man life insurance on any of our executive officers and key personnel. If one or more of our executive officers and key personnel are unable or unwilling to continue in their present positions, we may not be able to replace them readily, if at all. As a result, our business may be severely disrupted and we may have to incur additional expenses in order to recruit and retain new personnel. In addition, if any of our executives joins a competitor or forms a competing company, we may lose some of our customers. Each of our executive officers and key personnel has entered into an employment agreement with us that contains confidentiality and non-competition provisions. However, if any dispute arises between our executive officers or key personnel and us, we cannot assure you, in light of uncertainties associated with the PRC legal system, that these agreements could be enforced in China where most of our executive officers and key personnel reside and hold most of their assets. See Risks Related to Doing Business in China Uncertainties with respect to the PRC legal system could have a material adverse effect on us in this prospectus.

Furthermore, recruiting and retaining capable personnel, particularly experienced engineers and technicians familiar with our products and manufacturing processes, is vital to maintain the quality of our products and improve our production methods. There is substantial competition for qualified technical personnel, and we cannot assure you that we will be able to attract or retain qualified technical personnel. If we are unable to attract and retain qualified employees, key technical personnel and our executive officers, our business may be materially and adversely affected.

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We and our Chief Strategy Officer may be subject to claims of contractual breach arising from his previous employment agreement.

Mr. Arturo Herrero, our Chief Strategy Officer, was previously employed by Trina Solar Limited, or Trina, our competitor, until January 2010. Mr. Herrero s employment agreement with Trina contained certain covenants purporting to prohibit Mr. Herrero from competing with Trina in the event his employment relationship with Trina ceased. These provisions include prohibitions for a period of one year after termination on (a) soliciting customers, contacts or clients of Trina, (b) accepting employment with or providing service to any competitor of Trina in the PRC or any other territory in which Trina carries on business and (c) soliciting employees of Trina. If Trina brought legal action against us and/or Mr. Herrero seeking to enforce these provisions, it could seek (i) to enjoin Mr. Herrero from acting in his capacity as our Chief Strategy Officer or any other capacity on our behalf, and (ii) damages for breach of contract or inducement to breach for any loss or injury it suffered as a result of the alleged breach. Under Hong Kong law which governs Mr. Herrero s employment agreement with Trina, restrictive covenants are a restraint of trade and *prima facie* void, and for a covenant to be enforceable the employer must demonstrate that the covenant protects a legitimate business interest such as goodwill, a client base, confidential information or a stable workforce and goes no further than is reasonably necessary to protect that interest. As a matter of policy, the Hong Kong courts will not revise an unenforceable restraint to make it enforceable. The courts will simply strike out or void the relevant provision. We believe that restraint (b) goes further than is reasonably necessary to protect the legitimate business interest of Trina and so would be likely ruled unenforceable under Hong Kong law. In addition, Mr. Herrero has not approached or solicited, and has undertaken that he will not approach or solicit Trina s clients, customers, contacts or employees. Therefore, we believe that Trina would be unlikely to prevail on such claims if brought. However, if Trina were successful in such legal action, we could lose the services of Mr. Herrero, and/or become obligated to pay damages to Trina. Such an event could materially and adversely affect our corporate strategy formulation, our results of operations and financial condition. Moreover, even if Trina did not prevail in such a legal action, the fact that such action was brought could itself materially adversely affect our reputation. Regardless of the outcome, any such legal action could also be time consuming, costly and distract both Mr. Herrero s and our management s attention, which would materially and adversely affect our business, results of operations and the trading price of and the value of an investment in our ADSs.

Compliance with environmental, safe production and construction regulations can be costly, while non-compliance with such regulations may result in adverse publicity and potentially significant monetary damages, fines and suspension of our business operations.

We use, store and generate volatile and otherwise dangerous chemicals and wastes during our manufacturing processes, and are subject to a variety of government regulations related to the use, storage and disposal of such hazardous chemicals and waste. We are required to comply with all PRC national and local environmental protection regulations. Under such regulations, we are prohibited from commencing commercial operations of our manufacturing facilities until we have obtained the relevant approvals from PRC environmental protection authorities. In addition, we are required to conduct a safety evaluation on our manufacturing and storage instruments every two years and to file the results of the evaluation with the dangerous chemicals safety supervision and administration authorities. Moreover, we are required to obtain construction permits before commencement of building production facilities. We commenced construction of a portion of our solar cell and module production facilities prior to obtaining the construction permits and commenced operations of certain of our production facilities prior to obtaining the environmental approvals for commencing commercial operation and completing the required safety evaluation procedure. Although we have subsequently obtained all required environmental approvals covering all of our existing production capacity except a portion of our solar cell and module production capacity, we cannot assure you that we will not be penalized by the relevant government authorities for any prior non-compliance with the PRC environmental protection, safe production and construction regulations. We are still in the process of obtaining the requisite environmental approval for the portion of our solar cell and module production capacity and construction permits for a portion of our solar cell and module production facilities, but we cannot assure you that we will be able to obtain such approval in a timely manner or at all. Failure to obtain such approval and permits may subject us to fines or disrupt our operations and construction, which may materially and adversely affect our business, results of operations and financial condition.

In addition, the PRC government may issue more stringent environmental protection, safe production and construction regulations in the future and the costs of compliance with new regulations could be substantial. If we fail to comply with the future environmental, safe production and construction laws and regulations, we may be required to pay fines, suspend construction or production, or cease operations. Moreover, any failure by us to control the use of, or to adequately restrict the discharge of, dangerous substances could subject us to potentially significant monetary damages and fines or the suspension of our business operations.

Future failure to make full contribution to the registered capital of our principal operating subsidiaries in China may subject us to fines, which may materially and adversely affect our reputation, financial condition and results of operations.

In September 2008, Jiangxi Jinko, one of our principal subsidiaries in China, obtained the approval of the Foreign Trade and Economic Cooperation Department of Jiangxi Province for the increase in its registered capital to US$190.0 million, approximately US$81.5 million of which has been contributed as of the date of this prospectus. Under the relevant PRC laws and regulations, Paker, our wholly-owned subsidiary and Jiangxi Jinko s sole shareholder, is required to contribute the remaining US$108.5 million by the end of January 2011. On December 7, 2009, Zhejiang Jinko was approved by the Foreign Trade and Economic Cooperation Bureau of Haining to increase its registered capital to US$34.0 million, approximately US$29.2 million of which has been contributed as of the date of this prospectus. According to the relevant PRC laws and regulations, Jiangxi Jinko and Paker are required to contribute the remaining approximately US$4.8 million to the registered capital of Zhejiang Jinko by December 18, 2011. We plan to use part of the proceeds from this offering to make the full contribution before the required deadlines. According to the relevant PRC laws and regulations, failure by a shareholder of a company to make full contribution to the company s registered capital before the required deadline may subject the shareholder to a fine in the amount of 5% to 15% of the contribution that such shareholder has committed but has failed to make before the deadline. There is no assurance that we will have sufficient funds to make the full contributions to our PRC subsidiaries registered capital before such deadlines. If for any reason we fail to raise sufficient funds or otherwise fail to make the full contributions to our PRC subsidiaries registered capital before their respective deadlines, we may be subject to such fines, which may materially and adversely affect our reputation, financial condition and results of operations.

Risks Related to Doing Business in China

If we were required to obtain the prior approval of the PRC Ministry of Commerce, or MOFCOM, for or in connection with our corporate restructuring in 2007 and 2008, our failure to do so could have a material adverse effect on our business, operating results and trading price of our ADSs.

On August 8, 2006, six PRC governmental and regulatory agencies, including MOFCOM and the CSRC, promulgated a rule entitled Provisions Regarding Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or Circular 10, which became effective on September 8, 2006. Article 11 of Circular 10 requires PRC domestic enterprises or domestic natural persons to obtain the prior approval of MOFCOM when an offshore company established or controlled by them proposes to merge with or acquire a PRC domestic company with which such enterprises or persons have a connected relationship.

We undertook a restructuring in 2007, or the 2007 Restructuring. See Our Corporate History and Structure Our Domestic Restructuring. Our founders and Paker obtained the approval of the Foreign Trade and Economic Cooperation Department of Jiangxi Province, or Jiangxi MOFCOM, for the acquisition and the share pledge, or the 2007 acquisition and pledge. However, because our founders are PRC natural persons and they controlled both Paker and Jiangxi Desun, the 2007 acquisition and pledge would be subject to Article 11 of Circular 10 and therefore subject to approval by MOFCOM at the central government level.

To remedy this past non-compliance with Circular 10 in connection with the 2007 Restructuring, we undertook another corporate restructuring in 2008, or the 2008 Restructuring, under which the share pledge was terminated on July 28, 2008 and Paker transferred all of its equity interest in Jiangxi Desun to Long Faith Creation Limited, or Long Faith, an unrelated Hong Kong company, on July 31, 2008. In addition, we visited Jiangxi MOFCOM in November 2008 and made inquiries regarding the possible adverse effect, if any, that the past non-compliance in connection with the 2007 acquisition and pledge may have on us. Furthermore, on November 11, 2008, Jiangxi MOFCOM confirmed in its written reply to us that there had been no modification to the former approvals for the 2007 acquisition and pledge and Paker s transfer of its equity interest in Jiangxi Desun to Long Faith, and we might continue to rely on those approvals for further transactions. Our PRC counsel, Chen & Co. Law Firm, has advised us that, based on their understanding of current PRC laws and regulations and the confirmation in Jiangxi MOFCOM s written reply, and because Paker has transferred all of its equity interest in Jiangxi Desun to Long Faith Creation Limited and has terminated the share pledge and has duly completed all relevant approval and registration procedures for such transfer and termination, the possibility for the approval relating to the 2007 acquisition and pledge to be revoked is remote and our corporate structure currently complies in all respects with Circular 10. Nevertheless, we cannot assure you that MOFCOM will not revoke such approval and subject us to regulatory actions, penalties or other sanctions because of such past non-compliance. If the approval of Jiangxi MOFCOM for the 2007 acquisition and pledge were revoked and we were not able to obtain MOFCOM s retrospective approval for the 2007 acquisition and pledge, Jiangxi Desun may be required to return the tax benefits to which only a foreign-invested enterprise was entitled and which were recognized by us during the period from April 10, 2007 to December 31, 2007, and the profit distribution to Paker in December 2008 may be required to be unwound. Under an indemnification letter issued by our founders to us, our founders have agreed to indemnify us for any monetary losses we may incur as a result of any violation of Circular 10 in connection with the restructuring we undertook in 2007. We cannot assure you, however, that this indemnification letter will be enforceable under the PRC law, our founders will have sufficient resources to fully indemnify us for such losses, or that we will not otherwise suffer damages to our business and reputation as a result of any sanctions for such non-compliance.

As part of our 2008 Restructuring, Jiangxi Jinko and Jiangxi Desun entered into certain transactions, or the 2008 Restructuring Transactions. See Our Corporate History and Structure Our Domestic Restructuring.

Our PRC counsel, Chen & Co. Law Firm, has advised us, based on their understanding of current PRC laws and regulations, and subject to any future rules, regulations, requirements, or interpretations to the contrary promulgated by competent PRC governmental authorities, that Circular 10, which governs the merger with or acquisition of shares or assets of PRC domestic enterprises by foreign investors for the purpose of establishing foreign-invested enterprises, does not apply to the 2008 Restructuring Transactions because we believe the 2008 Restructuring Transactions, as a whole, were not a merger with or acquisition of Jiangxi Desun s shares or assets. However, Circular 10 is unclear in certain respects, including what constitutes a merger with or acquisition of PRC domestic enterprises and what constitutes circumvention of its approval requirements. If MOFCOM subsequently determines that its approval of the 2008 Restructuring Transactions were required, we may face regulatory actions or other sanctions by MOFCOM or other PRC regulatory agencies. Such actions may include compelling us to terminate the contracts between Jiangxi Desun and our company, the limitation of our operating privileges in China, the imposition of fines and penalties on our operations in China, delay or restriction on the repatriation of the proceeds from this offering into China, restrictions or prohibition on the payment or remittance of dividends by Jiangxi Jinko or others that may have a material adverse effect on our business, financial condition, results of operations, reputation and prospects, as well as the trading price of our ADSs.

If we were required to obtain the prior approval of the China Securities Regulatory Commission, or CSRC, for or in connection with this offering and the listing of our ADSs on the NYSE, our failure to do so could cause the offering to be delayed or cancelled.

Circular 10 also requires that an offshore special purpose vehicle, or SPV, which is controlled by a PRC resident for the purpose of listing its rights and interests in a PRC domestic enterprise on an overseas securities exchange through the listing of the SPV s shares, obtain approval from the CSRC prior to publicly listing its securities on such overseas securities exchange. On September 21, 2006, the CSRC published procedures specifying documents and materials that must be submitted by SPVs seeking CSRC approval of their overseas listings. Our PRC counsel, Chen & Co. Law Firm, has advised us, based on their understanding of current PRC laws and regulations, and subject to any future rules, regulations, requirements, or interpretations to the contrary promulgated by competent PRC governmental authorities, that CSRC approval is not required for our initial public offering or the listing of our ADSs on the NYSE because:

- the CSRC approval requirement under the Circular 10 only applies to overseas listings of SPVs that have used their existing or newly issued equity interest to acquire existing or newly issued equity interest in PRC domestic companies, or the SPV-domestic company share swap, and there has not been any SPV-domestic company share swap in our corporate history; and

- Paker s interest in Jiangxi Jinko was obtained by means of green field investment, or the incorporation of Jiangxi Jinko, rather than through the acquisition of shares or assets of an existing PRC domestic enterprise.

However, if the CSRC or another PRC governmental agency subsequently determines that we are required to obtain CSRC approval prior to the completion of this offering, this offering will be delayed until we obtain CSRC approval, which may take many months. If during or following our offering it is determined that CSRC approval is required, we may face regulatory actions or other sanctions from the CSRC or other PRC regulatory agencies. These agencies may impose fines and penalties on our operations in China, limit our operating privileges in China, or take other actions that could have a material adverse effect on our business, financial condition, results of operations, reputation and prospects, as well as the trading price of our ADSs. The CSRC or other PRC regulatory agencies also may take actions requiring us, or making it advisable for us, to halt this offering before settlement and delivery of the ADSs offered hereby. Consequently, if you engage in market trading or other activities in anticipation of and prior to settlement and delivery, you do so at the risk that settlement and delivery may not occur.

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.

Our business is based in China and a majority of our sales are made in China. Accordingly, our business, financial condition, results of operations and prospects are affected significantly by economic, political and legal developments in China. The PRC economy differs from the economies of most developed countries in many respects, including:

- the level of government involvement;

- the level of development;

- the growth rate;

- the control of foreign exchange; and

- the allocation of resources.

While the PRC economy has grown significantly in the past 30 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 PRC economy, but may have a negative effect on us. For example, our financial condition and results of operations may be materially and adversely affected by government control over capital investments or changes in tax regulations that are applicable to us.

The PRC 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 China s economic growth through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. We cannot predict whether changes in China s political, economic and social conditions, laws, regulations and policies will have any material adverse effect on our current or future business, financial conditions and results of operations.

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

We are incorporated in Cayman Islands and are subject to laws and regulations applicable to foreign investment in China and, in particular, laws applicable to wholly foreign owned companies. The PRC legal system is based on written statutes. Prior court decisions 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. For example, we may have to resort to administrative and court proceedings to enforce the legal protection that we enjoy either by law or contract. However, since PRC administrative authorities and courts have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult than in more developed legal systems to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy. These uncertainties may impede our ability to enforce the contracts we have entered into with our business partners, clients and suppliers. In addition, such uncertainties, including the inability to enforce our contracts, could materially adversely affect our business and operations. Furthermore, intellectual property rights and confidentiality protections in China may not be as effective as in the United States or other countries. Accordingly, we cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the preemption of national laws by local regulations. These uncertainties could limit the legal protections available to us and other foreign investors, including you. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

Recent PRC regulations relating to overseas investment by PRC residents may restrict our overseas and cross-border investment activities and adversely affect the implementation of our strategy as well as our business and prospects.

The SAFE issued a public notice in October 2005, or the SAFE notice, requiring PRC residents, including both legal persons and natural persons, to register with the competent local SAFE branch before establishing or controlling any company outside China, referred to as an offshore special purpose company, for the purpose of acquiring any assets of or equity interest in PRC companies and raising funds from overseas. In addition, any PRC resident that is the shareholder of an offshore special purpose company is required to amend its SAFE registration with the local SAFE branch with respect to that offshore special purpose company in connection with any increase or decrease of capital, transfer of shares, merger, division, equity investment or creation of any security interest over any asset located in China. If any PRC shareholder of an offshore special purpose company fails to make the required SAFE registration and amendment, the PRC subsidiaries of that offshore special purpose company may be prohibited from distributing their profits and the proceeds from any reduction in capital, share transfer or liquidation to the offshore special purpose company. Moreover, failure to comply with the SAFE registration and amendment requirements described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions. Our current beneficial owners who are PRC residents have

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registered with the local SAFE branch as required under the SAFE notice. However, they have not yet completed the procedure for amending their registration with regard to the change in our shareholding structure. Although we are cooperating with the relevant SAFE branch to amend their SAFE registration, we cannot assure you that they can complete the amendment procedure in a timely manner. The failure of these beneficial owners to amend their SAFE registrations in a timely manner pursuant to the SAFE notice or the failure of future beneficial owners of our company who are PRC residents to comply with the registration procedures set forth in the SAFE notice may subject such beneficial owners and our PRC subsidiaries to fines and legal sanctions and may also result in restrictions on our PRC subsidiaries ability to distribute profits to us or otherwise materially and adversely affect our business.

Our China-sourced income is subject to PRC withholding tax under the new Enterprise Income Tax Law of the PRC, and we may be subject to PRC enterprise income tax at the rate of 25% when more detailed rules or precedents are promulgated.

We are a Cayman Islands holding company with substantially all of our operations conducted through our operating subsidiaries in China. Under the new Enterprise Income Tax Law, or the EIT Law, of the PRC and its implementation regulations, both of which became effective on January 1, 2008, China-sourced income of foreign enterprises, such as dividends paid by a PRC subsidiary to its overseas parent, is generally subject to a 10% withholding tax. Under an arrangement between China and Hong Kong, such dividend withholding tax rate is reduced to 5% if a Hong Kong resident enterprise owns over 25% of the PRC company distributing the dividends. As Paker is a Hong Kong company and owns 100% of the equity interest in Jiangxi Jinko and 25% of the equity interest in Zhejiang Jinko directly, any dividends paid by Jiangxi Jinko and Zhejiang Jinko to Paker will be entitled to a withholding tax at the reduced rate of 5% after obtaining approval from competent PRC tax authority, provided that neither our company nor Paker is deemed to be a PRC tax resident enterprise as described below. However, according to the Circular of the State Administration of Taxation on How to Understand and Identify Beneficial Owner under Tax Treaties, effective on October 27, 2009, an applicant for bi-lateral treaty benefits, including the benefits under the arrangement between China and Hong Kong on dividend withholding tax, that does not carry out substantial business activities or is an agent or a conduit company may not be deemed as a beneficial owner of the PRC subsidiary and therefore, may not enjoy such treaty benefits. If Paker is determined to be ineligible for such treaty benefits, any dividends paid by Jiangxi Jinko and Zhejiang Jingko to Paker will be subject to standard PRC withholding tax rates at 10%.

The EIT Law, however, also provides that enterprises established outside China whose de facto management bodies are located in China are considered tax resident enterprises and will generally be subject to the uniform 25% enterprise income tax rate as to their global income. Under the implementation regulations, de facto management bodies is defined as the bodies that have, in substance, overall management control over such aspects as the production and business, personnel, accounts and properties of an enterprise. On April 22, 2009, the State Administration of Taxation promulgated a circular that sets out procedures and specific criteria for determining whether de facto management bodies for overseas incorporated, domestically controlled enterprises are located in China. However, as this circular only applies to enterprises incorporated under laws of foreign jurisdictions that are controlled by PRC enterprises or groups of PRC enterprises, it remains unclear how the tax authorities will determine the location of de facto management bodies for overseas incorporated enterprises that are controlled by individual PRC residents such as our company and Paker. Therefore, although a substantial majority of the members of our management team as well as the management team of Paker are located in China, it remains unclear whether the PRC tax authorities would require or permit our company or Paker to be recognized as PRC tax resident enterprises. If our company and Paker are considered PRC tax resident enterprises for PRC enterprise income tax purposes, any dividends distributed from Jiangxi Jinko and Zhejiang Jinko to Paker and ultimately to our company, could be exempt from the PRC withholding tax; however, our company and Paker will be subject to the uniform 25% enterprise income tax rate as to our global income.

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Dividends payable by us to our foreign investors and gains on the sale of our shares or ADSs may become subject to PRC enterprise income tax liabilities.

The implementation regulations of the EIT Law provide that (i) if the enterprise that distributes dividends is domiciled in China, or (ii) if gains are realized from transferring equity interests of enterprises domiciled in China, then such dividends or capital gains are treated as China-sourced income. The EIT Law and the implementation regulations have only recently taken effect. Currently, there are no detailed rules or precedents governing the procedures and specific criteria for determining domicile , which are applicable to our company or Paker. As such, it is not clear how domicile will be interpreted under the EIT Law. It may be interpreted as the jurisdiction where the enterprise is incorporated or where the enterprise is a tax resident. Therefore, if our company and Paker are considered PRC tax resident enterprises for tax purposes, any dividends we pay to our overseas shareholders or ADS holders, as well as any gains realized by such shareholders or ADSs holders from the transfer of our shares or ADSs, may be viewed as China-sourced income and, as a consequence, be subject to PRC enterprise income tax at 10% or a lower treaty rate.

If the dividends we pay to our overseas shareholders or ADS holders or gains realized by such shareholders or ADS holders from the transfer of our shares or ADSs are subject to PRC enterprise income tax, we would be required to withhold taxes on such dividends, and our overseas shareholders or ADS holders would be required to declare taxes on such gains to PRC tax authorities. In such case, the value of your investment in our shares or ADSs may be materially and adversely affected. Moreover, any overseas shareholders or ADS holders who fail to declare such taxes to PRC tax authorities may be ordered to make tax declaration within a specified time limit and be subject to fines or penalties.

We rely principally on dividends and other distributions on equity paid by our principal operating subsidiaries, Jiangxi Jinko and Zhejiang Jinko, and limitations on their ability to pay dividends to us could have a material adverse effect on our business and results of operations.

We are a holding company and rely principally on dividends paid by our principal operating subsidiaries, Jiangxi Jinko and Zhejiang Jinko, for cash requirements. If Jiangxi Jinko or Zhejiang Jinko incurs debt in its own name in the future, the instruments governing the debt may restrict dividends or other distributions on its equity interest to us. Furthermore, applicable PRC laws, rules and regulations permit payment of dividends by our PRC subsidiaries only out of their retained earnings, if any, determined in accordance with PRC accounting standards. Our PRC subsidiaries are required to set aside a certain percentage of their after-tax profit based on PRC accounting standards each year as reserve funds for future development and employee benefits, in accordance with the requirements of relevant laws and provisions in their respective articles of associations. As a result, our PRC subsidiaries may be restricted in their ability to transfer any portion of their net income to us whether in the form of dividends, loans or advances. Any limitation on the ability of our subsidiaries to pay dividends to us could materially 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.

PRC regulations of direct investment and loans by offshore holding companies to PRC entities may delay or limit us from using the proceeds of our initial public offering to make additional capital contributions or loans to our PRC subsidiaries.

Any capital contributions or loans that we, as an offshore entity, make to our PRC subsidiaries, including from the proceeds of our initial public offering, are subject to PRC regulations. For example, any of our loans to either of our PRC subsidiaries cannot exceed the difference between the total amount of investment our PRC subsidiary is approved to make under relevant PRC laws and the respective registered capital of our PRC subsidiary, and must be registered with the local branch of the SAFE as a procedural matter. In addition, our capital contributions to our PRC subsidiaries must be approved by MOFCOM or their local counterparts. We cannot assure you that we will be able to obtain these approvals on a timely basis, or at all. If we fail to obtain such approvals, our ability to make equity contributions or provide loans to our PRC subsidiaries or to fund their operations may be negatively affected, which could adversely affect their liquidity and ability to fund their working capital and expansion projects and meet their obligations and commitments.

The enforcement of new labor contract law and increase in labor costs in the PRC may adversely affect our business and our profitability.

A new Labor Contract Law came into effect on January 1, 2008 and the Implementation Rules of Labor Contract Law of the PRC were promulgated and became effective on September 18, 2008. The new Labor Contract Law and the Implementation Rules impose more stringent requirements on employers with regard to entering into written employment contracts, hiring temporary employees and dismissing employees. In addition, under the newly promulgated Regulations on Paid Annual Leave for Employees, which came into effect on January 1, 2008, and its Implementation Measures, which were promulgated and became effective on September 18, 2008, employees who have served more than one year for an employer are entitled to a paid vacation ranging from five to 15 days, depending on length of service. Employees who waive such vacation time at the request of employers shall be compensated for three times their normal salaries for each waived vacation day. As a result of the new law and regulations, our labor costs are expected to increase. Increases in our labor costs and future disputes with our employees could adversely affect our business, financial condition and results of operations.

Our failure to make statutory social welfare payments to our employees could adversely and materially affect our financial condition and results of operations.

According to the relevant PRC laws and regulations, we are required to pay certain statutory social security benefits for our employees, including medical care, injury insurance, unemployment insurance, maternity insurance and pension benefits. Our failure to comply with these requirements may subject us to monetary penalties imposed by the relevant PRC authorities and proceedings initiated by our employees, which could materially and adversely affect our business, financial condition and results of operations.

Based on the prevailing local practice in Jiangxi Province resulting from the discrepancy between national laws and their implementation by local governments, Jiangxi Jinko did not pay statutory social security benefits, including medical care, injury insurance, unemployment insurance, maternity insurance and pension benefits, for all of its employees. For similar reasons, Zhejiang Jinko did not pay statutory social security benefits in Zhejiang Province for all of its employees. We estimate the aggregate amount of unpaid social security benefits to be RMB2.4 million, RMB4.7 million and RMB17.9 million (US$2.6 million), respectively, as of December 31, 2007, 2008 and 2009. We may be required by the labor administrative bureaus to pay these statutory social security benefits within a designated time period. In addition, an employee is entitled to compensation if such employee terminates its labor contract due to failure by the employer to make due payment of social security benefits. We have made provisions for such unpaid social security benefits of our former and current PRC subsidiaries. However, we cannot assure you that we will not be subject to late charges and penalties for such delinquency. Late charges, penalties or legal or administrative proceedings to which we may be subject could materially and adversely affect our reputation, financial condition and results of operations.

All employee participants in the 2009 Long Term Incentive Plan who are PRC citizens may be required to register with SAFE. We may also face regulatory uncertainties that could restrict our ability to adopt additional option plans for our directors and employees under PRC law.

On March 28, 2007, SAFE issued the Operating Procedures on Administration of Foreign Exchange regarding PRC Individuals Participating in Employee Stock Ownership Plan and Stock Option Plan of Overseas Listed Companies, or the Stock Option Rule. For any plans which are so covered and are adopted by an overseas listed company, the Stock Option Rule requires the employee participants who are PRC citizens to register with SAFE or its local branch within ten days of the beginning of each quarter. In addition, the Stock Option Rule also requires the employee participants who are PRC citizens to follow a series of requirements on making necessary

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applications for foreign exchange purchase quota, opening special bank account and filings with SAFE or its local branch before they exercise their stock option.

The Stock Option Rule has not yet been made publicly available or formally promulgated by SAFE, but SAFE has begun enforcing its provisions. Nonetheless, it is not predictable whether it will continue to enforce this rule or adopt additional or different requirements with respect to equity compensation plans or incentive plans.

If it is determined that the 2009 Long Term Incentive Plan is subject to the Stock Option Rule, failure to comply with such provisions may subject us and the participants of the 2009 Long Term Incentive Plan who are PRC citizens to fines and legal sanctions and prevent us from further granting options under the 2009 Long Term Incentive Plan to our employees, which could adversely affect our business operations.

We face risks related to health epidemics and other outbreaks.

Our business could be adversely affected by the effects of influenza A (H1N1), avian flu, severe acute respiratory syndrome, or SARS, or other epidemic outbreak. In April 2009, an outbreak of influenza A caused by the H1N1 virus occurred in Mexico and the United States, and spread into a number of countries rapidly. There have also been reports of outbreaks of a highly pathogenic avian flu, caused by the H5N1 virus, in certain regions of Asia and Europe. In past few years, there were reports on the occurrences of avian flu in various parts of China, including a few confirmed human cases. An outbreak of avian flu in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, particularly in Asia. Additionally, any recurrence of SARS, a highly contagious form of atypical pneumonia, similar to the occurrence in 2003 which affected China, Hong Kong, Taiwan, Singapore, Vietnam and certain other countries, would also have similar adverse effects. These outbreaks of contagious diseases and other adverse public health developments in China would have a material adverse effect on our business operations. These could include our ability to travel or ship our products outside China as well as temporary closure of our manufacturing facilities. Such closures or travel or shipment restrictions would severely disrupt our business operations and adversely affect our financial condition and results of operations. We have not adopted any written preventive measures or contingency plans to combat any future outbreak of avian flu, SARS or any other epidemic.

Risks Related to Our ADSs and This Offering

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

Prior to this initial public offering, there has been no public market for our ordinary shares or ADSs. We have received approval to list the ADSs on the NYSE. If an active trading market for our ADSs does not develop after this offering, the market price and liquidity of our ADSs will be materially and adversely affected.

The initial public offering price for our ADSs is determined by negotiations between us and the underwriters and may bear no relationship to the market price for our ADSs after this initial public offering. We cannot assure you that an active trading market for our ADSs will develop or that the market price of our ADSs will not decline below the initial public offering price.

The market price for our ADSs may be volatile.

The market price for our ADSs is likely to be highly volatile and subject to wide fluctuations in response to factors including, but not limited to, the following:

- announcements of new products by us or our competitors;

- technological breakthroughs in the solar and other renewable power industries;

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- reduction or elimination of government subsidies and economic incentives for the solar industry;
- news regarding any gain or loss of customers by us;
- news regarding recruitment or loss of key personnel by us or our competitors;
- announcements of competitive developments, acquisitions or strategic alliances in our industry;
- changes in the general condition of the global economy and credit markets;
- general market conditions or other developments affecting us or our industry;
- the operating and stock price performance of other companies, other industries and other events or factors beyond our control;
- regulatory developments in our target markets affecting us, our 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 results of operations;
- changes in financial projections or estimates about our financial or operational performance by securities research analysts;
- changes in the economic performance or market valuations of other solar power technology companies;
- release or expiry of lock-up or other transfer restrictions on our outstanding ordinary shares or ADSs; and
- sales or perceived sales of additional ordinary shares or ADSs.

In addition, the securities market has from time to time experienced significant price and volume fluctuations that are not related to the operating performance of particular companies. These market fluctuations may also have a material adverse effect on the market price of our ADSs.

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

The initial public offering price per ADS is substantially higher than the net tangible book value per ADS prior to the offering. Accordingly, if you purchase our ADSs in this offering, you will incur immediate dilution of approximately US$3.19 in the net tangible book value per ADS from the price you pay for our ADSs, representing the difference between:

- the assumed initial public offering price of US$12.00 per ADS (the mid-point of the estimated initial public offering price range set forth on the front cover of this prospectus), and

- the pro forma as adjusted net tangible book value per ADS of US$8.81 as of December 31, 2009, assuming the automatic conversion of our outstanding series A and series B redeemable convertible preferred shares into ordinary shares and after giving effect to this offering.

You may find additional information in the section entitled Dilution in this prospectus. If we issue additional ADSs in the future, you may experience further dilution. In addition, you may experience further dilution to the extent that ordinary shares are issued upon the exercise of share options. Substantially all of the ordinary shares issuable upon the exercise of our outstanding share options will be issued at a purchase price on a per ADS basis that is less than the initial public offering price per ADS in this offering.

We may not be able to pay any dividends on our ordinary shares and ADSs.

Under Cayman Islands law, we may only pay dividends out of our profits or our share premium account subject to our ability to service our debts as they fall due in the ordinary course of our business. Our ability to pay dividends will therefore depend on our ability to generate sufficient profits. We cannot give any assurance that we will declare dividends of any amounts, at any rate or at all in the future. We have not paid any dividends in the past. Future dividends, if any, will be paid at the discretion of our board of directors and will depend upon our future operations and earnings, capital expenditure requirements, general financial conditions, legal and contractual restrictions and other factors that our board of directors may deem relevant. You should refer to the Dividend Policy section in this prospectus for additional information regarding our current dividend policy and the risk factor entitled Risks Related to Doing Business in China We rely principally on dividends and other distributions on equity paid by our principal operating subsidiaries, Jiangxi Jinko and Zhejiang Jinko, and limitations on their ability to pay dividends to us could have a material adverse effect on our business and results of operations above for additional legal restrictions on the ability of our PRC subsidiaries to pay dividends to us.

Future sales or issuances, or perceived future sales or issuances, of substantial amounts of our ordinary shares or ADSs could adversely affect the price of our ADSs.

If our existing shareholders sell, or are perceived as intending to sell, substantial amounts of our ordinary shares or ADSs, including those issued upon the exercise of our outstanding share options, following this offering, the market price of our ADSs could fall. Such sales, or perceived potential sales, by our existing shareholders might make it more difficult for us to issue new equity or equity-related securities in the future at a time and place we deem appropriate. The ADSs offered in this offering will be eligible for immediate resale in the public market without restrictions, and shares held by our existing shareholders may also be sold in the public market in the future subject to the restrictions contained in Rule 144 and Rule 701 under the Securities Act and the applicable lock-up agreements. If any existing shareholder or shareholders sell a substantial amount of ordinary shares after the expiration of the lock-up period, the prevailing market price for our ADSs could be adversely affected. See Shares Eligible for Future Sale and Underwriting for additional information regarding resale restrictions.

In addition, we may issue additional ADSs or ordinary shares for future acquisitions or other purposes. If we issue additional ADSs or ordinary shares, your ownership interests in our company would be diluted and this in turn could have a material adverse effect on the price of our ADSs.

Our management will have broad discretion as to the use of a portion of the proceeds from this offering, and may not use the proceeds effectively.

We will use the net proceeds from this offering for the expansion of our solar cell and solar module production capacity, investment in research and development, and for working capital and other general corporate purposes. However, we have not designated specific expenditures for all of those proceeds. Accordingly, our management will have significant flexibility and discretion in applying our net proceeds of this offering. Depending on future events and other changes in the business climate, we may determine at a later time to use the net proceeds for different purposes. Our shareholders may not agree with the manner in which our management chooses to allocate and spend those proceeds. Moreover, our management may use the net proceeds for purposes that may not increase the market value of our ADSs.

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

We believe that our current cash, anticipated cash flow from operations and the proceeds from this offering will be sufficient to meet our anticipated cash needs for the next 12 months. We may, however, require additional

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cash resources due to changed business conditions or other future developments, including any investments or acquisitions we may decide to pursue. If these resources are insufficient to satisfy our cash requirements, we may seek to sell additional equity or debt securities or obtain a credit facility. The sale of additional equity securities could result in additional dilution to our shareholders. The incurrence of indebtedness would limit our ability to pay dividends or require us to seek consents for the payment of dividends, increase our vulnerability to general adverse economic and industry conditions, limit our ability to pursue our business strategies, require us to dedicate a substantial portion of our cash flow from operations to service our debt, thereby reducing the availability of our cash flow to fund capital expenditure, working capital requirements and other general corporate needs, and limit our flexibility in planning for, or reacting to, changes in our business and our industry. We cannot assure you that financing will be available in amounts or on terms acceptable to us, if at all.

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

As a holder of ADSs, you will not be treated as one of our shareholders and you will not have shareholder rights. Instead, the depositary will be treated as the holder of the shares underlying your ADSs. However, you may exercise some of the shareholders rights through the depositary, and you will have the right to withdraw the shares underlying your ADSs from the deposit facility as described in Description of American Depositary Shares Deposit, Withdrawal and Cancellation.

Holders of ADSs may only exercise the voting rights with respect to the underlying ordinary shares in accordance with the provisions of the deposit agreement. Under our third amended and restated articles of association that will become effective upon the completion of this offering, the minimum notice period required to convene a general meeting is 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 plan to 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 government body, or under any provision of the deposit agreement, or for any other reason.

As a holder of our ADSs, your right to participate in any future rights offerings may be limited, which may cause dilution to your holdings and you may not receive cash dividends if it is unlawful or 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. In addition, under the deposit agreement, the depositary 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 with respect to all holders of ADSs. 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, as a holder of our ADSs, 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 unlawful 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. Neither we nor the depositary have any obligation to take any other action to permit the distribution of ADSs, ordinary shares, rights or anything else to holders of ADSs. This means that you may not receive the distribution we make on our ordinary shares or any value for them if it is unlawful or impractical for us to make them available to you. These restrictions may have a material adverse effect on the value of your ADSs.

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 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 have 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.

In addition, Cayman Islands companies may not have standing to initiate a shareholder derivative action before federal courts of the United States.

As we are a Cayman Islands company and substantially all of our assets are located outside of the United States and substantially all of our current operations are conducted in China, there is uncertainty as to whether the courts of the Cayman Islands or China would recognize or enforce judgments of U.S. courts predicated upon the civil liability provisions of the securities laws of the United States or any state against us and our officers and directors, most of whom are not residents of the United States and the substantial majority of whose assets are located outside the United States. In addition, it is uncertain whether the Cayman Islands or PRC courts would entertain original actions brought in the Cayman Islands or in China against us or our officers and directors predicated on the federal securities laws of the United States. See Enforceability of Civil Liabilities. There is no statutory recognition in the Cayman Islands of judgments obtained in the United States although the courts of the Cayman Islands would recognize as a valid judgment, a final and conclusive judgment in personam obtained in a federal or state court of the United States under which a sum of money is payable, other than a sum payable in respect of multiple damages, taxes or other charges of a like nature or in respect of a fine or other penalty and would give a judgment based thereon; provided that (i) such court had proper jurisdiction over the parties subject to such judgment; (ii) such court did not contravene the rules of natural justice of the Cayman Islands; (iii) such

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judgment was not obtained by fraud; (iv) the enforcement of the judgment would not be contrary to the public policy of the Cayman Islands; (v) no new admissible evidence relevant to the action is submitted prior to the rendering of the judgment by the courts of the Cayman Islands; and (vi) there is due compliance with the correct procedures under the laws of the Cayman Islands.

As a result of all of the above, shareholders of a Cayman Islands company may have more difficulty in protecting their interests in the face of actions taken by management, members of the board of directors or controlling shareholders than they would as shareholders of a company incorporated in a jurisdiction in the United States. For example, contrary to the general practice in most corporations incorporated in the United States, Cayman Islands incorporated companies may not generally require that shareholders approve sales of all or substantially all of a company s assets. The limitations described above will also apply to the depositary who is treated as the holder of the shares underlying your ADSs.

As a company incorporated in the Cayman Islands, we may adopt certain home country practices in relation to corporate governance matters. These practices may afford less protection to shareholders than they would enjoy if we complied fully with the NYSE corporate governance listing standards.

As a non-U.S. company with shares listed on the NYSE, we are subject to the NYSE corporate governance listing standards. However, in reliance on Section 303A.11 of the NYSE Listed Company Manual, which permits a foreign private issuer to follow the corporate governance practices of its home country, we have adopted certain corporate governance practices that may differ significantly from the NYSE corporate governance listing standards. For example, we may include non-independent directors as members of our compensation committee and nominating and corporate governance committee, and our independent directors may not hold regularly scheduled meetings at which only independent directors are present. Such home country practice differs from the NYSE corporate governance listing standards, because there are no specific provisions under the Companies Law of the Cayman Islands imposing such requirements. Accordingly, executive directors, who may also be our major shareholders or representatives of our major shareholders, may have greater power to make or influence major decisions than they would if we complied with all the NYSE corporate governance listing standards. While we may adopt certain practices that are in compliance with the laws of the Cayman Islands, such practices may differ from more stringent requirements imposed by the NYSE rules and as such, our shareholders may be afforded less protection under Cayman Islands law than they would under the NYSE rules applicable to U.S. domestic issuers.

Our third amended and restated articles of association contain anti-takeover provisions that could prevent a change in control even if such takeover is beneficial to our shareholders.

Our third amended and restated articles of association that will become effective upon the completion of this offering contain provisions that could delay, defer or prevent a change in control of our company that could be beneficial to our shareholders. These provisions could also discourage proxy contests and make it more difficult for you and other shareholders to elect directors and take other corporate actions. As a result, these provisions could limit the price that investors are willing to pay in the future for our ADSs. These provisions might also discourage a potential acquisition proposal or tender offer, even if the acquisition proposal or tender offer is at a price above the then current market price of our ADSs. These provisions provide that our board of directors has 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 ADSs or otherwise. Our board of directors may decide to issue such preferred shares quickly with terms calculated to delay or prevent a change in control of our company or make the removal of our management more difficult. If our board of directors decides to issue such preferred shares, the price of our ADSs may fall and the voting and other rights of holders of our ordinary shares and ADSs may be materially and adversely affected.

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

We do not expect to be a passive foreign investment company, or PFIC, for U.S. federal income tax purposes for our current taxable year ending December 31, 2010. However, we must make a separate determination each taxable year as to whether we are a PFIC (after the close of each taxable year). Accordingly, we cannot assure you that we will not be a PFIC for our current taxable year ending December 31, 2010 or any future taxable year. A non-U.S. corporation will be considered a PFIC for any taxable year if either (1) at least 75% of its gross income is passive income or (2) at least 50% of the value of its assets (based on an average of the quarterly values of the assets during the taxable year) is attributable to assets that produce or are held for the production of passive income. The value of our assets for purposes of the PFIC asset test will generally be determined based on the market price of our ADSs and shares, which is likely to fluctuate after this offering. If we are treated as a PFIC for any taxable year during which a U.S. Holder (as defined in Taxation United States Federal Income Taxation Passive Foreign Investment Company) holds an ADS or a share, certain adverse U.S. federal income tax consequences could apply to such U.S. Holder. See Taxation U.S. Federal Income Taxation Passive Foreign Investment Company.

We will incur increased costs as a result of being a public company.

As a public company, we will incur significant legal, accounting and other expenses that we did not incur as a private company. We will incur costs associated with our public company reporting requirements. In addition, the Sarbanes-Oxley Act, as well as rules subsequently implemented by the SEC, and the NYSE, have imposed increased regulation and required enhanced corporate governance practices for public companies. Our efforts to comply with evolving laws, regulations and standards in this regard are likely to result in increased general and administrative expenses and a diversion of management time and attention from revenue generating activities to compliance activities. We also expect these new rules and regulations to make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified candidates to serve on our board of directors or as executive officers.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

In some cases, these forward-looking statements can be identified by words or phrases such as may, will, expect, anticipate, aim, estimate, intend, plan, believe, potential, continue, projects, future, targets, outlook, is/are likely to or other similar expressions. We ha 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 general economic conditions;
- our expectations regarding the worldwide demand for electricity and the market for solar power;
- our beliefs regarding the effects of environmental regulation and long-term fossil fuel supply constraints;
- our beliefs regarding the importance of environmentally friendly power generation;
- our expectations regarding government support, government subsidies and economic incentives to the solar power industry;
- availability of debt financing;
- our beliefs regarding the acceleration of adoption of solar technologies;
- our expectations regarding advancements in our process technologies and cost savings from such advancements;
- our beliefs regarding the competitiveness of our products;
- our beliefs regarding the advantages of our business model;
- our expectations regarding the scaling and expansion of our production capacity;
- our expectations regarding our ability to maintain and expand our existing customer base;

our expectations regarding our ability to expand our product sales to customers outside of China;

our expectations regarding entering into or maintaining joint venture enterprises and other strategic investments;

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

our expectations regarding our ability to secure raw materials in the future;

our expectations regarding the price trends of silicon raw materials;

our expectations regarding the demand for our products;

our expectations regarding the price trends of silicon wafers, solar cells and solar modules;

our beliefs regarding our ability to successfully implement our strategies;

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- our beliefs regarding our abilities to secure sufficient funds to meet our cash needs for our operations and capacity expansion;

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

- determination of the fair value of our ordinary shares and preferred shares;

- our planned use of proceeds;

- competition from other manufacturers of silicon wafers, solar cells and solar modules, other renewable energy systems and conventional energy suppliers; and

- PRC government policies regarding foreign investments.

This prospectus also contains data related to the solar power market worldwide and in China. These market data, including market data from Solarbuzz, include projections that are based on a number of assumptions. The solar power market may not grow at the rates projected by the market data, or at all. The failure of the solar power 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 differ from the projections based on these assumptions. You should not place undue reliance on these forward-looking statements.

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

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USE OF PROCEEDS

We estimate that we will receive net proceeds from this offering of approximately US$60.1 million, or approximately US$69.7 million if the underwriters exercise their option to purchase additional ADSs from us in full, after deducting underwriting discounts and estimated offering expenses payable by us. These estimates are based upon an assumed initial public offering price of US$12.00 per ADS, the mid-point of the estimated range of the initial public offering price shown on the front cover of this prospectus. A US$1.00 increase (decrease) in the assumed public offering price of US$12.00 per ADS would increase (decrease) the net proceeds to us from this offering by US$5.4 million, after deducting the estimated underwriting discounts and commissions and estimated aggregate offering expenses payable by us and assuming no other change to the number of ADSs offered by us as set forth on the cover page of this prospectus.

We intend to use the net proceeds we receive from this offering primarily for the following purposes:

- approximately US$50 million to expand our silicon ingot, silicon wafer, solar cell and solar module production capacity, including procuring new equipment and expanding or constructing manufacturing facilities for silicon ingot, silicon wafer, solar cell and solar module production;

- approximately US$5 million to invest in research and development to improve product quality, reduce silicon manufacturing costs, improve conversion efficiency and overall performance of our products and improve the productivity of our silicon ingot, wafer, cell and module manufacturing process; and

- the balance of the net proceeds from this offering to be used for working capital and other general corporate purposes.

The foregoing represents our current intentions to use and allocate the net proceeds of this offering based upon our present plans and business conditions. We believe that available credit under existing bank credit facilities, the proceeds of this offering, as well as cash on hand and expected operating cash flow, will be sufficient to meet our anticipated cash needs, including our cash needs for working capital and capital expenditures for the next 12 months. Our management, however, will have significant flexibility and discretion to apply the net proceeds of this offering. Depending on future events and other changes in the business climate, we may determine at a later time to use the net proceeds differently or for purposes other than as described in this prospectus.

In utilizing the proceeds of this offering, as an offshore holding company, we are permitted, under PRC laws and regulations, to provide funding to our existing and any future PRC subsidiaries through capital contributions, subject to satisfaction of applicable government registration and approval requirements. We cannot assure you that we can obtain the approvals from the relevant government authorities, or complete the registration and filing procedures required to use our net proceeds as described above, in each case on a timely basis, or at all. See Risk Factors Risks Related to Our Business and Our Industry Future failure to make full contribution to the registered capital of our principal operating subsidiaries in China may subject us to fines, which may materially and adversely affect our reputation, financial condition and results of operations and Risk Factors Risks Related to Doing Business in China PRC regulations of direct investment and loans by offshore holding companies to PRC entities may delay or limit us from using the proceeds of our initial public offering to make additional capital contributions or loans to our PRC subsidiaries.

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CAPITALIZATION

The following table sets forth our capitalization as of December 31, 2009:

on actual basis;

on a pro forma basis to reflect the automatic conversion (i) based on a 1:1 conversion ratio of all of our outstanding series A redeemable convertible preferred shares into an aggregate of 5,375,150 ordinary shares and (ii) based on an approximately 1:1.0054 conversion ratio of all of our outstanding series B redeemable convertible preferred shares into an aggregate of 7,481,250 ordinary shares, upon the completion of this offering; and

on a pro forma as adjusted basis to further give effect to the issuance of and sale of 23,340,000 ordinary shares in the form of ADS by us in this offering, assuming an initial offering price of US$12.00 per ADS, the mid-point of the estimated range of the initial public offering price, taking into account the ADS to ordinary share ratio, and, after deducting underwriting discounts and commissions and estimated offering expenses payable by us, and assuming no exercise of the underwriters option to purchase additional ADSs and no other change to the number of ADSs offered by us as set forth on the cover page of this prospectus.

	As of December 31, 2009					
	Actual		Pro Forma(1)		Pro Forma, As Adjusted(1)	
	RMB	US$	RMB	US$	RMB	US$
			(in thousands)			
Long-term borrowings	348,750.0	51,092.2	348,750.0	51,092.2	348,750.0	51,092.2
Series A redeemable convertible preferred shares, US$0.00002 par value, 5,375,150 shares authorized; 5,375,150 shares issued and outstanding, actual; nil pro forma and pro forma as adjusted; (liquidation preference of RMB245,815,200)	189,057.9	27,697.1				
Series B redeemable convertible preferred shares, US$0.00002 par value, 7,441,450 shares authorized; 7,441,450 shares issued and outstanding, actual; nil pro forma and pro forma as adjusted; (liquidation preference of RMB360,528,960)	287,703.8	42,148.8				
Equity:						
Ordinary shares, US$0.00002 par value, 487,183,400 shares authorized; 50,731,450 shares issued and outstanding, actual; 63,587,850 shares issued and outstanding on a pro forma basis and 86,927,850 shares issued and outstanding on a pro forma as adjusted basis(1)	7.8	1.1	9.6	1.4	12.7	1.9
Additional paid-in capital(2)	193,929.5	28,410.8	670,689.5	98,256.6	1,081,249.8	158,404.0
Statutory reserves	38,434.7	5,630.7	38,434.7	5,630.7	38,434.7	5,630.7
Retained earnings	233,703.8	34,237.8	233,758.7	34,245.8	233,758.7	34,245.8
Total equity(2)	466,075.8	68,280.4	942,892.5	138,134.5	1,353,455.9	198,282.4
Total capitalization(2)	1,291,587.5	189,218.5	1,291,642.5	189,226.7	1,702,250.9	249,374.6

(1) Excludes 4,536,480 ordinary shares issuable upon the exercise of options granted under our 2009 Long Term Incentive Plan.

(2) A US$1.00 increase (decrease) in the assumed initial public offering price of US$12.00 per ADS would increase (decrease) each of the additional paid-in capital, total equity and total capitalization by US$5.4 million.

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

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DILUTION

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

Our net tangible book value as of December 31, 2009 was approximately US$61.6 million or US$1.21 per ordinary share and US$4.85 per ADS. Net tangible book value represents our total consolidated assets, minus the amount of our total consolidated intangibles, liabilities, non-controlling interests, series A redeemable convertible preferred shares and series B redeemable convertible preferred shares. Our pro forma net tangible book value as of December 31, 2009 was US$131.4 million, or US$2.07 per ordinary share and US$8.27 per ADS. Pro forma net tangible book value per ordinary share after giving effect to conversion of series A redeemable convertible preferred shares only represents our total consolidated assets, minus the amount of our total consolidated intangibles, liabilities, non-controlling interests and series B redeemable convertible preferred shares, divided by the number of ordinary shares outstanding after giving effect to the automatic conversion of all outstanding series A redeemable convertible preferred shares into 5,375,150 ordinary shares. Pro forma net tangible book value per ordinary share after giving effect to conversion of series B redeemable convertible preferred shares only represents our total consolidated assets, minus the amount of our total consolidated intangibles, liabilities, non-controlling interests and series A redeemable convertible preferred shares, divided by the number of ordinary shares outstanding after giving effect to the automatic conversion of all outstanding series B redeemable convertible preferred shares into 7,481,250 ordinary shares. Pro forma net tangible book value per ordinary share after giving effect to the conversion of all outstanding series A and series B redeemable convertible preferred shares represents our total consolidated assets, minus the amount of our total consolidated intangibles, liabilities and non-controlling interests, divided by the number of ordinary shares outstanding after giving effect to the automatic conversion of all outstanding series A and series B redeemable convertible preferred shares into 12,856,400 ordinary shares.

Our pro forma net tangible book value as of December 31, 2009 would have increased to US$191.6 million or US$2.20 per ordinary share and US$8.81 per ADS without taking into account any other changes in such net tangible book value after December 31, 2009 except for the issuance and sale of 23,340,000 ordinary shares in the form of ADSs offered by us in this offering, at the assumed initial public offering price of US$12.00 per ADS, the midpoint of the estimated range of the initial public offering price, and after deduction of underwriting discount and estimated aggregate offering expenses of this offering payable by us.

This represents an immediate increase in net tangible book value of US$0.14 per ordinary share to the existing shareholders (assuming automatic conversion of all outstanding series A and series B redeemable convertible preferred shares) and an immediate dilution in net tangible book value of US$0.80 per ordinary share and US$3.19 per ADS to investors purchasing ADSs in this offering.

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The following table illustrates such per share dilution:

Estimated initial public offering price per ordinary share	US$ 3.00
Net tangible book value per ordinary share as of December 31, 2009	US$ 1.21
Pro forma net tangible book value per ordinary share as of December 31, 2009 after giving effect to the conversion of series A redeemable convertible preferred shares only	US$ 1.59
Pro forma net tangible book value per ordinary share as of December 31, 2009 after giving effect to the conversion of series B redeemable convertible preferred shares only	US$ 1.78
Pro forma net tangible book value per ordinary share as of December 31, 2009 after giving effect to the conversion of all outstanding series A and series B redeemable convertible preferred shares	US$ 2.07
Pro forma as adjusted net tangible book value per ordinary share	US$ 2.20
Pro forma as adjusted net tangible book value per ADS	US$ 8.81
Amount of dilution in net tangible book value per ordinary share to new investors in this offering	US$ 0.80
Amount of dilution in net tangible book value per ADS to new investors in this offering	US$ 3.19

A US$1.00 increase (decrease) in the assumed initial public offering price of US$12.00 per ADS would increase (decrease) our pro forma net tangible book value after giving effect to this offering by US$0.06 per ordinary share and US$0.25 per ADS and the dilution in pro forma net tangible book value per ordinary share and per ADS to new investors in the offering by US$0.19 per ordinary share and US$0.75 per ADS, assuming no change in the number of ADSs offered by us as set forth on the cover page of this prospectus and after deducting underwriting discount and other offering expenses.

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

The following table summarizes, on a pro forma basis as of the date of this prospectus, the differences between existing shareholders, including the holders of all of our outstanding convertible preferred shares which are automatically convertible into ordinary shares upon the completion of this offering, and the new investors with respect to the number of ordinary shares in the form of ADSs purchased from us, in the total consideration paid and the average price per ordinary share and per ADS. In the case of the ordinary shares purchased by the new investors, the total consideration paid and amounts per share paid are before deducting underwriting discount and estimated aggregate offering expenses, assuming an initial public offering price of US$12.00 per ADS, the midpoint of the estimated range of the initial public offering price. The total number of ordinary shares does not include ordinary shares underlying the ADSs issuable upon the exercise of the underwriters option to purchase additional ADSs.

The information in the following table is illustrative only and the total consideration paid and the average price per ordinary share is subject to adjustment based on the actual initial public offering price of our ADSs and other terms of this offering determined at pricing.

	Ordinary Shares Purchased		Total Consideration		Average Price Per Ordinary Share	Average Price Per ADS
	Number	(%)	Amount	(%)		
Existing shareholders	63,587,850(1)	73.2	US$ 72.50 million	50.9	US$ 1.14	US$ 4.56
New investors	23,340,000	26.8	US$ 70.00 million	49.1	US$ 3.00	US$ 12.00
Total	86,927,850	100.0	US$ 142.50 million	100.0		

(1) Assumes automatic conversion of all of our outstanding redeemable convertible preferred shares into ordinary shares.

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The discussion and table above also assume no exercise of any outstanding options under the 2009 Long Term Incentive Plan. As of the date of this prospectus, options to purchase 4,536,480 ordinary shares were outstanding under the 2009 Long Term Incentive Plan.

A US$1.00 increase (decrease) in the assumed initial public offering price of US$12.00 per ADS would increase (decrease) total consideration paid by new investors, total consideration paid by all shareholders (including existing shareholders and new investors) and the average price per ADS paid by all shareholders (including existing shareholders and new investors) by US$5.8 million, US$5.8 million and US$0.07 per ordinary share and US$0.27 per ADS, respectively, assuming no change in the number of ADSs sold by us as set forth on the cover page of this prospectus and without deducting underwriting discount and other offering expenses.

The dilution to new investors will be US$0.78 per ordinary share and US$3.10 per ADS, if the underwriters exercise in full their option to purchase additional ADSs.

The following table summarizes, on a pro forma basis as of the date of this prospectus, the differences among existing shareholders, including the holders of all of our outstanding convertible preferred shares which are automatically convertible into ordinary shares upon the completion of this offering, holders of outstanding options granted under the 2009 Long Term Incentive Plan upon the exercise of such outstanding options, and the new investors with respect to the number of ordinary shares in the form of ADSs purchased from us, in the total consideration paid and the average price per ordinary share and per ADS. In the case of the ordinary shares purchased by the new investors, the total consideration paid and amounts per share paid are before deducting underwriting discount and estimated aggregate offering expenses, assuming an initial public offering price of US$12.00 per ADS, the midpoint of the estimated range of the initial public offering price. The total number of ordinary shares does not include ordinary shares underlying the ADSs issuable upon the exercise of the underwriters option to purchase additional ADSs.

The information in the following table is illustrative only and the total consideration paid and average price per ordinary share is subject to adjustment based on the actual initial public offering price of our ADSs and other terms of this offering determined at pricing.

	Ordinary Shares Purchased		**Total Consideration**		**Average Price Per Ordinary Share**	**Average Price Per ADS**
	Number	**(%)**	**Amount**	**(%)**		
Existing shareholders	63,587,850(1)	69.5	US$ 72.5 million	47.7	US$1.14	US$ 4.56
Holders of options	4,536,480(2)	5.0	US$ 9.4 million	6.2	US$2.08	US$ 8.32
New investors	23,340,000	25.5	US$ 70.0 million	46.1	US$3.00	US$ 12.00
Total	91,464,330	100.0	US$ 151.9 million	100.0		

(1) Assumes the automatic conversion of all of our outstanding redeemable convertible preferred shares into ordinary shares.

(2) Assumes the exercise of all outstanding options under the 2009 Long Term Incentive Plan as of date of this prospectus.

A US$1.00 increase (decrease) in the assumed initial public offering price of US$12.00 per ADS would increase (decrease) total consideration paid by new investors, total consideration paid by all shareholders (including existing shareholders, holders of options and new investors) and the average price per ADS paid by all shareholders (including existing shareholders, holders of options and new investors) by US$5.8 million, US$5.8 million and US$0.06 per ordinary share and US$0.26 per ADS, respectively, assuming no change in the number of ADSs sold by us as set forth on the cover page of this prospectus and without deducting underwriting discount and other offering expenses.

The dilution to new investors will be US$0.78 per ordinary share and US$3.13 per ADS, if the underwriters exercise in full their option to purchase additional ADSs.

DIVIDEND POLICY

We have never declared or paid dividends, nor do we have any present plan to pay any cash dividends on our ordinary shares in the foreseeable future. We currently intend to retain our available funds and any future earnings to operate and expand our business.

We are a holding company incorporated in the Cayman Islands. We rely on dividends paid to us by our wholly-owned subsidiaries in China, Jiangxi Jinko and Zhejiang Jinko, to fund the payment of dividends, if any, to our shareholders. PRC regulations currently permit our PRC subsidiaries to pay dividends only out of their retained profits, if any, as determined in accordance with PRC accounting standards and regulations. In addition, our PRC subsidiaries are required to set aside a certain amount of their retained profits each year, if any, to fund certain statutory reserves. These reserves may not be distributed as cash dividends. Furthermore, when Jiangxi Jinko, Zhejiang Jinko or Paker incurs debt on its own behalf, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us.

Subject to our third amended and restated memorandum and articles of association and applicable laws, our board of directors has complete discretion on whether to pay dividends, subject to the approval of our shareholders. Even if our board of directors decides to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial conditions, contractual restrictions and other factors that the board of directors may deem relevant. If we pay any dividends, we will pay our ADS holders to the same extent as holders of our shares, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder. See Description of American Depositary Shares. Cash dividends on our ADSs, if any, will be paid in U.S. dollars.

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EXCHANGE RATE INFORMATION

We publish our financial statements in Renminbi. The conversion of Renminbi into U.S. dollars in this prospectus is solely for the convenience of readers. For all dates and periods through December 31, 2008, exchange rates of Renminbi into U.S. dollars are based on the noon buying rate in The City of New York for cable transfers of Renminbi as certified for customs purposes by the Federal Reserve Bank of New York. For January 1, 2009 and all later dates and periods, the exchange rate refers to the exchange rate as set forth in the H.10 statistical release of the Federal Reserve Board. Unless otherwise noted, all translations from Renminbi to U.S. dollars and from U.S. dollars to Renminbi in this prospectus were made at a rate of RMB6.8259 to US$1.00, the noon buying rate in effect as of December 31, 2009. We make no representation that any Renminbi or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or Renminbi, as the case may be, at any particular rate, the rates stated below, or at all.

The Renminbi is not freely convertible into foreign currency. Since January 1, 1994, the PBOC has set and published daily a base exchange rate with reference primarily to the supply and demand of Renminbi against the U.S. dollar in the market during the prior day. On July 21, 2005, the PBOC announced a reform of its exchange rate system allowing the Renminbi to fluctuate within a narrow and managed band against a basket of foreign currencies.

The following table sets forth information concerning exchange rates between the RMB and the U.S. dollar for the periods indicated.

Period	Period end	Exchange rate Average(1)	Low	High
	(RMB per US$1.00)			
2004	8.2765	8.2768	8.2774	8.2764
2005	8.0702	8.1826	8.2765	8.0702
2006	7.8041	7.9579	8.0702	7.8041
2007	7.2946	7.5806	7.8127	7.2946
2008	6.8225	6.9193	7.2946	6.7800
2009	6.8259	6.8307	6.8176	6.8470
October	6.8264	6.8267	6.8292	6.8248
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	6.8254	6.8270
April (through April 23)	6.8270	6.8256	6.8229	6.8270

Source: *Federal Reserve Bank of New York for December 2008 and prior periods and H.10 statistical release of the Federal Reserve Board for January 2009 and later periods.*

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

On April 23, 2010, the exchange rate as set forth in the H.10 statistical release of the Federal Reserve Board was RMB6.8270 to US$1.00.

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OUR CORPORATE HISTORY AND STRUCTURE

We are a Cayman Islands holding company and conduct substantially all of our business through our operating subsidiaries in China, Jiangxi Jinko, and Zhejiang Jinko. We own 100% of the equity interest in Paker, a Hong Kong holding company, which owns 100% of the equity interest in Jiangxi Jinko. Paker and Jiangxi Jinko own 25% and 75%, respectively, of the equity interest in Zhejiang Jinko.

We have also established a number of subsidiaries to provide sales and marketing, payment settlement and logistics services to support our overseas expansion. JinkoSolar International Limited and JinkoSolar GmbH, which are incorporated in Hong Kong and Germany, respectively, are strategically located to increase our visibility and penetration in target market regions. In addition, Jinko Import and Export was established to facilitate our import and export activities in the PRC.

The following diagram illustrates our corporate structure and the place of organization and ownership interest of each of our subsidiaries immediately before this offering:

Our History

We commenced our operations in June 2006 through Jiangxi Desun, which was established by three PRC citizens: Min Liang, Xiande Li and Xiafang Chen with an initial registered capital of RMB8.0 million on June 6, 2006. Min Liang and Xiafang Chen held the shares of Jiangxi Desun on behalf of Kangping Chen and Xianhua Li, respectively, and are both family members of Kangping Chen and Xiande Li. In January 2007, Min Liang and Xiafang Chen transferred the equity interest they held in Jiangxi Desun to Kangping Chen and Xiande Li, respectively. At the same time, Xiande Li, Kangping Chen and Xianhua Li made additional capital contributions to Jiangxi Desun and increased its registered capital to RMB20.0 million. As the result, Xiande Li, Kangping Chen and Xianhua Li became the only three holders of equity interests in Jiangxi Desun as of January 15, 2007 and held a 50%, 30% and 20% equity interest in Jiangxi Desun, respectively, until the restructuring described below.

On November 10, 2006, Yan Sang Hui and Xiafang Chen established Paker, a holding company incorporated in Hong Kong, on behalf of Xiande Li, Xianhua Li and Kangping Chen to facilitate investments by foreign financial investors in us and to gain access to the international capital markets so as to achieve such investors investment goals and exit and liquidity strategies. Later, through a series of share allotments and equity transfers, Xiande Li, Xianhua Li and Kangping Chen became the only three holders of equity interests in Paker as of June 14, 2007 and held a 50%, 20% and 30% equity interest in Paker, respectively, until May 30, 2008, when Paker issued series A redeemable convertible preferred shares as described below.

On December 13, 2006, Paker established Jiangxi Jinko, one of our current operating subsidiaries in China, as its wholly-owned operating subsidiary. Jiangxi Jinko is engaged in the processing of recoverable silicon materials and the manufacturing of silicon ingots and wafers. Jiangxi Jinko commenced commercial operation in

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January 2007. On July 16, 2007, Jiangxi Jinko established Xinwei, with an unrelated PRC citizen, Mr. Shaoqin Pan, as a limited liability company under the PRC law. Xinwei manufactures crucibles used in the manufacturing of monocrystalline ingots. Jiangxi Jinko and Mr. Shaoqin Pan held a 60% and 40% equity interest in Xinwei, respectively. Xinwei ceased to be Jiangxi Jinko s subsidiary after Jiangxi Jinko sold its equity interest in Xinwei to an unrelated third-party purchaser on December 28, 2007.

On June 26, 2009, Paker acquired 25% of the equity interest in Zhejiang Jinko for a total consideration of US$2.5 million from Green Power Technology Inc., a company incorporated in Mauritius, and New Energy International Ltd., a U.S. company. On June 30, 2009, Jiangxi Jinko acquired 75% of the equity interest in Zhejiang Jinko for a total consideration of approximately RMB82.9 million from Haining Chaoda Warp Knitting Co., Ltd. Prior to our acquisition, Zhejiang Jinko s equity interests were held 75% by a PRC limited liability company and 25% by non-PRC entities. As such, Zhejiang Jinko was a Sino-foreign equity joint venture company under PRC law. Sino-foreign equity joint ventures established prior to March 16, 2007 enjoy certain tax preferential treatment under PRC law. See Management s Discussion and Analysis of Financial Condition and Results of Operations Selected Statement of Operations Items Taxation . In order to preserve Zhejiang Jinko s status as a Sino-foreign equity joint venture eligible for such tax preferential treatment, and to avoid the necessity of obtaining the approvals that would be required to change such status, we implemented the acquisition of Zhejiang Jinko s equity interests in the manner described above. Consequently, Zhejiang Jinko became our wholly-owned subsidiary. Zhejiang Jinko commenced manufacturing solar cells in June 2007 and was one of our largest silicon wafer customers before the acquisition. We commenced production of solar cells in July 2009 following our acquisition of Zhejiang Jinko.

On November 25, 2009, in order to facilitate settlement of payments and our overseas sales and marketing efforts, as well as to establish our presence in major overseas markets, Paker established JinkoSolar International Limited, a trading company incorporated in Hong Kong, which is an international commercial and financial center with easy access to overseas markets.

On December 24, 2009, Jiangxi Jinko and Xiande Li established Jinko Import and Export, which subsequently became Jiangxi Jinko s wholly-owned subsidiary before Xiande Li made any capital contribution to Jinko Import and Export. In addition to conducting sales, Jinko Import and Export coordinates our sales activities with production at our operating subsidiaries and facilitates our import and export activities in the PRC.

On April 1, 2010, Paker established JinkoSolar GmbH, a limited liability company incorporated in Germany to establish a presence in Europe, expand our sales and marketing network and increase our brand recognition in strategic markets within the region.

Our Domestic Restructuring

We undertook a restructuring in 2007, or the 2007 Restructuring, with a view to establishing an offshore holding company structure to facilitate investment by foreign investors in our PRC operating business indirectly through Paker. The holders of our series A redeemable convertible preferred shares and series B redeemable convertible preferred shares initially purchased shares in Paker, prior to our offshore reorganization, as discussed below. The reasons for choosing to establish Paker in Hong Kong included:

- the potential advantages of a Hong Kong holding company offered under PRC and Hong Kong laws and regulations such as (i) tax regulations relating to dividend withholding and (ii) certain reciprocal incentives for PRC businesses under Hong Kong law and for Hong Kong businesses under PRC law;

- the founders then-current intention to explore using Paker as an export platform for our prospective overseas sales and marketing efforts;

- the generally simple corporate tax regime existing under Hong Kong laws and regulations; and

- the accessibility, proximity and familiarity of Hong Kong for the founders and management team from the point of view of commercial customs and similar factors.

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Subsequently, in preparation for this offering and the listing of our shares on NYSE, our shareholders decided to establish our company in the Cayman Islands as the holding company of Paker. As a Cayman Islands company, our shares can be readily listed on NYSE, providing the desired liquidity for our shareholders.

Pursuant to the 2007 Restructuring, Paker subscribed for the newly issued equity interest in Jiangxi Desun and became a holder of a 34.9% equity interest in Jiangxi Desun, with the approval of the Foreign Trade and Economic Cooperation Department of Jiangxi Province, or Jiangxi MOFCOM, on February 28, 2007. The equity interest of Jiangxi Desun held by Paker was subsequently diluted to 27.0% as the result of subscription of Jiangxi Desun s newly issued equity interest by Xiande Li, Kangping Chen, Xianhua Li and Paker on April 29, 2007. As part of the 2007 Restructuring, Paker, Xiande Li, Kangping Chen and Xianhua Li entered into a share pledge agreement on February 27, 2007, or the 2007 Share Pledge Agreement, pursuant to which Xiande Li, Kangping Chen and Xianhua Li pledged their equity interest in Jiangxi Desun to Paker and waived all their voting rights and other beneficial rights with regard to their equity interest in Jiangxi Desun. As a result of the 2007 Share Pledge Agreement, Paker obtained 100% of the voting control over and economic interest in Jiangxi Desun although it did not obtain legal ownership of the equity interest pledged by Xiande Li, Kangping Chen and Xianhua Li. In December 2008, Jiangxi Desun distributed after-tax profit in an amount of RMB57.8 million to Paker under the terms of the 2007 Share Pledge Agreement. See Related Party Transactions. Xiande Li, Kangping Chen and Xianhua Li continue to retain ownership of the equity interest of Jiangxi Desun.

Based on the evolving interpretation of existing PRC regulations relating to the acquisition by foreign companies of PRC domestic companies, we determined that the acquisition of the equity interest in Jiangxi Desun by Paker in the 2007 Restructuring would be subject to Article 11 of Provisions Regarding Mergers and Acquisitions of Domestic Enterprises by Foreign Investors , or Circular 10, and therefore subject to the approval of China Ministry of Commerce, or MOFCOM at the central government level.

To remedy this past non-compliance with Circular 10 in connection with the 2007 Restructuring, we undertook another restructuring in 2008, or the 2008 Restructuring. Under the 2008 Restructuring, Paker terminated the 2007 Share Pledge Agreement on July 28, 2008, and sold all of its equity interest in Jiangxi Desun, which ceased its solar power business in June 2008, to Long Faith, an unrelated Hong Kong company, on July 28, 2008. In addition, we inquired of Jiangxi MOFCOM in November 2008 regarding the possible adverse effect, if any, that the past non-compliance in connection with the 2007 Restructuring may have on us. On November 11, 2008, Jiangxi MOFCOM confirmed in its written reply to us that there had been no modification to the former approvals for the 2007 Restructuring and Paker s transfer of its equity interest in Jiangxi Desun to Long Faith, and we might continue to rely on those approvals for further transactions. Our PRC counsel, Chen & Co. Law Firm, has advised us that, based on their understanding of current PRC laws and regulations and the confirmation in Jiangxi MOFCOM s written reply and because Paker has transferred all of its equity interest in Jiangxi Desun to Long Faith and has terminated the share pledge and duly completed all relevant approval and registration procedures for such transfer and termination, the possibility for the approval relating to the 2007 Restructuring to be revoked is remote and our corporate structure currently complies in all respects with Circular 10.

In addition, as part of the 2008 Restructuring, and in order to ensure the continuity of our business after the disposal of our equity interest in Jiangxi Desun, Jiangxi Jinko and Jiangxi Desun entered into certain transactions, or the 2008 Restructuring Transactions, including: (i) a ten-year leasing agreement dated January 1, 2008, pursuant to which Jiangxi Jinko leased approximately 15,282 square meters of factory buildings and office space from Jiangxi Desun; (ii) a sales agreement, pursuant to which Jiangxi Desun sold its major equipment, including 16 monocrystalline furnaces, to Universal Xiao Shan, an unrelated third-party; (iii) a capital leasing agreement, pursuant to which Jiangxi Jinko leased from Universal Xiao Shan manufacturing equipment, including the 16 monocrystalline furnaces from August 3, 2008 to May 3, 2010, which Universal Xiao Shan purchased from Jiangxi Desun; (iv) the transfer of outstanding rights and obligations of Jiangxi Desun under the then existing contracts with Jiangxi Desun s customers to Jiangxi Jinko for the sale of recovered silicon materials, monocrystalline ingots and monocrystalline wafers; and (v) a non-competition agreement between

Jiangxi Desun and Jiangxi Jinko, pursuant to which Jiangxi Desun agreed not to, directly or indirectly, conduct or invest in any company that conducts any business similar to or competitive with that which Jiangxi Jinko currently operates, from July 31, 2008. See Risk Factors Risks Related to Doing Business in China If we were required to obtain the prior approval of the PRC Ministry of Commerce, or MOFCOM, for or in connection with our corporate restructuring in 2007 and 2008, our failure to do so could have a material adverse effect on our business, operating results and trading price of our ADSs and Risk Factors Risks Related to Doing Business in China If we were required to obtain the prior approval of the China Securities Regulatory Commission, or CSRC, for or in connection with this offering and the listing of our ADSs on the NYSE, our failure to do so could cause the offering to be delayed or cancelled.

Private Equity and Other Financing Arrangements

On May 30, 2008, Paker increased its authorized number of shares by effecting a share split of 1 for 1,000 shares for its ordinary shares. As a result, the total outstanding number of shares increased from 400 to 400,000. In addition, Paker effected a share split in the form of a stock dividend of 600,000 ordinary shares at par value of HK$0.001 to Xiande Li, Kangping Chen and Xianhua Li on a pro rata basis. Therefore, immediately after completion of the share split, Paker s authorized number of shares increased to 10,000,000 shares with par value of HK$0.001, with an aggregate of 1,000,000 outstanding ordinary shares.

On May 30, 2008, Paker issued 67,263 and 40,240 series A redeemable convertible preferred shares, representing 5.99% and 3.59% of the total share capital of Paker on an as-converted fully diluted basis, to Flagship and Everbest, respectively, for an aggregate consideration of US$24.0 million. In addition, on May 30, 2008, Paker also issued 14,629 ordinary shares, representing 1.30% of the total share capital of Paker, to Wealth Plan in consideration for its consultancy services related to Paker s issuance of series A redeemable convertible preferred shares.

On September 18, 2008, Paker issued 55,811, 21,140, 29,597, 12,684 and 29,597 series B redeemable convertible preferred shares, representing 4.39%, 1.66%, 2.33%, 1.00% and 2.33% of the total share capital of Paker on an as-converted fully diluted basis to SCGC, CIVC, Pitango, TDR and New Goldensea, respectively, for an aggregate consideration of US$35.2 million.

Offshore Reorganization

On August 3, 2007, Greencastle International Limited, or Greencastle, was incorporated under the laws of the Cayman Islands by Offshore Incorporation (Cayman) Limited, a company incorporated in the Cayman Islands. On December 4, 2007 Wholly Globe Investments Limited, or Wholly Globe, a company incorporated in the British Virgin Islands, became Greencastle s sole shareholder. Wholly Globe was owned by three companies incorporated in the British Virgin Islands: Brilliant, Yale Pride, and Peaky. Brilliant was owned by Xiande Li, Yale Pride was owned by Kangping Chen and Peaky was owned by Xianhua Li. In order to simplify our corporate structure, establish our holding company in the Cayman Islands, whose shares can be readily listed on an established securities exchange, and adjust our shareholdings to the agreed proportions of our shareholders, we undertook an offshore reorganization from October to December in 2008. On October 17, 2008, Wholly Globe distributed 25,000, 15,000 and 10,000 ordinary shares of Greencastle to Brilliant, Yale Pride and Peaky, respectively, which together constituted 100% of the issued and outstanding share capital of Greencastle as of the same date. As a result, Wholly Globe ceased to be a shareholder of Greencastle as of October 17, 2008. On October 21, 2008, Greencastle changed its name to JinkoSolar Holding Co., Ltd. On December 16, 2008, we repurchased 24,999, 14,999, and 9,999 ordinary shares from Brilliant, Yale Pride and Peaky, respectively and reduced our share capital from US$50,000 before the repurchase to US$10,000. Subsequently, we subdivided our share capital into 10,000,000 shares, consisting of 9,743,668 ordinary shares, 107,503 series A redeemable convertible preferred shares and 148,829 series B redeemable convertible preferred shares, each at par value of US$0.001 per share. As a result of the share subdivision, each share held by Brilliant, Yale Pride and Peaky was subdivided into 1,000 ordinary shares at par value of US$0.001 per share.

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In addition, on December 16, 2008 and after the share subdivision described above we undertook a series of share exchange transactions consisting of:

- the 500,000 ordinary shares, 300,000 ordinary shares and 200,000 ordinary shares in Paker held by Xiande Li, Kangping Chen and Xianhua Li respectively, in exchange for 499,000, 299,000 and 199,000 of our ordinary shares;

- the 14,629 ordinary shares in Paker held by Wealth Plan in exchange for 14,629 of our ordinary shares;

- the 67,263 shares and 40,240 shares of series A redeemable convertible preferred shares of Paker held by Flagship and Everbest, respectively, in exchange for an equivalent number of JinkoSolar s newly issued shares of the same class; and

- the 55,811 shares, 21,140 shares, 29,597 shares, 12,684 shares and 29,597 shares of series B redeemable convertible preferred shares of Paker held by SCGC, CIVC, Pitango, TDR and New Goldensea, respectively, in exchange for an equivalent number of JinkoSolar s newly issued shares of the same class.

Xiande Li, Kangping Chen and Xianhua Li subsequently transferred 499,000, 299,000 and 199,000 ordinary shares to Brilliant, Yale Pride and Peaky respectively on December 16, 2008. JinkoSolar was registered as the sole shareholder of Paker on February 9, 2009. Immediately before the completion of this offering, each of Brilliant, Yale Pride and Peaky will become wholly owned by HSBC International Trustee Limited in its capacity as trustee, with each of Brilliant, Yale Pride and Peaky being held under a separate irrevocable trust constituted under the laws of the Cayman Islands.

2009 Share Split

On September 15, 2009, we effected the 2009 Share Split, pursuant to which each of the ordinary shares, series A redeemable convertible preferred shares and series B redeemable convertible preferred shares was subdivided into 50 shares of the relevant class.

On September 15, 2009, Xiande Li, Kangping Chen and Xianhua Li, through Brilliant, Yale Pride and Peaky, respectively, ratably transferred an aggregate of 3,812,900 ordinary shares to the holders of series B redeemable convertible preferred shares and 701,550 ordinary shares to Flagship. For a discussion of our current shareholding structure, see Principal Shareholders.

Variable Interest Entities

We determined that Tiansheng, Hexing, Yangfan and Alvagen were VIEs and that we were the primary beneficiary of these four entities for the respective periods from June 6, 2006 to September 30, 2008, September 3, 2007 to September 30, 2008, June 6, 2006 to September 1, 2008 and April 29, 2007 to September 1, 2008 because, for the respective periods, (i) the equity holders of these VIEs did not have sufficient equity to carry out the business activities without our financial support, (ii) the business activities of the four entities were conducted solely or predominantly on our behalf, and (iii) through our pricing arrangements with these entities, we effectively obtained their economic benefits and absorbed their residual losses. Consequently, we consolidated their financial results for the respective periods. See Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies.

The following sets out certain information regarding the establishment of each of the VIEs:

- *Tiansheng*. Tiansheng was established on December 3, 2004 by PRC individuals unrelated to us. On December 18, 2006, Mr. Kangping Chen purchased all the equity shares of Tiansheng and became the sole shareholder of Tiansheng. On November 27, 2007, Mr. Chen sold his interest in Tiansheng to a PRC individual unrelated to us. Tiansheng is engaged in the trading of recoverable silicon materials.

Hexing. Hexing was established on September 3, 2007 by two PRC individuals, one of which is our former employee and the other is unrelated to us. From November 2007 to September 2008, through a

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series of equity transfers, Hexing became a sino-foreign joint venture company with one of its founders holding 55.6% and Shine Billion Corporation Limited, a Hong Kong company, holding the remaining 44.4% of its equity interest. Hexing is engaged in the business of screening recoverable silicon materials.

Yangfan. Yangfan was established on April 24, 2006 by two PRC individuals, one of which is our former employee and the other is unrelated to us. Yangfan procured and sold raw materials for manufacturing to Jiangxi Desun. On January 23, 2008, the shareholders of Yangfan transferred all their equity interest in Yangfan to a PRC citizen unrelated to us. Yangfan was engaged in the trading of recoverable silicon materials prior to May 2008.

Alvagen. Alvagen was established on April 29, 2007 by Ms. Xiafang Chen, a PRC individual who is a sister of Mr. Kangping Chen and wife of Xiande Li. Alvagen primarily provided administrative support services to us.

As discussed below under Historical Transactions with VIEs , we entered into supply contracts with Tiansheng, Hexing and Yangfan with a view to securing a stable supply of recoverable silicon materials, an essential source of our raw materials. We do not and did not own any equity interest in any of the VIEs. We provided financial support to the VIEs given that they were thinly capitalized. Moreover, we were the sole or predominant customer of Tiansheng, Hexing and Yangfan and were able to purchase the entire output of these VIEs at cost plus a small margin, which was generally below prevailing market prices. Pricing decisions were primarily influenced by our management. We also provided experienced management personnel to assist these VIEs in the screening and inspection of recoverable silicon materials, and in negotiation of the purchase prices. As a result, we absorbed the losses incurred by the VIEs. All these factors made us the primary beneficiary of the activities of these VIEs for the relevant periods.

Alvagen provided us with certain administrative support services from May 2007 to August 2008 and as a consequence, Alvagen bore certain general and administrative expenses on our behalf. We have determined that we were the primary beneficiary of Alvagen during the relevant periods.

On September 1, 2008, we entered into a cooperation termination agreement with Alvagen that terminated all business relationships with it and released all claims that either party may have. On September 1, 2008, Yangfan issued a letter of confirmation to confirm that it will not have any business relationship with us as Yangfan ceased its recoverable silicon material business in May 2008. Accordingly, we have determined that we were no longer the primary beneficiary of Yangfan and Alvagen as of September 1, 2008, and as a result, we were no longer required to consolidate their financial results with ours as of the same date.

As discussed below under Relationships with Hexing and Tiansheng , we have entered into substantially revised agreements with Hexing to place the relationship between Hexing and us on ordinary commercial terms and terminated our relationship with Tiansheng when it became the supplier of Hexing. In addition, as of September 30, 2008, Tiansheng and Hexing had obtained additional capital injections from their equity owners, which enabled them to carry sufficient equity at risk to finance future operational activities without additional subordinated financial support from us. Accordingly, we have determined that Tiansheng and Hexing were no longer VIEs as of September 30, 2008, and as a result, we were no longer required to consolidate their financial results with ours as of the same date.

Historical Transactions with VIEs

Raw material purchase transactions with Yangfan. During 2006, 2007 and 2008, we purchased recoverable silicon materials from Yangfan. Such purchases were made at prices determined at cost plus a small margin, and the price decisions were primarily influenced by our management, which resulted in our obtaining Yangfan s economic benefits and our absorption of Yangfan s losses. At the same time, we provided technical personnel to Yangfan to assist it in inspecting and screening the materials for quality and suitability for our production processes, and negotiating the purchase prices with their suppliers. Yangfan procured recoverable silicon materials from various trading companies and individuals in China. In May 2008, Yangfan phased out its recoverable silicon material procurement and sales operations and terminated its business with us on September 1, 2008.

Raw material purchase transactions with Tiansheng and Hexing. We purchased recoverable silicon materials directly from Tiansheng prior to September 2007. Commencing in September 2007, we purchased recoverable silicon materials from Hexing which Hexing sourced from Tiansheng and other suppliers, then screened and delivered to us. Tiansheng procures recoverable silicon materials from various trading companies, individuals and other suppliers in China.

Our purchase prices from Tiansheng and Hexing were determined at cost plus a small margin, and the price decisions were primarily influenced by our management, which resulted in our absorption of their losses. We purchased recoverable silicon materials from Hexing with an aggregate amount of RMB1,011.9 million during the period from Hexing s establishment on September 3, 2007 to September 30, 2008 when Hexing was deconsolidated. The balance of prepayments to Hexing as of September 30, 2008 was RMB60.0 million.

In addition, we provided technical personnel to Tiansheng and Hexing to assist them in inspecting and screening recoverable silicon materials for quality and suitability for our production processes, as well as in negotiating the purchase prices with their suppliers.

Premises leasing transactions. Historically, Hexing leased factory space from us for its recoverable silicon material screening operations and paid us lease payments of RMB240,000 from September 2007 to August 2008, when the lease agreement was terminated. Hexing subsequently leased factory space for its operations from third parties. Tiansheng did not operate in our facilities and since September 1, 2008, it has operated in the facilities leased by Hexing.

Transactions with Alvagen. From May 2007 to January 2008, Alvagen provided us with administrative support services and we used the premises of Alvagen as an administrative office to conduct our daily business and management activities in Shanghai. After January 2008, Alvagen provided us with limited administrative support services. As a consequence, Alvagen bore certain general and administrative expenses on our behalf.

Termination of Business Relationships with Yangfan and Alvagen

Yangfan terminated its recoverable silicon material procurement and sales operations in May 2008. Alvagen had ceased to provide us with limited administrative support services as of September 1, 2008. Further, on September 1, 2008, we entered into a cooperation termination agreement with Alvagen that terminates all business relationships and releases all claims that either party may have. On September 1, 2008, Yangfan issued a letter of confirmation to confirm that it will not have any business relationship with us.

Accordingly, we have determined that, as of September 1, 2008, we were no longer the primary beneficiary of Yangfan and Alvagen and as such, we were no longer required to consolidate their financial results with ours as of the same date.

Relationships with Hexing and Tiansheng

As of September 30, 2008, we had entered into substantially revised agreements with Hexing to place our relationship with Hexing on ordinary commercial terms. This change enables us to better manage potential risks that might have arisen if we were required to continue to consolidate the results of Hexing, an entity in which we do not hold legal ownership, pursue our strategy of diversifying our sources of recoverable silicon materials while maintaining our strong and stable relationships with Hexing as our supplier, and focus our business and financial resources on our core manufacturing process and technologies.

Capitalization of Hexing and Tiansheng. The shareholders of each of Hexing and Tiansheng have increased the registered share capital to amounts that they consider sufficient to finance their respective activities of Hexing and Tiansheng without recourse to additional financing from us. Furthermore, other than prepayments based on ordinary commercial terms, we have ceased to provide any financial support to Hexing and Tiansheng since September 2008.

Supply agreements. Commencing from September 2008, we negotiated the price arrangements with Hexing based on market prices and ordinary commercial terms. We also amended our supply agreement with Hexing for 2009 to provide that Hexing would sell us a specified amount of recoverable silicon materials, which would be subject to adjustment at our reasonable request, at prices to be determined by the two sides on an arm s-length basis. The purchase prices would be determined through negotiation based on prevailing market prices with a view to establishing transactions on ordinary commercial terms. We did not renew this agreement when it expired at the end of 2009.

Independent management. Each of Hexing and Tiansheng has formed its own fully independent management team to manage transactions with their customers and suppliers, as well as daily operations. We entered into a memorandum on independent management with each of Hexing and Tiansheng on September 1, 2008 stating that we and our employees will no longer provide any management services, financial support or assistance in screening recoverable silicon materials or negotiating purchase prices with their suppliers.

As the result of the foregoing, we have determined that Hexing and Tiansheng were no longer VIEs as of September 30, 2008, and we were no longer required to consolidate their financial results with ours as of the same date.

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SELECTED CONSOLIDATED FINANCIAL AND OPERATING DATA

The following selected consolidated statements of operations data and other consolidated financial and operating data for the period from June 6, 2006 to December 31, 2006 and consolidated balance sheet data as of December 31, 2006 and 2007 have been derived from our audited consolidated financial statements not included in this prospectus. The following selected consolidated statements of operations data and other consolidated financial and operating data for the years ended December 31, 2007, 2008 and 2009 and the consolidated balance sheet data as of December 31, 2008 and 2009 have been derived from our audited consolidated financial statements, which are included elsewhere in this prospectus. Our audited consolidated financial statements have been prepared and presented in accordance with U.S. GAAP and have been audited by PricewaterhouseCoopers Zhong Tian CPAs Limited Company, an independent registered public accounting firm.

You should read the selected consolidated financial and operating data in conjunction with our consolidated financial statements and related notes and Management s Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus. Our historical results do not necessarily indicate our expected results for any future periods. We have determined that we were no longer the primary beneficiary of Yangfan and Alvagen as of September 1, 2008 and Tiansheng and Hexing were no longer VIEs as of September 30, 2008. As a result, we were no longer required to consolidate their financial results with ours as of September 1, 2008 and September 30, 2008, respectively.

	For the Period from June 6, 2006 to December 31, 2006 (RMB)	2007 (RMB)	For the Year Ended December 31, 2008 (RMB)	2009 (RMB)	2009 (US$)
	(in thousands, except share and per share data)				
Consolidated Statements of Operations Data:					
Revenues	116,234.2	709,152.9	2,183,614.1	1,567,859.6	229,692.7
Cost of revenues	(115,770.9)	(621,024.0)	(1,872,088.6)	(1,337,647.5)	(195,966.5)
Gross profit	463.3	88,128.9	311,525.5	230,212.1	33,726.2
Total operating expenses	(1,872.5)	(12,540.3)	(40,271.7)	(107,739.5)	(15,783.9)
(Loss)/Income from operations	(1,409.2)	75,588.6	271,253.8	122,472.6	17,942.3
Interest income/(expenses), net	7.0	(321.9)	(6,323.9)	(29,936.8)	(4,385.8)
Subsidy income		546.8	637.3	8,569.1	1,255.4
Investment (loss)/gain			(10,165.5)	82.1	12.0
Exchange loss	(1.1)	(68.0)	(4,979.8)	(2,181.5)	(319.6)
Other income/(expenses), net	33.4	300.0	(490.1)	(1,338.6)	(196.1)
Change in fair value of derivatives			(29,812.7)	(13,599.3)	(1,992.3)
(Loss)/Income before income taxes	(1,369.9)	76,045.5	220,119.1	84,067.6	12,315.9
Income taxes			(822.3)	1,342.0	196.6
Net (loss)/income	(1,369.9)	76,045.5	219,296.8	85,409.6	12,512.5
Less: Net income attributable to the non-controlling interests			(576.8)		
Net (loss)/income attributable to JinkoSolar Holding Co., Ltd.	(1,369.9)	76,045.5	218,720.0	85,409.6	12,512.5
Net (loss)/income attributable to JinkoSolar Holding Co., Ltd s ordinary shareholders per share basic and diluted	(0.11)	2.19	3.52	(0.73)	(0.11)
Net (loss)/income attributable to JinkoSolar Holding Co., Ltd. s ordinary shareholders per ADS(1) basic and diluted	(0.44)	8.77	14.10	(2.93)	(0.43)
Weighted average ordinary shares outstanding basic and diluted	12,500,000	34,691,800	50,429,700	50,731,450	50,731,450

(1) Each ADS represents four ordinary shares

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	As of December 31,				
	2006 (RMB)	2007 (RMB)	2008 (RMB)	2009 (RMB)	2009 (US$)
	(in thousands)				
Consolidated Balance Sheets Data:					
Cash and cash equivalent	8,508.0	27,242.2	27,323.6	152,479.6	22,338.4
Restricted cash			9,622.0	72,827.2	10,669.2
Accounts receivable a related party			69,062.1	100.4	14.7
Accounts receivable third parties		228.4	8,039.5	236,796.6	34,690.9
Advance to suppliers	39,776.5	151,455.7	110,638.3	93,324.1	13,672.1
Inventories	11,376.3	172,134.9	272,030.5	245,192.4	35,920.9
Total current assets	66,174.1	398,470.1	528,980.4	970,650.4	142,201.1
Property, plant and equipment, net	9,778.1	57,479.4	352,929.5	741,481.4	108,627.6
Land use rights, net	1,810.9	6,962.0	165,509.6	228,377.5	33,457.5
Advances to suppliers to be utilized beyond one year			187,270.6	230,899.5	33,827.0
Total assets	77,763.1	559,279.8	1,278,020.4	2,242,649.3	328,550.0
Accounts payable	844.9	8,721.3	23,985.3	99,932.8	14,640.2
Notes payable				81,643.2	11,960.8
Advance from a related party	49,810.6	92,433.3			
Advance from third party customers		162,001.8	184,749.0	36,777.8	5,388.0
Derivative liabilities			30,017.4	54.9	8.0
Short-term borrowings from third parties	1,000.0	22,990.0	150,000.0	576,084.0	84,396.8
Total current liabilities	66,115.5	310,922.2	481,330.6	946,782.3	138,704.4
Long-term borrowings				348,750.0	51,092.2
Total liabilities	66,115.5	372,585.9	485,043.7	1,299,811.8	190,423.5
Series A redeemable convertible preferred shares			157,224.9	189,057.9	27,697.1
Series B redeemable convertible preferred shares			245,402.2	287,703.8	42,148.8
Total JinkoSolar Holding Co., Ltd. shareholders equity	5,707.6	175,753.9	390,349.6	466,075.8	68,280.5
Non-controlling interests	5,940.1	10,940.1			
Total liabilities and equity	77,763.1	559,279.8	1,278,020.4	2,242,649.3	328,550.0

The following tables set forth certain other financial and operating data of our company for the periods since we commenced our operation on June 6, 2006. Gross margin, operating margin and net margin represent the gross profit, (loss)/income from operations and net (loss)/income as a percentage of our revenues, respectively.

	For the Period from June 6, 2006 to December 31, 2006	For the Year Ended December 31, 2007	2008	2009
	(RMB in thousands, except percentages)			
Other Financial Data:				
Gross margin	0.4%	12.4%	14.3%	14.7%
Operating margin	(1.2%)	10.7%	12.4%	8.0%
Net margin	(1.2%)	10.7%	10.0%	5.6%
Total revenues:				
Sales of recovered silicon materials	116,234.2	536,755.2	902,249.0	28,039.4
Sales of silicon ingots		170,007.2	483,544.9	98.9
Sales of silicon wafers			794,860.1	1,102,232.8
Sales of solar cells				225,866.3
Sales of solar modules				182,015.1
Processing service fees		2,390.5	2,960.1	29,607.1

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	For the Period from June 6, 2006 to December 31, 2006	For the Year Ended December 31, 2007	2008	2009
Operating Data:				
Sales volume:				
Recovered silicon materials (metric tons)	128.3	349.1	397.9	11.7
Silicon ingots (MW)		12.6	33.1	0.01
Silicon wafers (MW)			51.4	180.4
Solar cells (MW)				27.3
Solar modules (MW)				14.4
Average selling price (RMB):				
Recovered silicon materials (per kilogram)	906.0	1,537.5	2,267.5	2,397.1(1)
Silicon ingot (per watt)		13.5	14.6	6.8
Silicon wafer (per watt)			15.5	6.1
Solar cells (per watt)				8.3
Solar modules (per watt)				12.7

(1) Sales were contracted in 2008 prior to the significant decrease in selling price and made in the first quarter of 2009.

RECENT DEVELOPMENTS

The following is an estimate of our selected preliminary unaudited financial and operating data for the three months ended March 31, 2010. The selected preliminary financial and operating data presented below are subject to the completion of our financial closing procedures, which have not been completed. Accordingly, these data may change and those changes may be material. The preliminary financial data included in this prospectus has been prepared by and is the responsibility of management. PricewaterhouseCoopers Zhong Tian CPAs Limited Company has not audited, reviewed, compiled or performed any procedures with respect to the accompanying preliminary financial data. Accordingly, PricewaterhouseCoopers Zhong Tian CPAs Limited Company does not express an opinion or any other form of assurance with respect to such information. For additional information regarding the various risks and uncertainties inherent in estimates of this type, see Special Note Regarding Forward-looking Statements.

In the three months ended March 31, 2010, we shipped a total of approximately 53 MW of silicon wafers, 19 MW of solar cells and 10 MW of solar modules. Our shipments of these products for the three months ended December 31, 2009 were 69 MW, 15 MW and 13 MW, respectively. Shipment refers to the dispatch of products from our factory and does not correlate precisely to sales for revenue recognition purposes. See Note 2(o) to the Consolidated Financial Statements, which are included elsewhere in this prospectus.

We estimate that our revenues for the three months ended March 31, 2010 were no less than RMB548 million. We recorded revenues of RMB688 million for the three months ended December 31, 2009.

We estimate that our gross profit for the three months ended March 31, 2010 was no less than RMB129 million and our gross profit margin was not lower than 23.6%. We recorded gross profit of RMB112 million for the three months ended December 31, 2009, representing a gross profit margin of 16.2%.

We estimate that our income from operations for the three months ended March 31, 2010 was no less than RMB97 million. We recorded income from operations of RMB72 million for the three months ended December 31, 2009. To become a fully-integrated maker of solar power products, we have rapidly expanded our manufacturing capacities of silicon wafers, solar cells and solar modules over the past few years, and the respective manufacturing capacities of each product in the value chain have not been perfectly matched.

To fully capture demand for various types of solar power products, at different times during 2009 we sold silicon wafers and solar cells as end-products to certain customers, and also purchased silicon wafers and solar cells as raw materials for the manufacturing of solar cells and solar modules, respectively, and sold these solar cells and solar modules as end-products. In the three months ended March 31, 2010, we sold silicon ingots, silicon wafers and solar cells as end-products to certain customers, and also purchased solar cells as raw materials for the manufacturing of solar modules and sold these solar modules as end-products. As a result, compared with a fully-integrated maker of solar power products of comparable size with equal manufacturing capacities for silicon wafers, solar cells and solar modules, our sales and revenues were larger but our gross profit and income from operations were lower as we were not able to capture the profit in the entire value chain. Our outsourcing of production of a small proportion of silicon wafers and solar cells during the three months ended March 31, 2010 also had a negative impact on our gross margin and operating margin. For the same reason, as our purchase of solar cells as raw materials in the three months ended March 31, 2010 was estimated to be substantially less than the purchase of silicon wafers and solar cells for the three months ended December 31, 2009, our estimated gross margin in the three months ended March 31, 2010 was higher than that in the three months ended December 31, 2009.

We estimate that our net income for the three months ended March 31, 2010 was no less than RMB73 million. We recorded net income of RMB84 million for the three months ended December 31, 2009.

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In future periods, our revenues, gross profit and income from operations may vary as we better match our silicon wafer and solar cell capacity to our solar module capacity. Our estimated results for the three months ended March 31, 2010 may not be indicative of our results for future periods. Please refer to Risk Factors Risks Related to Our Business and Our Industry Our operating results may fluctuate from period to period in the future. and Management s Discussion and Analysis of Financial Condition and Results of Operations Principal Factors Affecting Our Results of Operations Industry Demand for Solar Power Products and Selected Quarterly Results of Operations included elsewhere in this prospectus for information regarding trends and other factors that may affect our results of operations.

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

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

We commenced operations on June 6, 2006. The consolidated financial statements for the historical periods presented in this prospectus include the financial results of JinkoSolar and its current and former subsidiaries, which include Paker, Jiangxi Desun, Jiangxi Jinko and Xinwei, as well as the VIEs, which include Tiansheng, Hexing, Yangfan and Alvagen, for the relevant periods. In our discussion of the year ended December 31, 2007, the consolidated financial statements include the financial statements of Xinwei, a subsidiary of Jiangxi Jinko from July 16, 2007 (inception) to December 28, 2007. We have determined that we were no longer the primary beneficiary of Yangfan and Alvagen as of September 1, 2008 and Tiansheng and Hexing were no longer VIEs as of September 30, 2008, and therefore, we were no longer required to consolidate their financial results with ours as of September 1, 2008 and September 30, 2008, respectively.

Overview

We manufacture and sell monocrystalline and multicrystalline wafers, solar cells and solar modules. We have built a vertically integrated solar product value chain from recovered silicon materials to solar modules. Our product mix has evolved rapidly since our inception on June 6, 2006. In 2006, our sales consisted entirely of recovered silicon materials. In 2007, we sold a mix of recovered silicon materials and silicon ingots. In 2008, our sales consisted of silicon wafers, silicon ingots and recovered silicon materials.

We commenced producing solar cells in July 2009 following our acquisition of Zhejiang Jinko and commenced producing solar modules in August 2009. Commencing in 2009, we retained a substantial majority of our output of recovered silicon materials and silicon ingots for our own silicon wafer production to capture the efficiencies of our vertically integrated production process. Consequently, we derived a substantial majority of our revenues from sales of silicon wafers and, to a lesser degree, solar cells and solar modules in 2009. As of March 31, 2010, we had annual silicon wafer production capacity of approximately 300 MW and annual solar cell and solar module production capacity of approximately 200 MW each. We plan to increase our annual silicon wafer and solar module production capacity to approximately 500 MW each and solar cell production capacity to approximately 400 MW by the end of 2010.

Our revenues were RMB116.2 million for the period from June 6, 2006 to December 31, 2006, RMB709.2 million for the year ended December 31, 2007, RMB2,183.6 million for the year ended December 31, 2008 and RMB1,567.9 million (US$229.7 million) for year ended December 31, 2009. We recorded a net loss of RMB1.4 million for the period from June 6, 2006 to December 31, 2006, and net income of RMB76.0 million, RMB218.7 million and RMB85.4 million (US$12.5 million), respectively, for the years ended December 31, 2007, 2008 and 2009.

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. Historical 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. Further, we historically derived a substantial portion of our revenues from sales to ReneSola, a related party. See Risk Factors Risks Related to Our Business and

Our Industry Our limited operating history makes it difficult to evaluate our results of operations and prospects and Risk Factors Risks Related to Our Business and Our Industry Notwithstanding our continuing efforts to further diversify our customer base, we derive, and expect to continue to derive, a significant portion of our revenues from a limited number of customers. As a result, the loss of, or a significant reduction in orders from, any of these customers would significantly reduce our revenues and harm our results of operations.

Principal 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 for Solar Power Products

Our business and revenue growth depends on the industry demand for solar power products. The solar power market has grown significantly in recent years. According to Solarbuzz, the world PV market, defined as relating to the total MW of modules delivered to installation sites, increased from 1,460 MW in 2005 to 7,300 MW in 2009, representing a compound annual growth rate, or CAGR, of 50%. Because installation of solar power systems can be relatively expensive, and decisions about such installations are usually elective rather than essential for businesses and consumers who have access to the public power grid, demand for solar power products is significantly affected by general economic conditions. Demand was significantly reduced during the global recession in 2008 and 2009.

In addition, demand for solar power products is significantly affected by government incentives adopted to make solar power competitive with conventional fossil fuel power. Various governments such as those of Germany, Spain, China, Japan, South Korea, Australia and the United States have used different policy initiatives to encourage or accelerate the development and adoption of solar power and other renewable energy sources. The widespread implementation of such incentive policies significantly stimulates demand for solar power products, including our products, whereas reductions or limitations on such policies, as have occurred in Germany and Spain, can reduce demand for such products or change price expectations, causing vendors of solar power products, including us, to reduce prices to adjust to demand at lower price levels. As a result, demand for and pricing of our products is highly sensitive to incentive policy decisions by governments in major markets.

Despite the contraction in demand during the second half of 2008 and the first half of 2009, we believe that demand for solar power products has recovered significantly in response to a series of factors, including the recovery of the global economy and increasing availability of financing for solar power projects. Although selling prices for solar power products, including the average selling prices of our products, have generally stabilized at levels substantially below pre-crisis prices, there is no assurance that such prices may not decline again. In addition, demand for solar power products is significantly affected by government incentives adopted to make solar power competitive with conventional fossil fuel power. The widespread implementation of such incentive policies has significantly stimulated demand, whereas reductions or limitations on such policies can reduce demand for such products. We believe that demand will continue to grow rapidly as solar power becomes an increasingly important source of renewable energy, and that the trend of government policies in support of solar power will continue to expand. Governments in such markets as Australia, China, Japan and the United States introduced significant incentive programs in 2009, whereas certain early adopters of PV incentive policies, such as Germany, Spain and South Korea announced reductions of incentive programs in 2009 and 2010. According to Solarbuzz, under the Balanced Energy forecast scenario, the lowest of three forecast scenarios, the world PV market is expected to reach 8,440 MW in 2010. We believe that the continued growth in demand for solar power products including our products will depend largely on the availability and effectiveness of government incentives for solar power products and the competitiveness of solar power in relation to other conventional energy resources.

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In addition, because demand for solar power products tends to be weaker during the winter months partly due to adverse weather conditions in certain regions, which complicates the installation of solar power systems, our quarterly operating results may fluctuate from period to period based on the seasonality of industry demand for solar power products. Our sales in the first quarter of any year may also be affected by the occurrence of the Chinese New Year holiday during which domestic industrial activity is normally lower than that at other times.

Pricing of Our Products

The prices of our products are based on a variety of factors, including our silicon raw materials costs, supply and demand conditions for solar power products, product mix, product quality and the terms of our customer contracts, including sales volumes. We previously made sales of recovered silicon materials and silicon ingots on a per-kilogram basis. We make sales of silicon wafers and solar cells on a per-piece basis and solar modules on a per-watt basis.

Since the fourth quarter of 2008, the pricing of our products has undergone a major downward adjustment. The average selling price of our silicon wafers was RMB15.5 per watt for the year ended December 31, 2008, and declined by 60.6% to RMB6.1 per watt for the year ended December 31, 2009. Average selling prices for other solar power products such as silicon ingots also declined in the same period due to weakened macroeconomic conditions, combined with the increased supply of solar power products due to production capacity expansion by solar power product manufacturers worldwide in recent years. We have adjusted to these changes by reducing selling prices to reflect market price trends. The price renegotiation benchmarks that we have agreed with customers under long-term wafer sale contracts, which are the degree of spot market price fluctuation that will give rise to renegotiation, are generally a 5% or 10% rise or fall in the spot market price. As a result, we believe that the current prices for our silicon wafers under these contracts reflect market prices. As a consequence of these trends, our revenues for the year ended December 31, 2009 were materially adversely affected. In order to mitigate as much as possible the effect of this major adjustment in the price of our products, commencing in 2009, we retained a substantial majority of our recovered silicon materials and ingots for our own silicon wafer production to capture the efficiencies of our vertically integrated production process. We have also taken the steps to reduce our costs outlined below in Availability, Price and Mix of Our Silicon Feedstock. As a result of these actions, we were able to operate profitably for the year ended December 31, 2009. Although the demand for our products has significantly recovered since the third quarter of 2009, the average selling prices of our products have not increased, and may decrease again. Because we are not able to reduce our fixed costs and expenses to the same degree as our variable costs, the decline in our average selling prices has had a material adverse effect on our net margins for the year ended December 31, 2009. See Risk Factors Risks Related to our Business and Our Industry As polysilicon supply increases, the corresponding increase in the global supply of downstream solar power products including our products may cause substantial downward pressure on the prices of our products and reduce our revenues and earnings.

Changing Product Mix

Our product mix has evolved rapidly since our inception, as we expanded our production capabilities to manufacture and sell downstream solar power products and to capture the efficiencies of our vertically integrated production process. In 2006, our sales consisted entirely of recovered silicon materials. In 2007, we sold recovered silicon materials and monocrystalline ingots. In 2008, our sales consisted of monocrystalline wafers and ingots, multicrystalline wafers and ingots and recovered silicon materials. Commencing in 2009, we retained a substantial majority of our output of recovered silicon materials and silicon ingots for our own production of silicon wafers. Consequently, for the year ended December 31, 2009, we derived a substantial majority of our revenues from the sale of silicon wafers. Through our acquisition of Zhejiang Jinko, we added solar cells to our product lines in July 2009. In addition, we commenced producing solar modules in August 2009 and have completed constructing our principal solar module manufacturing base for the mass-production of solar modules in Shangrao. As we have rapidly expanded our manufacturing capacities of silicon wafers, solar cells and solar modules over the past few years, the respective manufacturing capacities of each product in the value chain have not been perfectly matched. To fully capture demand for various types of solar power products, at different times during 2009 we sold silicon wafers and solar cells as end-products to certain customers, and also purchased silicon wafers and solar cells as inputs for the manufacturing of solar cells and solar modules, respectively, and sold these solar cells and solar modules as end-products. In the fourth quarter of 2009, we purchased 1.5 MW of silicon wafers and 8.6 MW of solar cells for our production of solar cells and solar modules respectively. As a result, compared to a fully-integrated maker of solar power products of comparable size with equal manufacturing capacities for silicon wafers, solar cells and solar modules, our sales and our total revenues were larger and our gross profit margin was lower as we were not able to capture the profit in the entire value chain. In future periods, our sales revenues and gross profit margin may vary as we better match our silicon wafer and solar cell capacity to our solar module capacity to become fully vertically integrated. In future periods we expect to derive a substantial majority of our revenues from sales of silicon wafers, solar cells and modules. As we build out our solar cell and solar module production capacity and achieve full-scale production of these products, we intend to use a greater portion of our silicon wafers for the production of our own solar cells and modules. However, we will continue to evaluate whether to sell silicon wafers to customers from time to time based on our silicon wafer production and market opportunities.

Although each of these products represents a separate stage of the solar power production chain, each involves different production processes, costs and selling prices. Accordingly, our historical results of operations from period to period have been significantly influenced by our changing product mix, and we expect that our operating results for future periods will continue to be influenced by our product mix.

Production Capacity Expansion

We plan to increase our annual production capacity of silicon wafer and solar modules to approximately 500 MW each and annual production capacity of solar cells to approximately 400 MW by the end of 2010. Our ability to successfully complete this production capacity expansion plan will depend on our ability to obtain required approvals and permits, as well as our ability to finance the necessary capital expenditures and other factors.

We expect our production capacity expansions will increase our revenues as our output and sales volume increase, notwithstanding the decrease in average selling prices of our products. As a consequence of our increased investment in plant and equipment and increased production scale, we expect that our costs of revenues, including depreciation and amortization costs, will increase. If we are able to maintain satisfactory facility utilization rates and productivity, our production capacity expansion will enable us to reduce our unit manufacturing costs through economies of scale, as fixed costs are allocated over a larger number of units of output. Moreover, manufacturers with greater scale are in a better position to obtain price discounts from silicon feedstock suppliers and may therefore obtain a greater market share of solar power products by selling at more competitive prices.

Our ability to achieve satisfactory utilization rates and economies of scale will depend upon a variety of factors, including our ability to attract and retain sufficient customers, the ability of our customers and suppliers to perform their obligations under our existing contracts, our ability to secure a sufficient supply of raw materials and production equipment for our production activities, the availability of working capital and the selling prices for our products.

Availability, Price and Mix of Our Silicon Feedstock

We use virgin polysilicon and recoverable silicon materials as the primary raw materials in our operations. Currently, we rely on a combination of long-term supply contracts and spot market purchases to meet our virgin polysilicon requirements. We have entered into two long-term virgin polysilicon purchase agreements under which we have agreed, after the amendments referred to below, to purchase an aggregate of 5,350 metric tons of virgin polysilicon from 2009 to 2019. Up to mid-2008, an industry-wide shortage of virgin polysilicon coupled with rapidly growing demand from the solar power industry caused rapid escalation of virgin polysilicon prices. According to Solarbuzz, the average price of virgin polysilicon under long-term supply contracts increased from approximately US$60 to US$65 per kilogram delivered in 2007 to US$60 to US$75 per kilogram delivered in 2008. Meanwhile, according to Solarbuzz, the spot price of virgin polysilicon reached as high as US$475 per kilogram during 2008. However, during the fourth quarter of 2008 and the first half of 2009, virgin polysilicon prices fell substantially as a result of significant new manufacturing capacity coming on line and falling demand for solar power products and semiconductor devices resulting from the global recession and credit market contraction. See Our Industry Recent Trends in Solar Power Product Prices.

During the year ended December 31, 2007 and the first seven months of 2008, all of our purchases of virgin polysilicon were made in the spot market. Commencing in August 2008, we began to take deliveries of virgin polysilicon under our contract with Zhongcai Technological. During the year ended December 31, 2008, our spot market purchases of virgin polysilicon and contract purchases of virgin polysilicon accounted for 84.8% and 15.2%, respectively, by volume of our virgin polysilicon purchases. For the five-month period from August 2008 through December 2008, our spot market purchases of virgin polysilicon and contract purchases of virgin polysilicon accounted for 77.0% and 23.0%, respectively, by volume of our virgin polysilicon purchases. For the year ended December 31, 2009, our spot market purchases of virgin polysilicon and contract purchases of virgin polysilicon accounted for 85.4% and 14.6%, respectively, by volume of our virgin polysilicon purchases.

For the four months of August through November 2008, our contract prices with Zhongcai Technological were fixed at a discount to the prevailing spot market price at the commencement of the contract term. In December 2008, we and Zhongcai Technological negotiated a price that reflected the major downward adjustment in virgin polysilicon prices. In January 2009, we further renegotiated the terms of this contract so that prices are now set on a monthly basis with reference to trends in the spot market prices of virgin polysilicon.

The annual prices under our long-term supply contract with Hoku are fixed at declining annual prices over the contract s nine-year term. The average of the contract prices under the supply contract with Hoku over the term of the contract is above the April 2010 spot market index price as reflected in the PCSPI. If the price of virgin polysilicon continues to decrease and we are unable either to renegotiate or otherwise adjust the purchase price or volumes or to pass our increased costs on to our customers, our profit margins, results of operations and financial condition may be materially and adversely affected. We have made substantial prepayments under the Hoku supply contract. See Business Suppliers Raw Materials Virgin Polysilicon and Risk Factors Risks Related to Our Business and Industry Hoku many not be able to complete its plant construction in a timely manner or may cease to continue as a going concern, which may have a material adverse effect on our results of operations and financial condition.

As the shortage of virgin polysilicon has eased, spot prices have begun to converge with contract prices. According to PCSPI, the spot price of virgin polysilicon in April 2010 coincided with the contract price at US$53 per kilogram[(1)]. Because prices of downstream solar power products, including our products, are affected by prices of virgin polysilicon, the prices of our products have been similarly affected. See Pricing of Our Products.

In order to mitigate as much as possible the effect of the major downward adjustment in the cost of polysilicon and the prices of our products, we have successfully:

- renegotiated the price, volume and delivery terms of our long-term virgin polysilicon supply agreements with our suppliers, reducing our purchase commitments at prices fixed at levels above declining market prices, as well as reducing or delaying our future prepayment obligations;

(1) The April 2010 reference spot price is based on average spot price offered and signed from March 2010 through mid-April 2010. The April 2010 reference contract price reports the average levelized price of the contracts signed and offered from March 2010 through mid-April 2010 and with deliveries commencing in 2011 and 2012. Reference prices represent aggregated price information from numerous sources. Price ranges are approximations. Reference price and price ranges are as close to accurate as possible without revealing source-specific information.

renegotiated the price terms of our purchases of recoverable silicon materials to reflect the reduction in the prices of virgin polysilicon; and

renegotiated the payment terms and price terms of certain of our equipment supply contracts.

In addition to using virgin polysilicon, we also utilize a significant amount of recovered silicon materials. For the years ended December 31, 2007, 2008 and 2009, virgin polysilicon accounted for approximately 1.4%, 13.0% and 48.6%, respectively, and recoverable silicon materials which we process into recovered silicon materials accounted for approximately 98.6%, 87.0% and 51.4%, respectively, of our total silicon raw material purchases by value. Because recoverable silicon materials can be used as a substitute for virgin polysilicon, prices of recoverable silicon materials, which are generally priced at a discount to virgin polysilicon, have also been influenced by the price trends affecting virgin polysilicon. Although we plan to use an increasing amount of virgin polysilicon, we expect to continue to meet a substantial portion of our silicon raw material requirements through the sourcing of recoverable silicon materials. However, our greater reliance on virgin polysilicon in the future may increase our costs compared to what such costs would have been had we maintained our historical proportions of recovered silicon materials to virgin polysilicon. See Risk Factors Risks Related to Our Business and Our Industry As the import of recoverable silicon materials is subject to approvals from relevant governmental authorities, if we have to import recoverable silicon materials in the future for our silicon ingot manufacturing and we cannot obtain such approvals in a timely manner or at all, our raw material supplies may be adversely affected.

Manufacturing Costs

Our cost of revenues consists primarily of the costs of raw materials, consumables, direct labor, utilities and depreciation. Our location in Shangrao and Haining provides us with access to low-cost labor, particularly in Shangrao. In addition, since we commenced operations in June 2006, we have focused our research and development efforts on reducing the costs at each stage of our production process. In this regard, we have:

developed the process technology to produce high-quality silicon wafers with thicknesses of a high degree of consistency and increase the number of quality conforming silicon wafers, which results in reductions in unit cost of our silicon wafers;

improved our solar cell manufacturing equipment and streamlined our production process to improve the conversion efficiency and quality of our solar cells and increase the percentage of quality conforming solar cells, which resulted in reductions in unit cost of solar cells;

strengthened our quality control and developed our manufacturing technology to increase the use life of our solar modules and the percentage of quality conforming solar modules, which resulted in reductions in unit cost of solar modules;

developed proprietary process technologies, which enable us to process a broad range of recoverable silicon materials for sale as well as for our own production, resulting in reduced unit cost of our silicon ingots and wafers; and

developed the furnace reloading process technology in our monocrystalline ingot production, which increases the size of our monocrystalline ingots by adding silicon raw materials in our furnaces during the ingot pulling stage and reduces our cost of consumables and utilities per watt of monocrystalline ingots.

We expect that our costs of revenues, including depreciation and amortization costs, will increase as a result of our increased investment in plant and equipment, increased production scale and our acquisition of Zhejiang Jinko. However, if we are able to maintain satisfactory facility utilization rates and productivity, our further vertical integration and production capacity expansion will enable us to reduce our unit manufacturing costs through economies of scale, as fixed costs are allocated over a larger number of units of output.

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Selected Statement of Operations Items

Revenues

Historically, we have derived revenues from the sales of recovered silicon materials, ingots, wafers, solar cells and solar modules as well as processing recoverable silicon materials and wafers for our customers. The following table presents our revenues, net of VAT, by products and services, as sales amounts and as percentages of total net revenues, for the periods indicated:

	For the Year Ended December 31,						
	2007		2008		2009		
	(RMB in thousands)	(%)	(RMB in thousands)	(%)	(RMB in thousands)	(US$ in thousands)	(%)
Revenue by products:							
Recovered silicon materials	536,755.2	75.7	902,249.0	41.4%	28,039.4	4,107.7	1.8
Silicon ingots	170,007.2	24.0	483,544.9	22.1	98.9	14.5	<0.1
Silicon wafers			794,860.1	36.4	1,102,232.8	161,478.0	70.3
Solar cells					225,866.3	33,089.6	14.4
Solar modules					182,015.1	26,665.4	11.6
Processing services	2,390.5	0.3	2,960.1	0.1	29,607.1	4,337.5	1.9
Total	709,152.9	100	2,183,614.1	100%	1,567,859.6	229,692.7	100.0

Commencing in 2009, we retained a substantial majority of our output of recovered silicon materials and silicon ingots for our own production of silicon wafers. We commenced producing solar cells in July 2009 following our acquisition of Zhejiang Jinko and commenced producing of solar modules in August 2009. Consequently, we derived a substantial majority of our revenues from sale of silicon wafers, and to a lesser degree, solar cells and solar modules in 2009. We also derive a relatively small amount of revenues from processing service fees.

Our revenues are affected by sales volumes, product mix and average selling prices. The following table sets forth, by products, our sales volumes and approximate average selling prices for the periods indicated:

	For the Year Ended December 31,		
	2007	2008	2009
Sales volume:			
Recovered silicon materials (metric tons)	349.1	397.9	11.7
Silicon ingots (MW)	12.6	33.1	0.01
Silicon wafers (MW)		51.4	180.4
Solar cells (MW)			27.3
Solar modules (MW)			14.4
Average selling price (RMB):			
Recovered silicon materials (per kilogram)	1,537.5	2,267.5	2,397.1(1)
Silicon ingots (per watt)	13.5	14.6	6.8
Silicon wafers (per watt)		15.5	6.1
Solar cells (per watt)			8.3
Solar modules (per watt)			12.7

(1) Sales were contracted in 2008 prior to the significant decrease in selling price and made in the first quarter of 2009.

Increased average selling prices of recovered silicon materials from period to period reflected the rapid escalation in prices of virgin polysilicon, driven by supply constraints in the face of growing demand from both the solar power industry and the semiconductor industry and an industry-wide silicon shortage until the end of the third quarter of 2008, when demand began to be affected by the global recession and credit market

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contraction. Demand for such intermediate products as silicon ingots and silicon wafers remained strong from 2007 until the end of the first half of 2008, as reflected in increases in sales volume, although average selling price increases were constrained by competitive factors.

However, from the fourth quarter of 2008 through the second quarter of 2009, both sales volumes and average selling prices of silicon wafers were seriously affected by the contraction in demand caused by global recession and credit market contraction. In response to such pressures, we renegotiated the price terms of all of our long-term silicon wafer sales contracts substantially to reduce the selling prices to reflect market price trends, or to provide that prices are to be reset at specified intervals, such as monthly. Consequently, average selling prices of silicon wafers in 2009 were lower than in 2008.

For the years ended December 31, 2007, 2008 and 2009, our gross profit amounted to RMB88.1 million, RMB311.5 million and RMB230.2 million (US$33.7 million), respectively, representing a gross margin of 12.4%, 14.3% and 14.7%, respectively. The decrease in gross profit in 2009 compared to 2008 reflects the reduction in average selling price of our silicon wafers resulting from contraction in the market demand from the fourth quarter of 2008 to the second quarter of 2009, partially offset by the upgrade in our product mix. However, we also expect that the decrease in selling prices of our products will be partially mitigated by decreasing costs of silicon raw materials, our economies of scale as we expand our production capacity and the change in our product mix to retain a substantial majority of our output of recovered silicon materials and ingots for our own silicon wafer, solar cell and solar module production.

We sell our silicon wafers under long-term sales contracts, short-term sales contracts and by spot market sales. We currently sell solar cells under short-term contracts and by spot market sales. As of the date of this prospectus, we had long-term sales contracts with four customers outstanding for the sale of an aggregate of approximately 266 MW of silicon wafers from 2010 to 2013. We may allow our silicon wafer customers flexibility in relation to the volume, timing and pricing of their orders under these long-term sales contracts on a case-by-case basis, the volumes of silicon wafers actually purchased by such customers under these contracts in any given period and the timing and amount of revenues we recognize in such period may not correspond to the terms of these contracts. In addition, we have entered into major contracts for the sale of more than 500 MW of solar modules from 2010 to 2012.

Currently, we sell our silicon wafers primarily in the PRC domestic market. We commenced sales of silicon wafers in the overseas market in May 2008, when we began exporting our products to Hong Kong, and have since sold our silicon wafers to customers in overseas market such as Hong Kong, Taiwan, the Netherlands, Germany, the United States, India, Belgium, Singapore, Korea, France, Spain and Israel. We sell a substantial portion of our solar cells and modules in the overseas markets. In line with our capacity expansion plans, we intend to increase our sales both to overseas markets, particularly in such strategic markets as Germany, Spain and the United States and domestically within China to take advantage of the new government incentives.

Cost of Revenues

Cost of revenues primarily consists of: (i) raw materials, which primarily consist of both virgin polysilicon and recoverable silicon materials, comprising the majority of our cost of revenues; (ii) consumables and components, which include crucibles for the production of monocrystalline and multicrystalline silicon ingots, steel alloy saw wires, slurry, chemicals for raw material cleaning and silicon wafer cleaning, and gases such as argon and silane and solar cells we procure from third parties for the production of solar modules; (iii) direct labor costs, which include salaries and benefits for employees directly involved in manufacturing activities; (iv) overhead costs, which consist of equipment maintenance costs, cost of utilities including electricity and water; (v) depreciation of property, plant and equipment; and (vi) processing fees paid to third party factories relating to the outsourced production of solar cells and solar modules. For the years ended December 31, 2007, 2008 and 2009, our cost of revenues was RMB621.0 million, RMB1,872.1 million and RMB1,337.6 million (US$196.0 million), respectively.

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Operating Expenses

Our operating expenses include selling and marketing expenses, general and administrative expenses and research and development expenses. Our operating expenses will increase as we expand our operations in the next few years.

Selling and Marketing Expenses. Our selling and marketing expenses consist primarily of shipping and handling costs, sample costs, exhibition costs, salaries, bonuses and other benefits for our sales personnel as well as sales-related travel and entertainment expenses. For the years ended December 31, 2007, 2008 and 2009, our selling and marketing expenses were RMB1.3 million, RMB1.2 million and RMB16.7 million (US$2.5 million), respectively. We expect selling and marketing expenses to increase in the near future as we increase our selling and marketing efforts in line with our expansion into the downstream solar power products and hire additional sales personnel to accommodate the growth of our business and expansion of our customer base in the domestic and overseas markets.

General and Administrative Expenses. General and administrative expenses consist primarily of salaries and benefits for our administrative, finance and human resources personnel, amortization of land use rights, office expenses, entertainment expenses, business travel expenses, fees and expenses of auditing and other professional services. For the years ended December 31, 2007, 2008 and 2009, our general and administrative expenses amounted to RMB11.2 million, RMB38.7 million and RMB85.1 million (US$12.5 million), respectively. For the year ended December 31, 2009, our general and administrative expenses included non-cash compensation expenses of RMB3.4 million (US$0.5 million) and RMB17.5 million (US$2.6 million) recognized as the result of the June 2009 Modification and September 2009 Modification, respectively. Such non-cash compensation expenses represent the net contribution of value to our founders, who are also our key employees, from the holders of our redeemable convertible preferred shares as a result of these modifications. These compensation expenses were non-cash charges which had no impact on our cash flows. For details of the June 2009 Modification and September 2009 Modification, see Description of Share Capital History of Share Issuances and Other Financings June 2009 Modification and September 2009 Modification.

General and administrative expenses of Alvagen, which provided us with certain administrative support services from May 2007 to August 2008, accounted for 1.4% and 0.4%, respectively, of our total general and administrative expenses for the years ended December 31, 2007 and 2008. We expect general and administrative expenses to increase as we hire more personnel and incur expenses to accommodate our business expansion and to support our operation as a public company, including compliance-related expenses, and recognize share-based compensation expenses for the year ending December 31, 2010 and in subsequent periods. Since August 28, 2009, we have granted options to purchase 4,536,480 ordinary shares to certain directors, officers and employees. We will recognize share-based compensation expense upon the completion of this offering in connection with the grant of such options. See Share-based Compensation .

Research and Development Expenses

Research and development expenses consist primarily of silicon materials consumed, salaries, bonuses and other benefits for research and development personnel. For the years ended December 31, 2007, 2008 and 2009, our research and development expenses were RMB50.8 thousand, RMB441.8 thousand and RMB5.9 million (US$0.9 million), respectively. We expect the research and development expenses to increase as we hire additional research and development personnel and devote more resources to research and development to improve our manufacturing processes and reduce our manufacturing costs. In particular, we intend to use a portion of the proceeds of this offering to invest in research and development to improve product quality, reduce silicon recycling losses and improve the productivity of our silicon ingot, wafer, solar cell and solar module manufacturing processes.

Interest Income and Expenses

Interest income represents interest on our demand deposits. Our interest expenses consist primarily of interest expenses with respect to short-term and long-term borrowings from banks and other lenders. For the years ended December 31, 2007, 2008 and 2009, we had net interest expenses of RMB321.9 thousand, RMB6.3 million and RMB29.9 million (US$4.4 million), respectively.

Subsidy Income

From time to time we apply for and receive government incentives in the form of subsidy from local and provincial governments. These subsidies are made available for the purpose of encouraging and supporting large-scale enterprises and high technology enterprises based in the relevant location. Subsidies are available for assisting with new plant construction or expansion technology upgrades, encouraging attendance at overseas sales exhibitions, export sales and brand establishment in export markets. We record such subsidies as subsidy income. The amount of government subsidy we receive may vary from period to period and there is no assurance that we will continue to receive government subsidy in the future periods. See Risk Factors Risks Related to Our Business and Our Industry Our operating results may fluctuate from period to period in the future. Government subsidy income is recognized when it is received. For the years ended December 31, 2007, 2008 and 2009, our government subsidy income was RMB546.8 thousand, RMB637.3 thousand and RMB8.6 million (US$1.3 million), respectively.

Loss on Disposal of Subsidiary

Loss on disposal of subsidiary represents the loss we incurred in disposing of Paker s direct investment in Jiangxi Desun in July 2008. In 2008, we incurred loss on disposal of subsidiary of RMB10.2 million from the disposal of Paker s 27.02% equity interest in Jiangxi Desun in connection with our 2008 Restructuring.

Other Income and Expenses

Other income and expenses consist primarily of income from sales of used packaging materials and expenses relating to charitable donations. For the year ended December 31, 2007, our other income amounted to RMB300.0 thousand. For the years ended December 31, 2008 and 2009, we had net other expenses of RMB490.1 thousand and RMB1.3 million (US$0.2 million), respectively.

Change in Fair Value of Derivatives

We determined that the 2009 and 2010 performance adjustment features embedded in the series B redeemable convertible preferred shares meet the criteria for bifurcation, and accordingly these features are accounted for as derivative liabilities, with changes in fair value recorded in earnings.

The non-cash charges relating to change in fair value of derivatives embedded in the series B redeemable convertible preferred shares recognized in earnings were RMB29.8 million and RMB13.6 million (US$2.0 million) for the years ended December 31, 2008 and 2009, respectively.

Share-based Compensation

We adopted a long-term incentive plan in July 2009 and have granted options to certain of our directors, officers and employees to purchase a total of 4,536,480 our ordinary shares with the exercise price of US$2.08 per share. Of these options, the exercise price of the options for 3,024,750 our ordinary shares was originally US$3.13 per share, but was subsequently reduced to US$2.08 on April 6, 2010. In addition, we agreed to grant certain of our officers and employees options to purchase 726,250 ordinary shares at an exercise price of 85% of the initial public offering price per share in January 2010, but changed the exercise price to US$2.08 per share in April 2010. The share options will generally vest in five successive equal annual installments on the last day of

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each year from the grant date, provided that the personnel s service with us has not been terminated prior to each such vesting date. For one employee, the share options will vest in a series of 36 successive equal monthly installments, on the last day of each month, commencing from October 1, 2008, provided that such employee s service with us has not terminated prior to each such vesting date. No portion of the share options, even when vested, may be exercised prior to the occurrence of our initial public offering and within the 180-day period following an effective initial public offering as defined in the plan. Share-based compensation expense for options with performance conditions is generally measured at the grant date based on the fair value of the share options and is recognized as an expense on a graded-vesting basis, net of estimated forfeitures, over the requisite service period. However, given the exercise restrictions placed on the options that we have granted since August 28, 2009, the recognition of share-based compensation expense on these options is delayed. Such expense accumulated from grant date will be recognized at the time of an effective initial public offering. We use the binominal option pricing model to determine the fair value of share options at the grant date, where the exercisability is conditional upon the occurrence of our initial public offering.

Determining the fair value of our ordinary shares requires us to make complex and subjective judgments regarding our projected financial and operating results, our unique business risks, the liquidity of our ordinary shares and our operating history and prospects at the time the grants were made.

In assessing the fair value of our ordinary shares, we considered the following principal factors:

- the nature of our business and contracts and agreements relating to our business;
- our financial conditions;
- the economic outlook in general and the specific economic and competitive elements affecting our business;
- the growth of our operations; and
- our financial and business risks.

We used the income approach, employing the discounted cash flow, or DCF, method, as the primary approach, and the market approach as a cross-check to derive the fair value of our ordinary shares. We applied the DCF analysis based on our projected cash flow using management s best estimate as of the valuation date. The income approach involves applying appropriate discount rates, based on earnings forecasts, to estimated cash flows.

The determination of the fair value of share options on the date of grant using an option-pricing model is affected by our stock price as well as assumptions regarding a number of complex and subjective variables, including our expected standard deviation of stock price over the vesting period, risk-free interest rate, expected dividend yield, and actual and projected employee share option exercise experience. Furthermore, we are required to estimate forfeitures at the time of grant and recognize share-based compensation expenses only for those awards that are expected to vest. If actual forfeitures differ from those estimates, we may need to revise those estimates used in subsequent periods.

We conducted valuation of our equity as of relevant dates, including September 18, 2008, when the holders of our series B redeemable convertible preferred shares invested in us, June 22, 2009, the time of the June 2009 Modification, and September 15, 2009, the time of the September 2009 Modification. We believe that the decrease in the fair value of our equity from RMB1.77 billion (equivalent to US$224.0 million) as of September 18, 2008 to RMB890.0 million (equivalent to US$130.0 million) as of June 22, 2009 and the decrease in the fair value of our ordinary shares from RMB26.4 per share (equivalent to US$3.9) as of September 18, 2008 to

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RMB11.4 per share (equivalent to US$1.7) as of June 22, 2009, in each case, after giving effect to the 2009 Share Split, was attributable to the following significant factors and events during the period:

- demand contraction and selling price decrease for solar power products due to impact from global recession and credit market contraction during second half of 2008 and the first half of 2009;
- lower than expected sales in the first two quarters of 2009 and expected slower sales growth in the near future;
- compression of our gross profit margin due to decrease in average selling prices for solar power products and our inability to reduce fixed costs to keep pace with the decrease of its revenue; and
- the decrease in our equity value is in line with our publicly-traded peers which experienced an approximate 50% drop in their market capitalization in the same period.

We believe that the continued increase in the fair value of our equity from RMB890.0 million (equivalent to US$130.0 million) as of June 22, 2009 to RMB1.5 billion (equivalent to US$223.0 million) as of December 31, 2009 and the increase in the fair value of our ordinary shares from RMB11.4 per share (equivalent to US$1.7) as of June 22, 2009 to RMB21.7 per share (equivalent to US$3.2) as of December 31, 2009, in each case, after giving effect to the 2009 Share Split, was attributable to the following significant factors and events during the period:

- better-than-expected recovery and continuing improvement of demand for solar power products;
- full capacity utilization of all products and diminishing above market price raw materials purchase obligations leading to improving profit margins;
- rapid, cost efficient capacity expansion and product diversification obtained through downstream integration of Zhejiang Jinko effective June 30, 2009;
- long-term solar module orders obtained from customers in Taiwan, Israel, Germany, Belgium and China in the second half of 2009;
- market expectation of further demand increase driven by government stimulus programs in various countries, including the United States and China, significantly boosting demand for PV installations; and
- expansion of annual silicon wafer, solar cell and solar module production capacity to approximately 300 MW, 150 MW and 150 MW, respectively by the end of 2009 and plans to expand annual silicon wafer and solar module production capacity to approximately 500 MW each and annual solar cell production capacity to approximately 400 MW by the end of 2010.

In addition, the increase in the fair value of our ordinary shares reflected the acceleration of the anticipated liquidity event in our valuation analysis performed for December 2009 compared to those performed for the first and second quarters, as well as the general improvement in the capital markets and market capitalization of companies in our industry beginning in the same period.

Taxation

We expect to derive net income primarily from Jiangxi Jinko and Zhejiang Jinko, our operating subsidiaries in China. In the past, we also derived net income from Jiangxi Desun and net loss from Xinwei. Both Jiangxi Desun and Xinwei were formerly our other operating subsidiaries in China. Jiangxi Desun and Xinwei ceased to be our subsidiaries from July 28, 2008 and December 28, 2007, respectively. In our discussion of the consolidated income statements for the years ended December 31, 2007 and 2008, we consolidated the financial results of the VIEs, which include Tiansheng, Hexing, Yangfan and Alvagen for the relevant periods. We have determined that we were no longer the primary beneficiary of Yangfan and Alvagen as of September 1, 2008, and Tiansheng and Hexing were no longer VIEs as of September 30, 2008. As a result, we were no longer required to consolidate their financial results with ours as of September 1, 2008 and September 30, 2008,

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respectively. Prior to January 1, 2008, pursuant to the Income Tax Law of the People s Republic of China concerning Foreign Investment Enterprise and Foreign Enterprises and Provisional Rules of the PRC on Enterprise Income Tax (collectively the PRC Income Tax Laws), our subsidiaries and the VIEs in China were generally subject to Enterprise Income Tax, or EIT, at a statutory rate of 33% on the taxable income as reported in their respective statutory financial statements adjusted in accordance with the PRC Income Tax Laws.

As a foreign invested enterprise, each of Jiangxi Jinko and Zhejiang Jinko is entitled to a two-year tax exemption from PRC income taxes starting from the year in which it achieves a cumulative profit, and a 50% tax reduction for the succeeding three years thereafter. Jiangxi Jinko recorded loss for the year ended December 31, 2007. Jiangxi Desun became a foreign invested enterprise on April 10, 2007, and was exempt from income tax through December 31, 2007. Zhejiang Jinko is exempted from income tax from January 1, 2008 through December 31, 2009 and will be entitled to reduced income tax rate of 12.5% from January 1, 2010 to December 31, 2012. As PRC domestic enterprises, Xinwei, Yangfan, Tiansheng and Alvagen were subject to 33% statutory income tax in the past. Hexing was established in September 2007, and became a foreign invested enterprise since November 2007. Hexing was subject to statutory income tax at the rate of 33% in the year ended December 31, 2007 and 25% thereafter.

On March 16, 2007, the National People s Congress enacted the EIT Law of the People s Republic of China, which became effective on January 1, 2008. The EIT Law adopts a uniform enterprise income tax rate of 25% for domestic and foreign invested companies with effect from January 1, 2008. Pursuant to the EIT Law and related regulations, our subsidiaries and the VIEs in China are generally subject to enterprise income tax at a statutory rate of 25% starting from January 1, 2008, except Jiangxi Jinko and Zhejiang Jinko, whose tax holiday was grandfathered under the EIT Law. The first income tax exemption year for each of Jiangxi Jinko and Zhejiang Jinko commenced January 1, 2008.

In addition, under the EIT Law, an enterprise established outside China with de facto management bodies within China may be considered a PRC tax resident enterprise and will normally be subject to the PRC enterprise income tax at the rate of 25% on its global income. Under the implementation regulations issued by the State Council relating to the EIT Law, the term de facto management bodies refers to management bodies which have, in substance, overall management and control over such aspects as the production and business, personnel, accounts, and properties of the enterprise. Currently, there are no detailed rules or precedents governing the procedures and specific criteria for determining de facto management body which are applicable to our company or Paker. As such, it is still unclear if the PRC tax authorities would subsequently determine that, notwithstanding our status as the Cayman Islands holding company of our operating business in China, we should be classified as a PRC tax resident enterprise, whereby our global income will be subject to PRC income tax at a tax rate of 25%. In any event, our company and Paker do not have substantial income from operations outside of China, and we do not expect to derive substantial earnings from operations outside of China in the foreseeable future.

Under the EIT Law and its implementation rules, a withholding tax at the rate of 10% will normally be applicable to dividends payable to investors that are non-resident enterprises , to the extent such dividends have their source within China. However, as 100% of the equity interest of Jiangxi Jinko and 25% of the equity interest of Zhejiang Jinko are owned directly by Paker, our Hong Kong subsidiary, and as Hong Kong has an arrangement with China under which the tax rate for dividend income is 5% provided that the Hong Kong parent owns at least a 25% share in the PRC subsidiary, if Paker continues to be deemed as a non-resident enterprise by PRC authorities, dividends paid by Jiangxi Jinko and Zhejiang Jinko to Paker would be subject to a 5% withholding tax. According to the Administrative Measures for Non-Residents Enjoying Tax Treaty Benefits (Trial Implementation) issued by the State Administration of Taxation on August 24, 2009 which became effective on October 1, 2009, the application of the preferential withholding tax rate under bi-lateral tax treaty is subject to the approval of competent PRC tax authorities. According to the Circular of the State Administration of Taxation on How to Understand and Identify Beneficial Owner under Tax Treaties which became effective on October 27, 2009, the PRC tax authorities must evaluate whether an applicant for treaty benefits in respect of

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dividends, interest and royalties qualifies as a beneficial owner on a case-by-case basis and following the substance over form principle. This circular sets forth the criteria to identify a beneficial owner and provides that an applicant that does not carry out substantial business activities, or is an agent or conduit company may not be deemed as a beneficial owner of the PRC subsidiary and therefore may not enjoy tax treaty benefit.

Pursuant to the Provisional Regulation of the PRC on Value Added Tax issued by the PRC State Council on December 13, 1993 and further amended on November 5, 2008, or the Provisional Regulation, and its Implementing Rules, all entities and individuals that are engaged in the sale of goods, the provision of processing, repairs and installation services and the importation of goods in China are required to pay value-added tax, or VAT. According to the Provisional Regulation, gross proceeds from sales and importation of goods and provision of services are generally subject to a VAT rate of 17% with exceptions for certain categories of goods that are taxed at a VAT rate of 13%. In addition, under the current Provisional Regulation, the input VAT for the purchase of fixed assets is deductible from the output VAT, except for fixed assets used in non-VAT taxable items, VAT exempted items and welfare activities, or for personal consumption. According to former VAT levy rules, equipment imported for qualified projects is entitled to import VAT exemption and the domestic equipment purchased for qualified projects is entitled to VAT refund. However, such import VAT exemption and VAT refund were both eliminated as of January 1, 2009. On the other hand, if a foreign-invested enterprise obtained the confirmation letter of Domestic or Foreign Invested Project Encouraged by the State before November 10, 2008 and declared importation of equipment for qualified projects before June 30, 2009, it may still be qualified for the exemption of import VAT. The importation of equipment declared after July 1, 2009 will be subject to the import VAT.

Under the Provisional Regulation, the exportation of certain goods is entitled to VAT export rebate. According to the Notice on Increasing the Export Rebate Rates on Textile, Electronic Information and Other Commodities issued by Ministry of Finance and the State Administration of Taxation on March 27, 2009, the export rebate rate on silicon wafer increased from 5% to 13% on April 1, 2009.

Under the current law of the Cayman Islands, we are not subject to any income or capital gains tax. In addition, dividend payments made by us are not subject to any withholding income tax in the Cayman Islands.

Critical Accounting Policies

We prepare our consolidated financial statements in accordance with U.S. GAAP, which requires us to make judgments, estimates and assumptions that affect (i) the reported amounts of assets and liabilities, (ii) disclosure of our contingent assets and liabilities at the end of each reporting period, and (iii) the reported amounts of revenues and expenses during each reporting period. We continually evaluate these estimates and assumptions based on historical experience, knowledge and assessment of current and other conditions, our expectations regarding our future based on available information and reasonable assumptions, which together form our basis for making judgments about matters that are not readily apparent from other sources. Since the use of estimates is an integral component of the financial reporting process, our actual results could differ from those estimates. Some of our accounting policies require a higher degree of judgment than others in their application.

When reviewing the consolidated financial statements, you should consider (i) our selection of critical accounting policies, (ii) the judgments and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions. We believe the following accounting policies involve the most significant judgments and estimates used in the preparation of our financial statements.

Variable Interest Entities

Variable interests are contractual, ownership or other interests in an entity that change with changes in the entity s net asset value. Variable interests in an entity may arise from financial instruments, service contracts,

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guarantees, leases, or other arrangements with the VIE. An entity that will absorb a majority of the expected losses of the VIEs if they occur, or receive a majority of the expected residual returns of the VIEs if they occur, or both, is considered the primary beneficiary of the VIE. The primary beneficiary must include the assets, liabilities and results of operations of the VIEs in its consolidated financial statements.

For each of the period from June 6, 2006 to December 31, 2006 and the years ended December 31, 2007 and 2008, Jiangxi Desun and Jiangxi Jinko were the sole or predominant customers of Tiansheng, Hexing and Yangfan, which engaged in the procurement and processing of recoverable silicon materials. Historically, we purchased recoverable silicon materials from Tiansheng, Hexing and Yangfan at cost plus margin. You should refer to Our Corporate History and Structure Variable Interest Entities for additional information on the price arrangements with our VIEs. In addition, during such periods, Alvagen bore certain general and administrative expenses on behalf of Jiangxi Desun and Jiangxi Jinko. We determined that Tiansheng, Hexing, Yangfan and Alvagen were VIEs and that we were the primary beneficiary of these VIEs from June 6, 2006 to September 30, 2008, September 3, 2007 to September 30, 2008, June 6, 2006 to September 1, 2008 and April 29, 2007 to September 1, 2008, respectively. The individual shareholders of the equity investment in the VIEs maintain their equity interest in the VIEs to the extent of the contributed registered capital amounts. In accordance with this determination, we have consolidated the results of operations and financial position of each of these VIEs in our consolidated financial statements until they were no longer VIEs or we were no longer their primary beneficiary after meeting certain criteria. The registered capital of the VIEs was recorded as non-controlling interests in our consolidated balance sheet as of December 31, 2006 and 2007, respectively. The cumulative losses of Yangfan and Alvagen as of September 1, 2008 were recorded as additional paid-in capital in our consolidated balance sheet upon deconsolidation. The profits of Tiansheng and Hexing generated during 2008 net of prior year losses were recorded as non-controlling interests in our consolidated statement of operations for the year ended December 31, 2008.

On September 1, 2008, we entered into a cooperation termination agreement with Alvagen that terminated all business relationships and released all claims that either party may have. On September 1, 2008, Yangfan issued a letter of confirmation to confirm that it will not have any business relationship with us as Yangfan ceased its recoverable silicon material business in May 2008. Accordingly, we have determined that we were no longer primary beneficiary of Yangfan and Alvagen as of September 1, 2008, and as a result, we are no longer required to consolidate their financial results with ours as of the same date.

As of September 30, 2008, we had entered into substantially revised agreements with Hexing to place us and Hexing on ordinary commercial terms and terminated our relationship with Tiansheng when it became a supplier of Hexing. As of September 30, 2008, Tiansheng and Hexing had obtained additional capital injections from their equity owners, which enabled them to carry sufficient equity at risk to finance future operational activities without additional subordinated financial support from us. Accordingly we have determined that Tiansheng and Hexing were no longer VIEs as of September 30, 2008 and as a result, we were no longer required to consolidate their financial results with ours as of the same date.

Revenue Recognition

Revenues represent the invoiced value of products sold, net of value added taxes, or VAT. We offer to our customers the right to return or exchange defective products within a prescribed period if the volume of the defective products exceeds a certain percentage of the shipment as specified in the individual sales contract. Actual returns were nil, 0.2% and 0.1% of total sales for the years ended December 31, 2007, 2008 and 2009, respectively. Revenue from the sale of silicon ingot, silicon wafer, solar cell, solar module and recovered silicon materials is generally recognized when the products are delivered and the title is transferred, the risks and rewards of ownership have been transferred to the customer, the price is fixed and determinable and collection of the related receivable is reasonably assured. In the case of sales that are contingent upon customer acceptance, revenue is not recognized until the deliveries are formally accepted by the customers.

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We recognize revenue for processing services when the services are completed, which is generally evidenced by delivery of processed products to the customers.

Part of our sales to customers requires the customers to prepay before delivery has occurred. Such prepayments are recorded as advances from customers in our consolidated financial statements, until the above criteria have been met.

In the PRC, VAT of 17% on invoiced amount is collected in respect of sales of goods on behalf of the tax authorities. VAT collected from customers, net of VAT paid for purchases, is recorded as a tax payable in the consolidated balance sheet until it is paid to the authorities.

Warranty Cost

It is customary in our industry to warrant the performance of solar modules at certain levels of power output for an extended period. Our solar modules are typically sold with either a two-year or five-year warranty for all defects and a 10-year and 25-year warranty against declines of more than 10.0% and 20.0%, respectively, from the initial minimum power generation capacity at the time of delivery. If a solar module is defective during the relevant warranty period, we will either repair or replace the solar module at our discretion. We began selling solar modules in the first half of 2009 and have not experienced any material warranty claims in connection with declines in the power generation capacity or defect of our solar modules. As of December 31, 2009, we had provision for warranty cost of RMB1.7 million (US$0.3 million).

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When these events occur, we measure impairment by comparing the carrying amount of an asset to the future undiscounted cash flows expected to result from the use of assets and their eventual disposition. We recognize an impairment loss in the event the carrying amount exceeds the estimated future cash flows attributed to such assets, measured as the difference of the assets and the fair value of the impaired assets. No impairment of long-lived assets was recognized for the years ended December 31, 2007, 2008 and 2009, respectively.

Income Tax

Deferred income taxes are recognized for the tax consequences of temporary differences by applying enacted statutory rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes. The effect on deferred taxes of a change in tax rates is recognized in the statement of operations in the period of change. In assessing whether such deferred tax assets can be realized in the future, we need to make judgments and estimates on the ability to generate taxable income in future years. We have provided full valuation allowance on the net deferred tax assets in the past years due to the uncertainty surrounding their realization.

Inventory

Our inventories are stated at the lower of cost or market price. Cost is determined by the weighted average method. Provisions are made for excess, slow moving and obsolete inventory as well as inventory whose carrying value is in excess of market price. We recorded provisions for inventory valuation of RMB5.2 million and RMB4.8 million (US$0.7 million) as of December 31, 2008 and 2009, respectively. We did not record any provision for inventory valuation for the year ended December 31, 2007.

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Redeemable Convertible Preferred Shares

We issued series A redeemable convertible preferred shares and series B redeemable convertible preferred shares in May 2008 and September 2008, respectively.

The fair value of the ordinary shares was determined retrospectively to the commitment date. Management is responsible for determining the fair value and considered a number of factors including our 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 commitment date. These judgments are consistent with the plans and estimates that we use to manage the business. There are inherent uncertainties in making these estimates and if we make different judgments or adopt different assumptions, it could result in material differences because the estimated fair value of the ordinary shares would be different. Based on the fair value of our ordinary shares, we determined that series A redeemable convertible preferred shares and series B redeemable convertible preferred shares do not contain beneficial conversion feature as of their respective commitment dates.

The 2009 and 2010 performance adjustment features (the 2009 performance adjustment derivative liability and the 2010 performance adjustment derivative liability) embedded in the series B redeemable convertible preferred shares meet the definition of derivatives and accordingly have been bifurcated from the host contract, the series B redeemable convertible preferred shares and accounted for as derivative liabilities.

On June 22, 2009, the holders of series B redeemable convertible preferred shares and our founders agreed to lower the 2009 performance target in assessing the transfer of ordinary shares under the 2009 performance adjustment feature. The effect of this change on the value of the derivative liability was a reduction in value of RMB65.2 million. In addition, a 2010 performance target was added, which is an embedded share transfer feature that meets the definition of a derivative. The fair value of this new derivative at issuance was RMB18.2 million. In consideration of the agreement to lower the 2009 performance target to RMB100 million, on June 22, 2009, our founders transferred an aggregate of 76,258 (3,812,900 after giving effect to the 2009 Share Split) ordinary shares to the holders of series B redeemable convertible preferred shares. The fair value of these ordinary shares on June 22, 2009 amounted to RMB43.6 million and was imputed to us as if our founders (who are principal shareholders) contributed the shares to us and such shares were immediately reissued by us to the holders of the series B redeemable convertible preferred shares. See Description of Share Capital History of Share Issuances and Other Financings June 2009 Modification.

The June 2009 Modification resulted in: (a) a decrease in the 2009 performance adjustment derivative liability by RMB65.2 million, which was offset by the fair value of the 2010 performance adjustment derivative liability of RMB18.2 million; (b) an effective contribution of ordinary shares valued at RMB43.6 million by our founders to us, which was in turn transferred to the holders of the series B redeemable convertible preferred shares in consideration for agreeing to modify the terms of the 2009 performance adjustment feature. Accordingly, this amount has been treated as a capital contribution and as an offset to the net change in the fair value of the derivative liabilities in (a) above; (c) the recording of compensation expense of RMB3.4 million, which is equal to change in fair value of derivative liabilities, net of the consideration transferred to the holders of series B redeemable convertible preferred shares in (b) above.

On September 15, 2009, our founders reached agreement with the holders of series A and series B redeemable convertible preferred shares on the modification to certain existing terms. See Description of Share Capital History of Share Issuances and Other Financings September 2009 Modification. The September 2009 Modification resulted in a reduction of RMB2.4 million in the fair value of the 2009 and 2010 performance adjustment derivative liabilities that we recognized in the Consolidated Statement of Operations as Change in Fair Value of Derivatives. The September 2009 Modification also resulted in an additional benefit transfer of RMB15.1 million from the holders of the series A and B redeemable convertible preferred shares to our founders due to the reduction in the fair value of the series A and B redeemable convertible preferred shares on

September 15, 2009, as a result of such modification. We recognized a total of RMB17.5 million in compensation expense (including the RMB15.1 million mentioned above) in recognition of the total benefit transferred from the holders of series A and B redeemable convertible preferred shares to our founders that is attributed to us, given our founders are also our employees.

Fair Value of Financial Instruments

We adopted the provisions of the fair value measurement guidance on January 1, 2008 for financial assets and liabilities. The fair value measurement guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (also referred to as an exit price). The implementation of the fair value measurement guidance did not result in any material changes to the carrying values of financial instruments on our opening balance sheet on January 1, 2008 and 2009.

When available, we measure the fair value of financial instruments based on quoted market prices in active markets, valuation techniques that use observable market-based factors or unobservable factors that are corroborated by market data. We internally validate pricing information we obtain from third parties for reasonableness prior to use in the consolidated financial statements. When observable market prices are not readily available, we generally estimate fair value using valuation techniques that rely on alternate market data or factors 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 our evaluation of those factors changes. Although we use our 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 our estimate of fair value, thereby increasing or decreasing the amounts of our consolidated assets, liabilities, equity and net (loss) or income.

Our financial instruments consist principally of (i) cash and cash equivalents, accounts and notes receivable, prepayments and other current assets, restricted cash, (ii) accounts and notes payable, other payables, short-term borrowing, long-term payables relating to capital lease and (iii) derivatives embedded in the series B redeemable convertible preferred shares. As of December 31, 2007, 2008 and 2009, the carrying values of these financial instruments approximated their fair values, with the exception of derivatives embedded in the series B redeemable convertible preferred shares. See Selected Statement of Operations Items Change in Fair Value of Derivatives and Notes to the Consolidated Financial Statements, Note 26.

On January 1, 2009, we also adopted the same guidance for all non-financial assets and non-financial liabilities. We do not have any non-financial assets or liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis.

Share-based Compensation

All share-based payments to our employees and directors, including grants of employee share options are recognized as compensation expense in the financial statements over the vesting period of the award based on the fair value of the award determined at the grant date.

The number of awards for which the service is not expected to be rendered during the requisite period should be estimated, and the related compensation cost is not recorded. However, given the exercise restrictions placed on the options that we have granted, the recognition of share-based compensation expense on these options is delayed. Such expense accumulated from grant date will be recognized at the time of an effective initial public offering.

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Internal Control Over Financial Reporting

In the course of the preparation and external audit of our consolidated financial statements for the years ended December 31, 2007, 2008 and 2009, we and our independent registered public accounting firm identified a number of deficiencies in our internal control over financial reporting, including two material weaknesses and a significant deficiency, as defined in the standards established by the U.S. Public Company Accounting Oversight Board.

The material weaknesses identified were: (1) the lack of resources with appropriate accounting knowledge and experience to prepare and review financial statements and related disclosures in accordance with U.S. GAAP, which was evidenced by (i) the lack of sufficient resources with adequate U.S. GAAP knowledge and experience to identify, evaluate and conclude on certain accounting matters independently, and (ii) the lack of effective controls designed and in place to ensure the completeness and accuracy of the consolidated financial statements and disclosures in accordance with U.S. GAAP, including inappropriate presentation of statement of cash flows for the year ended December 31, 2009 and (2) inadequate review procedures, including appropriate levels of review in the design of period end reporting process that are consistently applied across our entities, to identify inappropriate accounting treatment of transactions, which was evidenced by audit adjustments which included correction of (i) revenue and inventory balance in relation to deliveries to a customer pending the customer s formal acceptance as of December 31, 2008, (ii) preferred shares accretion and earnings per share for the year ended December 31, 2008, and (iii) deferred taxation accounting for the year ended December 31, 2009 and inappropriate presentation of intangible assets in the consolidated balance sheet as of December 31, 2009.

The significant deficiency was the lack of formally documented corporate accounting policies in relation to the preparation of financial statements in accordance with U.S. GAAP.

Following the identification of these material weaknesses and control deficiencies and in connection with preparation of our consolidated financial statements for the years ended December 31, 2007 and 2008 and 2009, we performed additional manual review procedures, such as an extensive review of journal entries and a thorough review of account reconciliations for key accounts, to ensure the completeness and accuracy of the underlying financial information used to generate the consolidated financial statements.

We have begun taking and/or plan to take actions and measures to improve our internal control over financial reporting in order to obtain reasonable assurance regarding the reliability of financial statements, which include, but not limited to:

- appointment of a new chief financial officer in September 2008 who has experience with and knowledge of U.S. GAAP and is a U.S. certified public accountant;

- adoption of additional policies and procedures, in connection with the implementation of our electronic enterprise resource planning system, to strengthen our internal control over financial reporting;

- formulation of internal policies relating to internal control over financial reporting, including the preparation of a manual containing comprehensive written accounting policies and procedures that can effectively and efficiently guide our financial personnel in addressing significant accounting issues and assist in preparing financial statements that are in compliance with U.S. GAAP and SEC requirements;

- provision of further training to our accounting staff to enhance their knowledge of U.S. GAAP;

- appointment of a financial controller and recruiting a new reporting manager with the relevant accounting expertise and adequate experience;

establishment of a legal and internal auditing department to strengthen our internal audit function, provide internal legal support and assist in our internal control compliance; and

the plan to engage an outside consulting firm to review our internal control processes, policies and procedures to ensure compliance with the Sarbanes-Oxley Act.

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While we have begun taking the foregoing actions and measures to address the material weaknesses and significant deficiency identified, the implementation of these actions and measures may not be sufficient to address the material weaknesses and significant deficiency in our internal control over financial reporting to provide reasonable assurance that our internal control over financial reporting is effective, and we cannot yet conclude that such control deficiencies have been fully remedied. Our failure to remedy these control deficiencies, identify and address any other material weaknesses or significant deficiencies, and implement new or improved controls successfully in a timely manner could result in inaccuracies in our financial statements and could impair our ability to comply with applicable financial reporting requirements and related regulatory filings on a timely basis. As a result, our business, financial condition, results of operations and prospects, as well as the trading price of our ADSs, may be materially and adversely affected. Moreover, we anticipate that we will incur considerable costs and devote significant management time and other resources to comply with SOX 404 and other requirements of the Sarbanes-Oxley Act.

Results of Operations

The following selected consolidated statements of operations data for the years ended December 31, 2007, 2008 and 2009 have been derived from our audited consolidated financial statements, which are included elsewhere in this prospectus.

	For the Year Ended December 31,						
	2007 (RMB)	**2007 (%)**	**2008 (RMB)**	**2008 (%)**	**2009 (RMB)**	**2009 (US$)**	**2009 (%)**
	(in thousands, except percentages)						
Consolidated Statement of Operations Data:							
Total revenues	709,152.9	100.0	2,183,614.1	100.0	1,567,859.6	229,692.7	100.0
Sales of recovered silicon materials	536,755.2	75.7	902,249.0	41.4	28,039.4	4,107.7	1.8
Sales of silicon ingots	170,007.2	24.0	483,544.9	22.1	98.9	14.5	0.006
Sales of silicon wafers			794,860.1	36.4	1,102,232.8	161,478.0	70.3
Sales of solar cells					225,866.3	33,089.6	14.4
Sales of solar modules					182,015.1	26,665.4	11.6
Processing service fees	2,390.5	0.3	2,960.1	0.1	29,607.1	4,337.5	1.9
Cost of revenues	(621,024.0)	(87.6)	(1,872,088.6)	(85.7)	(1,337,647.5)	(195,966.5)	(85.3)
Gross profit	88,128.9	12.4	311,525.5	14.3	230,212.1	33,726.2	14.7
Total operating expenses	(12,540.3)	(1.8)	(40,271.7)	(1.9)	(107,739.5)	(15,783.9)	(6.9)
(Loss)/income from operations	75,588.6	10.6	271,253.8	12.4	122,472.6	17,942.3	7.8
Interest income/(expenses), net	(321.9)	(0.0)	(6,323.9)	(0.3)	(29,936.8)	(4,385.8)	(1.9)
Subsidy income	546.8	0.1	637.3	0.0	8,569.1	1,255.4	0.5
Loss on disposal of subsidiary			(10,165.5)	(0.5)	82.1	12.0	0.005
Exchange loss	(68.0)	(0.0)	(4,979.8)	(0.2)	(2,181.5)	(319.6)	(0.1)
Other income/(expenses), net	300.0	0.0	(490.1)	(0.0)	(1,338.6)	(196.1)	(0.1)
Change in fair value of derivatives		0.0	(29,812.7)	(1.4)	(13,599.3)	(1,992.3)	(0.9)
(Loss)/income before income taxes	76,045.5	10.7	220,119.1	10.0	84,067.6	12,315.9	5.4
Income taxes			(822.3)	(0.0)	1,342.0	196.6	0.1
Net (loss)/income	76,045.5	10.7	219,296.8	10.0	85,409.6	12,512.5	5.4
Less: Net income attributable to the non-controlling interests			(576.8)	(0.0)			
Net (loss)/income attributable to Jinko Solar Holding Co., Ltd.	76,045.5	10.7	218,720.0	10.0	85,409.6	12,512.5	5.4

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

Revenues. Our revenues decreased by 28.2% from RMB2,183.6 million for the year ended December 31, 2008 to RMB1,567.9 million (US$229.7 million) for the year ended December 31, 2009, primarily because industry demand and market prices of our products were seriously affected by the global recession and credit market contraction from the second half of 2008 through the first half of 2009, partially offset by the effect of the change in our product mix and increase in the sales volume of silicon wafers, solar cells and solar modules.

Our sales of recovered silicon materials decreased by 96.9% from RMB902.2 million for the year ended December 31, 2008 to RMB28.0 million (US$4.1 million) for the year ended December 31, 2009, primarily because, commencing in 2009, we retained a substantial majority of our output of recovered silicon materials for our own silicon wafer production to capture the efficiencies of our vertically integrated production process, which resulted in a decrease in sales volume of recovered silicon materials from 397.9 metric tons in 2008 to 11.7 metric tons in 2009. Our sales of recovered silicon materials during 2009 were contracted in December 2008 and the sales were made in the first quarter of 2009, and did not fully reflect the significant decrease in selling prices that occurred in 2009.

Our sales of silicon ingots decreased from RMB483.5 million for the year ended December 31, 2008 to RMB98.9 thousand (US$14.5 thousand) for the year ended December 31, 2009, primarily because, commencing in 2009, we retained a substantial majority of our output of silicon ingots for our own silicon wafer production to capture the efficiencies of our vertically integrated production process, which resulted in a decrease in sales volume of silicon ingots from 33.1 MW for the year ended December 31, 2008 to 0.01 MW for the year ended December 31, 2009. Average selling prices also decreased by 53.4% from the year ended December 31, 2008 to the year ended December 31, 2009.

Our sales of silicon wafers increased by 38.7% from RMB794.9 million for the year ended December 31, 2008 to RMB1,102.2 million (US$161.5 million) for the year ended December 31, 2009, primarily because we commenced production of monocrystalline wafers in March 2008 and multicrystalline wafers in July 2008, and as a result, our sales volumes of silicon wafers increased by 251.0% from 51.4 MW for the year ended December 31, 2008 to 180.4 MW for the year ended December 31, 2009. The increase in sales of silicon wafers was partially offset by a 60.6% decrease in average selling prices for the year ended December 31, 2009 compared to the year ended December 31, 2008.

Our sales of solar cells for the year ended December 21, 2009 were RMB225.9 million (US$33.1 million) as we commenced production and sales of solar cells in July 2009. We sold 27.3 MW of solar cells for the year ended December 31, 2009.

Our sales of solar modules for the year ended December 31, 2009 were RMB182.0 million (US$26.7 million) as we commenced production and sales of solar modules in August 2009. We sold 14.4 MW of solar modules for the year ended December 31, 2009.

Our processing service fee increased from RMB3.0 million for the year ended December 31, 2008 to RMB29.6 million (US$4.3 million) for the year ended December 31, 2009, primarily because we employed excess capacity to process multicrystalline wafers for our customers for the year ended December 31, 2009. In the year ended December 31, 2008, our processing service fees were derived from processing multicrystalline ingots for our customers on a limited scale as we did not have substantial excess capacity during such period. We intend to continue to maximize the utilization of our production capacity for the production of our own products, while providing processing services with our excess capacity from time to time on a limited basis.

Cost of Revenues. Our cost of revenues decreased by 28.6% from RMB1,872.1 million for the year ended December 31, 2008 to RMB1,337.6 million (US$196.0 million) for the year ended December 31, 2009, primarily due to the decrease in the purchase prices of silicon raw materials, partially offset by the effect of our changing product mix and increase in the volume of silicon raw materials purchased in line with our increased production scale. Depreciation of property, plant and equipment increased by 241.9% from RMB12.8 million 2008 to RMB43.8 million (US$6.4 million) 2009 as we acquired additional equipment and facilities to expand our production capacity and product line in 2009. As we continue to expand our operations, we expect depreciation of property, plant and equipment to continue to increase in the future.

Gross Profit. Our gross profit decreased by 26.1% from RMB311.5 million for the year ended December 31, 2008 to RMB230.2 million (US$33.7 million) for the year ended December 31, 2009. Our gross margin increased from 14.3% for the year ended December 31, 2008 to 14.7% for year ended December 31, 2009, primarily due to our product mix upgrade.

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Operating Expenses. Our operating expenses increased by 167.2% from RMB40.3 million for the year ended December 31, 2008 to RMB107.7 million (US$15.8 million) for the year ended December 31, 2009, primarily due to the increase in our general and administrative expenses and selling and marketing expenses. Our general and administrative expenses increased by 119.9% from RMB38.7 million for the year ended December 31, 2008 to RMB85.1 million (US$12.5 million) for the year ended December 31, 2009, primarily attributable to (i) non-cash compensation expenses of RMB20.9 million (US$3.1 million) recognized in the year ended December 31, 2009 as the result of the June 2009 Modification and September 2009 Modification and (ii) the increase in salaries due to the increase in the number of our employees as we hired additional employees in line with the expansion of our operation. The compensation expenses we recognized for the year ended December 31, 2009 as a result of the June 2009 Modification and the September 2009 Modification were non-cash charges which had no impact on our cash flow. Our selling and marketing expenses increased significantly from RMB1.2 million for the year ended December 31, 2008 to RMB16.7 million (US$2.5 million) for the year ended December 31, 2009, primarily because we significantly increased our sales and marketing efforts by providing samples and undertaking additional marketing activities as we expanded our product line further down the solar power value chain for the year ended December 31, 2009. In addition, our research and development expenses increased from RMB0.4 million for the year ended December 31, 2008 to RMB5.9 million (US$0.9 million) for the year ended December 31, 2009 in line with our increased research and development efforts, in particular, on solar cells and solar modules.

Income from Operations. As a result of the foregoing, our income from operations decreased by 53.8% from RMB271.3 million for the year ended December 31, 2008 to RMB125.3 million (US$18.4 million) for the year ended December 31, 2009. Our operating profit margin decreased from 12.4% for the year ended December 31, 2008 to 8.0% for the year ended December 31, 2009.

Interest Expenses, Net. Our net interest expenses increased from RMB6.3 million for the year ended December 31, 2008 to RMB29.9 million (US$4.4 million) for the year ended December 31, 2009, primarily due to a significant increase in our average balance of short-term and long-term borrowings. The average balance of our short-term and long-term borrowings increased significantly from 2008 to 2009 as our capital expenditure and working capital requirements increased, primarily due to the acquisition of Zhejiang Jinko, expansion of our solar cell and solar module production capacity and commencement of sales of solar modules on credit terms in line with market practice.

Subsidy Income. We received government subsidy totaling RMB8.6 million (US$1.3 million), including subsidy for our expansion of production scale, technology upgrades and development of export markets, for the year ended December 31, 2009; while for the year ended December 31, 2008, we received government subsidy of RMB0.6 million, including the government grant Jiangxi Desun received to mitigate its losses resulting from severe winter weather conditions in early 2008.

Investment Loss. In July 2008, we disposed of Paker s 27.02% equity interest in Jiangxi Desun in connection with our 2008 Restructuring and recorded a loss of RMB10.2 million from such disposal, whereas there was no corresponding investment loss in 2009.

Exchange Loss. We incurred foreign exchange loss of RMB2.2 million (US$0.3 million) for the year ended December 31, 2009 primarily due to the effect of the appreciation of the Japanese Yen against Renminbi on our Japanese Yen denominated payables. We incurred foreign exchange loss of RMB5.0 million for the year ended December 31, 2008 as a third-party supplier returned our U.S. dollar advance payments which depreciated against the Renminbi in 2008.

Other Expenses, Net. Our net other expenses increased by 160.0% from RMB0.5 million for the year ended December 31, 2008 to RMB1.3 million (US$0.2 million) for the year ended December 31, 2009, primarily due to a RMB1.0 million (US$146.5 thousand) donation we made in the year ended December 31, 2009.

Change in fair value of derivatives. We had non-cash charges relating to change in fair value of derivatives recognized in earnings of RMB13.6 million (US$2.0 million) and RMB29.8 million for the years ended December 31, 2009 and 2008 respectively. See Critical Accounting Policies Redeemable Convertible Preferred Shares .

Income Taxes. Our income taxes was RMB0.8 million for the year ended December 31, 2008 because Tiansheng and Yangfan, two of the former VIEs that were consolidated by us until September 30, 2008 and September 1, 2008, respectively, incurred income tax expenses for the year ended December 31, 2008. We had deferred tax benefits of RMB1.3 million (US0$0.2 million) for the year ended December 31, 2009 resulting from the provisions we made in 2009 which would be deductible in the future. Jiangxi Jinko and Zhejiang Jinko were exempted from income tax as foreign-invested enterprises in 2009.

Net Income attributable to JinkoSolar Holding Co., Ltd. As a result of the foregoing, our net income attributable to JinkoSolar Holding Co., Ltd. decreased from RMB218.7 million for the year ended December 31, 2008 to RMB85.4 million (US$12.5 million) for the year ended December 31, 2009. Our net profit margin decreased from 10.0% for the year ended December 31, 2008 to 5.4% for the year ended December 31, 2009.

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

Revenues. Our revenues increased by 207.9% from RMB709.2 million for the year ended December 31, 2007 to RMB2,183.6 million for the year ended December 31, 2008, primarily because we commenced manufacturing and sales of monocrystalline ingots and wafers and multicrystalline ingots and wafers in August 2007, March 2008, June 2008 and July 2008, respectively. For the year ended December 31, 2007, we sold only recovered silicon materials (RMB536.8 million) and monocrystalline silicon ingots (RMB170.0 million) which we commenced manufacturing in August 2007. As a result, our revenues generated from sales of silicon ingots and wafers increased from RMB170.0 million and nil for the year ended December 31, 2007 to RMB483.5 million and RMB794.9 million for the year ended December 31, 2008, respectively. Our revenue from sales to a subsidiary of ReneSola, a related party, amounted to RMB381.4 million and RMB631.9 million, which accounted for 53.8% and 28.9% of our total revenue, for the years ended December 31, 2007 and 2008, respectively.

Our sales of recovered silicon materials increased by 68.1% from RMB536.8 million for the year ended December 31, 2007 to RMB902.2 million for the year ended December 31, 2008, primarily due to a 47.5% increase in the average selling price as well as the increase in sales volume from 349.1 metric tons to 397.9 metric tons, which resulted from strong demand, increased supply of recoverable silicon materials and our expanded processing capacity.

Our sales of silicon ingots increased by 184.4% from RMB170.0 million for the year ended December 31, 2007 to RMB483.5 million for the year ended December 31, 2008, primarily due to the increase in sales volume of our silicon ingots by 162.7%, from 12.6 MW to 33.1 MW, as well as an 8.3% increase in the average selling price, which resulted from strong demand and our expanded production capacity.

Our sales of silicon wafers increased from nil for the year ended December 31, 2007 to RMB794.9 million for the year ended December 31, 2008 as we began to sell our silicon wafer products in 2008.

Our processing service fees increased by 25.0% from RMB2.4 million for the year ended December 31, 2007 to RMB3.0 million for the year ended December 31, 2008, primarily because we commenced processing multicrystalline ingots for our customers in 2008.

Cost of Revenues. Our cost of revenues increased by 201.5% from RMB621.0 million for the year ended December 31, 2007 to RMB1,872.1 million for the year ended December 31, 2008, primarily due to the increase in sales of our products and, to a lesser extent, the increase in purchase cost of silicon raw materials.

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Gross Profit. Our gross profit increased by 253.6% from RMB88.1 million for the year ended December 31, 2007 to RMB311.5 million for the year ended December 31, 2008. Our gross margin increased from 12.4% for the year ended December 31, 2007 to 14.3% for the year ended December 31, 2008 mainly because sales of silicon ingots and wafers accounted for 58.5% of our revenues in 2008, compared to 24.0% for the year ended December 31, 2007, when our revenues were primarily generated from the sales of recovered silicon materials, which generated lower margins than sales of silicon ingots and wafers.

Operating Expenses. Our operating expenses increased by 222.4% from RMB12.5 million for the year ended December 31, 2007 to RMB40.3 million for the year ended December 31, 2008, primarily due to the increase in our general and administrative expenses. Our general and administrative expenses increased by 245.5% from RMB11.2 million for the year ended December 31, 2007 to RMB38.7 million for the year ended December 31, 2008, primarily due to the increase in employees salaries, social welfare payments and insurance premiums because we hired additional employees in connection with the expansion of our business. General and administrative expenses in the years ended December 31, 2007 and 2008 also included the amortization of land use rights amounting to RMB73.8 thousand and RMB2.7 million, respectively. The increase in our operating expenses also resulted from the increase in our research and development expenses from RMB50.8 thousand for the year ended December 31, 2007 to RMB441.8 thousand for the year ended December 31, 2008.

Income from Operations. As a result of the foregoing, our income from operations increased by 258.9% from RMB75.6 million for the year ended December 31, 2007 to RMB271.3 million for the year ended December 31, 2008. Our operating profit margin increased from 10.7% for the year ended December 31, 2007 to 12.4% for the year ended December 31, 2008, primarily due to the commencement of sales of silicon ingots and wafers which generate higher margins than sales of recovered silicon materials.

Interest Expenses, Net. Our net interest expenses increased from RMB321.9 thousand for the year ended December 31, 2007 to RMB6.3 million for the year ended December 31, 2008, primarily due to a significant increase in our average balance of short-term borrowings.

Subsidy Income. Jiangxi Jinko and Jiangxi Desun received grants from the government of Shangrao Municipality and the Shangrao Economic Development Zone as awards for their contributions to the development of the local economy in the past. In 2008, Jiangxi Desun also received government grants to mitigate its losses resulting from severe winter weather conditions in early 2008. The subsidies we received in the years ended December 31, 2007 and 2008 amounted to RMB546.8 thousand and RMB637.3 thousand, respectively.

Investment Loss. In July 2008, we disposed of Paker s 27.02% equity interest in Jiangxi Desun in connection with our 2008 Restructuring and recorded a loss of RMB10.2 million from such disposal.

Exchange Loss. Our exchange loss increased from RMB68.0 thousand for the year ended December 31, 2007 to RMB5.0 million for the year ended December 31, 2008, primarily due to foreign exchange losses we incurred as a third-party supplier returned our U.S. dollar advance payments which depreciated against the Renminbi during the year ended December 31, 2008.

Other Income or Expenses, Net. We had net other income of RMB300.0 thousand for the year ended December 31, 2007 primarily due to our sales of used packaging materials. We had net other expenses of RMB490.1 thousand for the year ended December 31, 2008, primarily due to our donations to victims of the Sichuan Earthquake which occurred in May 2008.

Change in fair value of derivatives. We had non-cash charges relating to change in fair value of derivative recognized in earnings of RMB29.8 million for the year ended December 31, 2008. See Critical Accounting Policies Redeemable Convertible Preferred Shares .

Income taxes. Our income taxes increased from nil for the year ended December 31, 2007 to RMB822.3 thousand for the year ended December 31, 2008, primarily because Jiangxi Desun as well as Tiansheng and Yangfan, two of the former VIEs, incurred income tax expenses for the year ended December 31, 2008. Our subsidiaries, Jiangxi Jinko and Jiangxi Desun, did not incur any income tax expenses during the year ended December 31, 2007. Jiangxi Desun was loss making from January 1, 2007 to April 9, 2007 and was exempted from income tax as a foreign-invested enterprise since April 10, 2007 to December 31, 2007 and Jiangxi Jinko was loss making during 2007. While in the year ended December 31, 2008, Jiangxi Desun was profit making for the period from January 1, 2008 to July 28, 2008 when it was deconsolidated. Jiangxi Jinko was exempted from income tax as a foreign-invested enterprise for the year ended December 31, 2008. The VIEs did not generate income tax expenses for the year ended December 31, 2007 because they were loss making. Hexing and Alvagen had no taxable profit for the year ended December 31, 2008. Xinwei was consolidated into our consolidated financial statements from July 16, 2007 to December 28, 2007 and was loss making during such period. See Selected Statement of Operations Items Taxation.

Non-controlling Interests. Non-controlling interests were RMB576.8 thousand for the year ended December 31, 2008, which represented the profits of Tiansheng and Hexing during 2008, net of prior year losses. Non-controlling interests was nil for the year ended December 31, 2007 because the VIEs did not record profits for that period.

Net Income attributable to JinkoSolar Holding Co., Ltd. As a result of the factors discussed above, our net income attributable to JinkoSolar Holding Co., Ltd. increased by 187.8% from RMB76.0 million for the year ended December 31, 2007 to RMB218.7 million for the year ended December 31, 2008. Our net profit margin decreased from 10.7% for the year ended December 31, 2007 to 10.0% for the year ended December 31, 2008.

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Selected Quarterly Results of Operations

The following table presents our unaudited condensed consolidated quarterly results of operations for the eight quarterly periods ended December 31, 2009. You should read the following table in conjunction with our audited consolidated financial statements and related notes included elsewhere in this prospectus. We have prepared the unaudited condensed consolidated quarterly financial information on the same basis as our audited consolidated financial statements. This unaudited condensed consolidated financial information includes all adjustments, consisting only of normal recurring adjustments, that we consider necessary for a fair representation of our operating results for the quarters presented. Because our business is relatively new, our operating results for any particular quarter are not necessarily indicative of our future results. Furthermore, our quarterly operating results may fluctuate from period to period based on changes in customer demand and the seasonality of consumer spending and industry demand for solar power products. For additional risks, see Risk Factors Risks Related to Our Business and Our Industry Our operating results may fluctuate from period to period in the future.

	2008				2009			
	March 31 RMB	June 30 RMB	September 30 RMB	December 31 RMB	March 31 RMB	June 30 RMB	September 30 RMB	December 31, RMB
	(in thousands, except share and per share data)							
Revenues	365,931.6	549,908.2	623,333.7	644,440.7	259,865.9	221,231.7	398,930.5	687,831.5
Cost of revenues	(318,845.1)	(472,110.8)	(522,802.6)	(558,330.2)	(242,524.0)	(183,198.0)	(335,822.3)	(576,103.2)
Gross profit	47,086.5	77,797.4	100,531.1	86,110.5	17,341.9	38,033.7	63,108.2	111,728.3
Total operating expenses	(6,220.8)	(8,135.3)	(12,546.5)	(13,369.2)	(9,984.8)	(18,765.6)	(38,909.1)	(40,080.0)
(Loss)/Income from operations	40,865.7	69,662.2	87,984.6	72,741.3	7,357.1	19,268.1	24,199.1	71,648.3
Interest income/(expenses), net	(838.8)	(1,753.1)	(1,515.6)	(2,216.4)	(4,623.1)	(4,741.4)	(10,226.1)	(10,346.2)
Subsidy income	637.3				2,721.0	2,506.0	3,060.6	281.5
Loss on disposal of subsidiary			(10,165.5)					82.1
Exchange gain/(loss)	(1,386.0)	(2,366.2)	(1,222.6)	(5.1)	2,261.9	(1,093.5)	(1,835.6)	(1,514.3)
Other income/(expenses), net	118.0	(278.0)	54.4	(384.5)	207.3	(494.9)	(308.1)	(742.9)
Change in fair value of derivatives			204.7	(30,017.4)	(24,296.8)	(11,242.7)	(999.2)	22,939.3
(Loss)/Income before income taxes	39,396.2	65,264.9	75,339.9	40,117.9	(16,372.5)	4,201.6	13,890.7	82,347.8
Income taxes	(25.9)	(747.1)	(49.2)					1,342.0
Net (loss)/income	39,370.3	64,517.8	75,290.7	40,117.9	(16,372.5)	4,201.6	13,890.7	83,689.8
Less: Net income attributable to the non-controlling interests			(576.8)					
Net income attributable to JinkoSolar Holding Co., Ltd.	39,370.3	64,517.8	74,713.9	40,117.9	(16,372.5)	4,201.6	13,890.7	83,689.8
Net (loss)/income attributable to JinkoSolar Holding Co., Ltd. s ordinary shareholders per share basic and diluted	0.79	1.25	1.24	0.25	(0.86)	(0.63)	(0.30)	1.06
Weighted average ordinary shares outstanding basic and diluted	50,000,000	50,249,175	50,731,450	50,731,450	50,731,450	50,731,450	50,731,450	50,731,450

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Liquidity and Capital Resources

We have financed our operations primarily through equity contributions from our shareholders, issuance of preferred shares and cash flow generated from operations as well as short-term and long-term borrowings.

The following table sets forth the principal amounts of our outstanding short-term borrowings including outstanding short-term borrowings under credit quotas as of December 31, 2009:

Lending Institution	Principal Amount Outstanding(1) (RMB)	(US$)
	(in millions)	
Jiangxi Jinko		
Agricultural Bank of China	209.0	30.6
Bank of China	149.0	21.8
China Construction Bank	11.0	1.6
China Merchants Bank	20.0	2.9
Zhejiang Jinko		
Communication Bank	27.0	4.0
Industrial and Commercial Bank of China	33.1	4.8
Bank of China	49.0	7.2
Pudong Development Bank	18.0	2.6

(1) Does not include current portion of long-term borrowings.

These short-term borrowings bore interest at rates per annum from 4.78% to 5.31%, and were secured by mortgages over our fixed assets and pledge over inventories and in some cases are also guaranteed by our founders. In addition, some of these short-term borrowings were secured by mortgages over the fixed assets of Jiangxi Desun or guaranteed by Jiangxi Desun and, in either case, also guaranteed by our founders. The short-term borrowings outstanding as of December 31, 2009 also included loans of RMB25.2 million from Industrial and Commercial Bank of China, which were denominated and repayable in Euro.

Since December 31, 2009 we have made short-term borrowings in the aggregate principal amount of RMB323.3 million from Communication Bank, Agricultural Bank of China, Industrial and Commercial Bank of China, Bank of China, China Construction Bank and China Merchants Bank, and repaid short-term bank borrowings of RMB150.5 million.

The following table sets forth the principal amounts of our outstanding long-term borrowings as of December 31, 2009:

Lending Institution	Principal Amount Outstanding(1) (RMB)	(US$)
	(in millions)	
Jiangxi Jinko		
Agricultural Bank of China(2)	170.0	24.9
Bank of China	180.0	26.3
Zhejiang Jinko		
Communication Bank	30.0	4.4
China Construction Bank	30.0	4.4

(1) Includes current portion of long-term borrowings.

(2) Includes RMB50 million of entrusted loans under the Entrusted Loan Agreements with Agricultural Bank of China and Heji Investment.

Our long-term borrowings have terms of two to three years and will mature from May 2010 to October 2012. These long-term borrowings bore interest at rates per annum from 4.05% to 8.99%. Some of these long-term borrowings are guaranteed by our founders.

The balance of our short-term and long-term borrowings increased significantly from December 31, 2008 to December 31, 2009 as our capital expenditure and working capital requirements increased, primarily due to the acquisition of Zhejiang Jinko, expansion of our solar cell and solar module production capacity and commencement of sales of solar modules on credit terms in line with market practice.

Since December 31, 2009 we have obtained additional long-term bank borrowings of RMB20 million from China Construction Bank and Industrial and Commercial Bank of China.

On June 13, 2009, we entered into the Heji Loan Agreement with Heji Investment, for loans with an aggregate principal amount of up to RMB100 million. We borrowed RMB50.0 million from Heji Investment under the Heji Loan Agreement. In September and October 2009, we and Heji Investment re-arranged our borrowings under the Heji Loan Agreement into entrusted loans with an aggregate principal amount of RMB50.0 million pursuant to the Entrusted Loan Agreements with Agricultural Bank of China. Under a typical entrusted loan arrangement, the entrustor which is the actual lender deposits the amount of the loan principal with the entrusted bank. The entrusted bank then lends the principal to the borrower according to the direction of the entrustor while the entrustor bears the risk of the default by the borrower on the repayment of the principal and interest. The relevant PRC regulations prohibit a non-financial institution such as Heji Investment from lending directly to another company and therefore, the rearrangement of the loan from Heji Investment from a direct loan into entrusted loans enabled Heji Investment to comply with such PRC regulations.

As of December 31, 2009, our aggregate short-term and long-term borrowings extended by commercial banks in China were RMB516.1 million (US$75.6 million) and RMB410.0 million (US$60.1 million), respectively. In addition, we also had available credit facilities amounting to RMB44.0 million (US$6.5 million) as of December 31, 2009. Our total credit quotas confirmed by commercial banks in China were RMB1,317.6 million (US$193.0 million). Commercial banks in China extend credit to borrowers based on national monetary policies and the banks own evaluation of a borrower s risk profile and credit-worthiness. Commercial banks confirm the credit quota, which is normally the maximum amount that a commercial bank may lend to the borrower for working capital and trade finance from time to time to facilitate the borrower s access to such credit. However, the credit quota is subject to adjustment based on prevailing circumstances and does not constitute a legally binding commitment of the commercial bank, and the borrower s access to such credit is still subject to examination and approval by the commercial bank based on its internal rules.

Our loan agreements with these banks typically contain standard restrictive covenants including those that restrict our ability to grant liens on our assets to secure debt of any third parties and restrict the ability of Jiangxi Jinko and Zhejiang Jinko to distribute dividends to us.

Cash Flows and Working Capital

As of December 31, 2009, December 31, 2008 and December 31, 2007, we had RMB152.5 million (US$22.3 million), RMB27.3 million and RMB27.2 million in cash and cash equivalents (not including restricted cash), respectively. Cash consists primarily of cash on hand and demand deposits. Restricted cash, which was RMB72.8 million (US$10.7 million) as of December 31, 2009 and RMB9.7 million as of December 31, 2008, represents deposits held by a bank which are not available for our general use. These deposits are held as collateral for issuance of letters of credit and bank acceptance notes to vendors for the purchase of raw materials, machinery and equipment which generally mature within six months.

In the years ended December 31, 2009, 2008 and 2007, we received proceeds from issuance of ordinary shares of nil, nil and RMB97.2 million respectively. In the years ended December 31, 2008 and 2007, Jiangxi

Desun received capital injections of nil and RMB48.4 million respectively, and the VIEs also received capital contributions from their equity holders of RMB10.8 million and RMB5.0 million respectively, for the same periods. In addition, we received RMB163.5 million and RMB235.4 million, respectively, in net proceeds from the issuance of series A redeemable convertible preferred shares and series B redeemable convertible preferred shares in 2008. As of December 31, 2009, December 31, 2008 and December 31, 2007, we had nil, nil and RMB92.4 million respectively in advances from a subsidiary of ReneSola, a related party. Advances from third-party customers amounted to RMB36.8 million (US$5.4 million), RMB184.7 million and RMB162.0 million as of December 31, 2009, December 31, 2008 and December 31, 2007, respectively. As of December 31, 2009, December 31, 2008 and December 31, 2007, we had nil, nil and RMB10.6 million respectively in short-term borrowings from related parties. Short-term borrowings from third parties including current portion of long-term bank borrowings amounted to RMB576.1 million (US$84.4 million), RMB150.0 million and RMB23.0 million as of December 31, 2009, December 31, 2008 and December 31, 2007, respectively. Our total short- term borrowings outstanding as of December 31, 2009 bore interest at a weighted average rate of 5.19% per annum. For more information on our short-term borrowings, see above and Contractual Obligations and Commercial Commitments.

As of December 31, 2009, we had entered into six long-term silicon wafer sales contracts with Alex New Energy Co., Ltd., or Alex New Energy, Green Power PV Co., Ltd., or Green Power, Jiangyin Jetion Science and Technology Co., Ltd., or Jetion, Jiangxi Risun Solar Energy Co., Ltd., or Risun, Solland Solar Cells B.V., or Solland, Win-Korea Trading PTY., Ltd., or Win-Korea, pursuant to which they have committed to pay an aggregate of RMB130.4 million (US$19.1 million) in prepayments to us by December 31, 2009, respectively. As of December 31, 2009, we had a balance of prepayments totaling RMB17.4 million (US$2.5 million) under such long-term silicon wafer sales contracts. We have renegotiated with these customers and will not require them to make further prepayment under such long-term silicon wafer sales contracts or plan to include similar provisions for prepayment in our future long-term silicon wafer agreements. In addition, as of December 31, 2009, we had entered into three long-term contracts for sales of our solar module products, pursuant to which we are entitled to receive an aggregate of US$1.0 million in deposit. As of December 31, 2009, we had received deposit of US$1.0 million under such long-term contracts. We plan to continue to include provisions for prepayment or deposit in our future solar module long-term sales or distribution contracts.

We have significant working capital commitments relating to prepayments to suppliers under long-term supply contracts for virgin polysilicon, as well as prepayments for deliveries of recoverable silicon materials. Advances to suppliers to be utilized within one year relate primarily to advances paid to suppliers of recoverable silicon materials, while advances to suppliers of virgin polysilicon are to be utilized beyond one year. Advances to suppliers to be utilized within one year were RMB110.6 million and RMB93.3 million (US$13.7 million) as of December 31, 2008 and 2009, respectively. Advances to suppliers to be utilized beyond one year were RMB187.3 million and RMB230.9 million (US$33.8 million) as of December 31, 2008 and 2009, respectively. The decrease in the balance of advances to suppliers to be utilized within one year as of December 31, 2009 compared to December 31, 2008 reflects decrease in our prepayment to suppliers of silicon materials to secure supply of silicon materials as the constraint on the supply of silicon materials eased in 2009. The increase in the balance of advances to suppliers to be utilized beyond one year is primarily attributable to the two long-term virgin polysilicon supply contracts we entered into with Zhongcai Technological and Hoku in July 2008. During the fourth quarter of 2008, we renegotiated the prepayment terms of both such contracts to extend a portion of the prepayment obligations to the first half of 2009. See Risk Factors Risks Related to Our Business and Our Industry Prepayment arrangements to suppliers for the procurement of silicon raw materials expose us to the credit risks of such suppliers and may also significantly increase our costs and expenses, which could in turn have a material adverse effect on our financial condition, results of operations and liquidity.

Accounts receivable due from third parties increased from RMB8.0 million as of December 31, 2008 to RMB236.8 million (US$34.7 million) as of December 31, 2009, because we have begun to extend up to 30 or 45 days of payment terms to customers with strong credit worthiness, and no longer require that all silicon wafer customers make payment in full prior to delivery. Inventories decreased from RMB272.0 million as of

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December 31, 2008 to RMB245.2 million (US$35.9 million) as of December 31, 2009 as a result of increase in sales and decrease in unit costs of silicon materials.

Accounts payable increased from RMB24.0 million as of December 31, 2008 to RMB100.0 million (US$14.6 million) as of December 31, 2009 in line with the expansion of our business. The increase in the accounts payable was also partially because we started to pay our suppliers of consumables on credit terms. Notes payable increased from nil as of December 31, 2008 to RMB81.6 million (US$12.0 million) as of December 31, 2009 as we issued bank acceptance notes to our suppliers mainly for purchase of raw materials in 2009. Other payables and accruals due to third parties increased from RMB83.0 million as of December 31, 2008 to RMB116.8 million (US$17.1 million) as of December 31, 2009, consisting mainly of payables for property, plant and equipment and accrued costs in relation to this offering.

The following summary of our cash flows for the yepx">

Earnings per share- basic	$	2.49	$	1.29
Earnings per share- diluted	$	2.44	$	1.29
Adjusted earnings per share - basic	$	0.95	$	1.29
Adjusted earnings per share - diluted	$	0.94	$	1.29
Weighted average number of common shares – basic		15,623,823		13,117,952
Weighted average number of common shares – diluted		15,942,451		13,117,952

Excluding non-cash gain, adjusted net income for the fiscal 2010 and 2009 was approximately $15 million and $17 million, respectively, or $0.95 and $1.29 in basic earnings per share, and $0.94 and $1.29 in diluted earnings per share for fiscal 2010 and 2009, respectively.

The decrease of our adjusted net income for fiscal 2010, as compared with fiscal 2009, was primarily because of the approximately $1.4 million decrease in gross profit, $1.5 million expense related to the Share Exchange and equity financing expense incurred, and a $1 million increase for the provision for income tax as stated above.

Liquidity and Capital Resources

In summary, our cash flows are as follows:

	Year Ended June 30,		
	2011	2010	2009
Net cash provided by operating activities	$ 16,183,789	$ 18,293,643	$ 11,926,128
Net cash used in investing activities	(65,181,932)	(33,415,733)	(10,539,561)
Net cash provided by (used in) financing activities	57,063,837	32,170,537	(5,832,642)

Net Cash Provided by Operating Activities

Net cash provided by operating activities for fiscal 2011 was $16,183,789, a decrease of 11.53% as compared to fiscal 2010. A decrease in notes receivable of approximately $1.07 million from redemption of un-matured notes from our customers, and an increase in tax payables of approximately $1.53 million from increased revenue, in fiscal 2011 as compared to fiscal 2010, boosted our operating cash position for fiscal 2011. On the other hand, an increase in accounts receivable of approximately $2.85 million and an increase in advance to suppliers of approximately $4.23 million reduced our operating cash position for fiscal 2011. In light of the central government's monetary tightening measures, we extended credit to our customers that increased our accounts receivable. Our increased advances to suppliers resulted from our efforts to secure coking coal in Shanxi and Qinghai provinces, given the supply shortage created by the mining moratorium in Henan.

Net cash provided by operating activities was $18,293,643 in fiscal year 2010, an increase of $6,367,515, or 53.39%, as compared with $11,926,128 for fiscal year 2009. During fiscal 2010, the cash increase was mainly due to a decrease in account receivables of $1.18 million and an increase in advances to suppliers of $3.4 million. The decrease in account receivables was primarily due to the Company's better sales credit control and timely receivable collection. The Company was in the process of acquiring several coal mines. Due to the potential acquisitions, some of the coal mines did not demand advances for purchases. The cash increase was offset by the following factors: (1) an increase in inventories of $2.1 million, (2) a decrease in customer deposit of $3.65 million, and (3) a decrease in taxes payable of $1.46 million. The increase in inventory corresponded with the anticipated increase in sales. The decrease in customer deposits was mainly because the Company received a large customer deposit in the prior fiscal year while sales demand for the Company's coke products was strong. The demand of coke product was more moderate in 2010. The decrease in taxes payable was caused by the large amount of income taxes and value tax payment that the Company made in the current year.

Net Cash Used in Investing Activities

Net cash used in investing activities for fiscal 2011 was $65,181,932, which included: (1) approximately $34.9 million for acquisition of coal companies, (2) approximately $3.6 million for the land use rights to the land underlying our new coking plant, (3) approximately $15.5 million toward equipment and machinery purchases for the new coking plant, (4) approximately $1.2 million long term investment in a local bank, (5) approximately $1.5 million to capitalize Zhonghong for the formation of our joint-venture with Hongyuan CSG, (6) approximately $6.6 million in secured loans to two unrelated third parties with interest rate of 10.08% (of which $4.5 million was repaid in August 2011), and (7) $13 million loaned to an unrelated third party with interest rate of 9.45%. On the other hand, we received a refund of approximately $5.5 million in prepayments made on equipment and machinery purchases that we cancelled, as well as a loan repayment of approximately $5.6 million.

During the fiscal year ending June 30, 2010 the Company had net cash used for investing activities of approximately $33 million, and in fiscal 2009, it had capital expenditures approximately 10.5 million. For the fiscal year ending June 30, 2010, the Company made payments of: (1) approximately $5.1 million toward the expansion and redevelopment of adjacent formerly residential land, (2) approximately $8.8 million was paid for the mine acquisitions, (3) approximately $12.7 million in construction-related expenditures for its new coking facility, (4) approximately $4.3 million toward the construction of new coal mining underground constructions, and (5) a $2.5 million loan to an unrelated party. The increase in capital expenditures in this period as compared to the same period in 2009 was mainly due to the construction and land redevelopment expenditures, as well as the mine acquisitions. In fiscal 2009, the Company spent approximately $10.5 million to pay for the new coking facility construction and improvement of underground construction for further operation.

Net Cash Provided by (Used in) Financing Activities

Net cash provided by financing activities for fiscal 2011 was $57,063,837. We deposited approximately $6.9 million with Pingdingshan Rural Cooperative Bank (“PRCB”) as restricted cash to obtain $14 million credit to issue bank guaranteed notes, and we issued an aggregate of approximately $19 million in bank guaranteed notes in fiscal 2011. In April 2011, we repaid our approximately $15 million (RMB 100 million) loan from Shanghai Pudong Development Bank (“SPDB”), which released approximately $17 million that was deposited as restricted cash to secure the loan. In May 2011, we also deposited approximately $6.2 million as restricted cash with SPDB to obtain a loan of approximately $4.8 million (RMB 32 million). We paid approximately $22.6 million to PRCB to settle our matured bank guaranteed note payables, which released $10.7 million of restricted cash that was deposited as security on such note payables. We also repaid $528,150 in full to Hongfeng Coal Processing and Coking Co., Ltd. We obtained approximately $1.3 million from the exercise of warrants to purchase 219,756 shares of our common stock. In April 2011, we borrowed approximately $54.9 million (RMB 360 million) from Bairui Trust. We repaid approximately $400,000 loaned to us by our chief executive officer for working capital.

The net cash received as a result of financing activities for fiscal year 2010 was approximately $32 million. In February and March 2010, the Company raised approximately $44 million by issuing common stock with cash at a cost of approximately $2.26 million. In May 2010, the Company used $17,010,000 as collateral to obtain the $14,730,000 (RMB 100,000,000) bank loan from the SPDB for its Hongyuan subsidiary. This loan bears an interest obligation of 4.78% per annum, and the $17,010,000 was deposited as a 6 months deposit in the bank with interest benefit of 1.3% per annum. The Company then deposited approximately $5.8 million to obtain the credit in the form of 6 months interest free notes in the amount of $11.6 million in order to finance its further investment for its 900,000 tons coking facility construction project. In fiscal 2010, the Company also repaid $2.2 million bank loan in September 2009. In fiscal year 2009, the Company had the net use of cash from financing activities. The cash was mainly used to repay a related party loan in the amount of approximately $5.2 million, and to repay a matured bank loan of approximately $1.1 million.

Capital Resources

Funding for our business activities has historically been provided by cash flow from operations, short-term bank loan financing, and loans from individuals including our chairman.

We also have arrangements with certain banks pursuant to which we are able to issue short-term notes to pay our vendors, secured against our deposits with the banks of 50% of the face value of the notes as well as a guarantee from our chairman, Hongli or an unrelated third party. We currently have such arrangements with three banks. Under our arrangements with SPDB, we are subject to a diligence review for each note issued, and SPDB charges us a processing fee based on 0.05% of the face value of each note. Under our arrangement with PRCB, we have a line of credit of $30.3 million. Although PRCB also charges the same processing fee as SPDB, we are not subject to a diligence review for each note so long as the aggregate amount of notes issued does not exceed our credit limit.

In addition, on December 29, 2010, we entered into an agreement with Baofeng County Honghao Coking Ltd. (“Honghao”), an unrelated third-party, pursuant to which Honghao agreed to obtain bank notes of approximately $4.5 million from a bank on our behalf. Under this agreement, we deposited approximately $2.3 million into Honghao’s bank account as collateral. Such deposit was refunded to us in full in May 2011.

In January 2011, in connection with our temporary halt of purchasing coal from Zhengzhou Coal in December 2010, Zhengzhou Coal refunded approximately $1.7 million of our prepayments. As of June 30, 2011, approximately $1.87 million in prepayments remained with Zhengzhou Coal.

On April 2, 2011, Hongli entered into a loan agreement with Bairui Trust, pursuant to which Bairui Trust agreed to loan Hongli the sum of RMB 360 million (approximately $54.9 million), of which RMB 180 million is due on April 2, 2013, and RMB 180 million on April 2, 2014, with annual interest rate of 6.3%. Bairui Trust made the loan to Hongli on April 3, 2011.

Our business plan involves growing our business through: (1) expansion and modernization of our production facilities and achieving greater energy efficiency while also lessening any environmental impact; (2) recapturing more coking by-products for refinement into useful industrial chemicals, and production of more high value-added chemical products; (3) acquisition of other coal mines to source raw materials; and (4) strategic cooperation with Zhengzhou Coal to indirectly control coal resources, secure our internal material requirements (including for our new coking facility still under construction) and ensure stable supply for coal trading.

Of the foregoing, the following is expected to require capital resources:

New Coking Facility. On March 3, 2010, we announced that we began construction of our new coking facility to be located beside our current facilities in Pingdingshan City. Because the new facility will share the electricity, water and heating systems of our existing facilities, we have revised our previously estimated cost for the new facility from approximately $70 million to approximately $60 million, including the cost of acquiring additional land use rights to expand the site of the new facility, estimated at $10.6 million. Construction is expected to be completed by the end of December 2011, and production is expected to commence immediately thereafter. On October 12, 2010, PRCB extended by one year its non-binding letter of intent to lend us up to RMB 300 million (approximately $45 million) for construction of this facility. Such loan would be subject to the approval of our loan application, which had not been submitted as of June 30, 2011.

During the year ended June 30, 2011, we had capital expenditures of $56,602,159. Such expenditures were for equipment and machinery purchases and site expansion for our new coking plant, and for acquisitions.

Our management presently anticipates that the proceeds from our prior equity issuance, access to credit and cash flow from operations will provide sufficient capital resources to pursue and complete the construction of our new coking facility. We intend to utilize existing cash, cash flow from operations and bank loans to complete our new coking plant. Any future facility expansion and acquisitions will require additional financing and/or equity capital and will be dependent upon the availability of financing arrangements and capital at the time.

We have not experienced any material losses since inception relating to accidents or other similar events. See “Risk Factors - We may suffer losses resulting from industry-related accidents and lack of insurance.”

Contractual Commitments

The following table sets forth payments due by period for fixed contractual obligations as of June 30, 2011:

	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Operating Lease Obligations	$442,545	$223,462	$219,083	$-	$-
Capital Lease Obligations	-	-	-	-	-
Purchase Obligations	-	-	-	-	-
Long-term Debt	55,692,000	-	55,692,000	-	-
Total	$56,134,545	$223,462	$55,911,083	$-	$-

Off-balance Sheet Arrangements

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. Other than warrants liability, we have not entered into any derivative contracts that are indexed to its shares and classified as shareholder’s equity or that are not reflected in its consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or that engages in leasing, hedging or research and development services with us.

Critical Accounting Policies

Our management's discussion and analysis of our financial condition and results of operations are based on our financial statements that have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported net sales and expenses during the reporting periods. On an ongoing basis, we evaluate our estimates and assumptions. We base our estimates on historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

While our significant accounting policies are described in Note 2 to our financial statements elsewhere in this Report, we believe that the following accounting policies are the most critical to aid you in fully understanding and evaluating this management discussion and analysis:

Revenue recognition

We recognize revenue from the sale of coal and coke, our principal products, at the date of shipment to customers when a formal arrangement exists, the price is fixed or determinable, the delivery is completed, no other significant obligations on our part exist and collectability is reasonably assured. This generally occurs when coal or coke is loaded onto trains or trucks at one of our loading facilities or at third-party facilities. Accordingly, management is required to apply its own judgment regarding collectability based on its experience and knowledge of its current customers, and thus exercise a certain degree of discretion.

Most, if not all, of the electricity generated by Hongguang Power is typically used internally by Baofeng Coking. Supply of surplus electricity generated by Hongguang Power to the national power grid is mandated by the local utilities board. The value of the surplus electricity supplied, if it exists, is calculated based on actual kilowatt-hours produced and transmitted and at a fixed rate determined under contract.

Coal and coke sales represent the invoiced value of goods, net of a value-added tax ("VAT"), sales discounts and actual returns at the time when product is sold to the customer.

Accounts receivables, trade, net

During the normal course of business, we extend unsecured credit to our customers. Management regularly reviews aging of receivables and changes in payment trends by its customers, and records a reserve when management believes collection of amounts due are at risk. Accounts considered uncollectible are written off. We regularly review the credit worthiness of our customers and, based on the results of the credit review, we determine whether extended payment terms can be granted to or, in some cases, partial prepayment is required from certain customers.

Intangible - mining rights, net

Mining rights are capitalized at fair value when acquired, including amounts associated with any value beyond proven and probable reserves, and amortized to operations as depletion expense using the units-of-production method over the estimated proven and probable recoverable tones. Our coal reserves are controlled through direct ownership which generally lasts until the recoverable reserves are depleted.

Recently issued accounting pronouncements

In December 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 010-29 which address diversity in practice about the interpretation of the pro forma revenue and earnings disclosure requirements for business combinations (Topic 805). This ASU specifies that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. This ASU also expands the supplemental pro forma disclosures under Topic 805 to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. ASU 2010-29 is effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. Early adoption is permitted. We are currently evaluating the impact of this ASU and we expected the adoption of this ASU will have an impact on our future business combinations.

In May 2011, FASB issued Fair Value Measurement (Topic 820) — Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs No. 2011-0, which provides additional guidance for fair value measurements. These updates to the Accounting Standards Codification ("ASC") include clarifications regarding existing fair value measurement principles and disclosure requirements, and also specific new guidance for items such as measurement of instruments classified within stockholders' equity and disclosures regarding the sensitivity of Level 3 measurements to changes in valuation model inputs. These updates to the ASC are effective for interim and annual periods beginning after December 15, 2011. We expect the implementation of this guidance will have no material impact on our consolidated financial statements.

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In June 2011, the FASB issued Comprehensive Income (Topic 220) — Presentation of Comprehensive Income (ASU No. 2011-05), which updates the ASC to require the presentation of the components of net income, the components of other comprehensive income (OCI) and total comprehensive income in either a single continuous statement of comprehensive income or in two separate, but consecutive statements of net income and comprehensive income. These updates do not affect the items reported in OCI or the guidance for reclassifying such items to net income. These updates to the ASC are effective for interim and annual periods beginning after December 15, 2011. We expect the implementation of this guidance will have no material impact on our consolidated financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

General

We do not use derivative financial instruments and have no foreign exchange contracts. Our financial instruments consist of cash and cash equivalents, trade accounts receivable, accounts payable and long-term obligations. We generally consider investments in highly liquid instruments purchased with a remaining maturity of 90 days or less at the date of purchase to be cash equivalents.

Currency Fluctuations and Foreign Currency Risk

Substantially all of our operations are conducted in China. All of our sales and purchases are conducted within China in RMB, which is the official currency of China. As a result, the effect of the fluctuations of exchange rates is considered minimal to our business operations.

Substantially all of our revenues and expenses are denominated in RMB. However, we use the United States dollar for financial reporting purposes. Conversion of RMB into foreign currencies is regulated by the People’s Bank of China through a unified floating exchange rate system. Although the PRC government has stated its intention to support the value of RMB, there can be no assurance that such exchange rate will not again become volatile or that RMB will not devalue significantly against the U.S. dollar. Exchange rate fluctuations may adversely affect the value, in U.S. dollar terms, of our net assets and income derived from our operations in China.

Interest Rate Risk

Our exposure to market risk for changes in interest rates relates primarily to our short-term and long-term obligations. Accordingly, fluctuations in applicable interest rates would not have a material impact on the fair value of these securities. At June 30, 2011, we had approximately $26 million in cash. A hypothetical 2% increase or decrease in applicable interest rates would not have a material impact on our earnings or loss, or the fair market value or cash flows of these instruments.

Commodity Price Risk

We are a coal and coke producer, and as discussed elsewhere in this Report, our business is affected by prevailing market prices for coal and coke. However, we do not currently engage in any hedging activities, such as futures, forwards, or options contracts, with respect to any of our inputs or products.

Credit Risk

We are exposed to credit risk from our cash at bank and fixed deposits and accounts receivable. The credit risk on cash at bank and fixed deposits is limited because the counterparties are recognized financial institutions. Accounts receivable are subjected to credit evaluations. An allowance has been made for estimated irrecoverable amounts which have been determined by reference to past default experience and the current economic environment.

Inflation

Inflationary factors, such as increases in the cost of our products and overhead costs, could impair our operating results. Although we do not believe that inflation has had a material impact on our financial position or results of operations to date, a high rate of inflation in the future may have an adverse effect on our ability to maintain current levels of gross margin and selling, general and administrative expenses as a percentage of sales revenue if the selling prices of our products do not increase with these increased costs.

Company’s Operations are Substantially in Foreign Countries

Substantially all of our operations are conducted in China and are subject to various political, economic, and other risks and uncertainties inherent in conducting business in China. Among other risks, our operations are subject to the risks of restrictions on transfer of funds; export duties, quotas, and embargoes; domestic and international customs and tariffs; changing taxation policies; foreign exchange restrictions; and political conditions and governmental regulations. Additional information regarding such risks can be found under the heading “Risk Factors” in this Report.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

SinoCoking Coal and Coke Chemical Industries, Inc. Index to Consolidated Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have audited the accompanying consolidated balance sheet of Sinocoking Coal and Coke Chemical Industries, Inc. as of June 30, 2011, and the related consolidated statements of income and comprehensive income, equity, and cash flows for the year then ended. We also have audited Sinocoking Coal and Coke Chemical Industries, Inc.'s internal control over financial reporting as of June 30, 2011, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Sinocoking Coal and Coke Chemical Industries, Inc.'s management is responsible for these consolidated 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 the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audit of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 (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 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 (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 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.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weaknesses and significant deficiencies have been identified and included in management's assessment as of June 30, 2011:

a) Inadequate U.S. GAAP expertise - The current staff in the accounting department is inexperienced in applying United States generally accepted accounting principles ("U.S. GAAP") standards and they were primarily engaged in ensuring compliance with PRC accounting and reporting requirement for our operating subsidiaries. The staff needs substantial training to meet the higher demands of being a U.S. public company. The current staff's accounting skills and their understanding as to how to fulfill the requirements of U.S. GAAP-based reporting, including their skills related to subsidiary financial statements consolidation, is inadequate.

b) Inadequate internal audit resources - The Company lacks qualified resources to perform the internal audit functions properly. In addition, the scope and effectiveness of the Company's internal audit function are yet to be developed. The Company was not able to hire sufficient internal audit resources to perform the internal audit functions properly.

c) Inadequate control on corporate governance - During this fiscal year, the Company conducted several material amount investment activities, such as lending a short-term loan to an unrelated party, acquiring a coal mine company, investing in a local commercial bank, and setting up a joint venture, without proper preapproval process in accordance with the internal control policy over investments.

d) Lack of internal control documentations – The Company has set up internal control policies over all major business cycles, however, due to lack of internal audit function and employee trainings, those internal control policies were not completely implemented at the operations level. Some material amount cash disbursement transactions, such as construction prepayments, raw material purchases, and investment payments, were orally approved without written approval documentations.

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e) Inadequate Segregation Duties – The Company has an inadequate number of personnel to properly implement control procedures.

f) Lack of internal control over maintaining accounting records – Some external shipping documents were not kept in place due to inadequate management controls over maintaining accounting records. The Company was not able to obtain the extra copies from the external carriers; this significant deficiency delayed the Company's monthly closing process.

g) Lack of timely internal communications - Due to the lack of timely internal communication and approval process, the information and documents of certain material amount transactions were not timely delivered to the accounting department and resulted in delaying the Company's monthly and annual closing process.

These material weaknesses were considered in determining the nature, timing and extent of audit tests applied in our audit of the 2010 consolidated financial statements, and our opinion regarding the effectiveness of the Company's internal control over financial reporting does not affect our opinion on those consolidated financial statements.

In our opinion, because of the effect of the material weaknesses described above on the achievement of the objectives of the control criteria, Sinocoking Coal and Coke Chemical Industries, Inc. has not maintained effective internal control over financial reporting as of June 30, 2011, based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Also in our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sinocoking Coal and Coke Chemical Industries, Inc. as of June 30, 2011, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ Friedman LLP

New York, New York
September 13, 2011

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Shareholders of SinoCoking Coal and Coke Chemical Industries, Inc

We have audited the accompanying consolidated balance sheets of SinoCoking Coal and Coke Chemical Industries, Inc and Subsidiaries as of June 30, 2010 and 2009, and the related consolidated statements of income and comprehensive income, shareholders' equity, and cash flows for each of the years in the two-year period ended June 30, 2010. SinoCoking Coal and Coke Chemical Industries, Inc and Subsidiaries' management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SinoCoking Coal and Coke Chemical Industries, Inc as of June 30, 2010 and 2009, and the results of its operations and its cash flows for each of the years in the two-year period ended June 30, 2010 in conformity with accounting principles generally accepted in the United States of America.

/s/ Frazer Frost, LLP (successor entity of Moore Stephens Wurth Frazer & Frost, LLP)

Brea, California
September 28, 2010

SINOCOKING COAL AND COKE CHEMICAL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	JUNE 30, 2011	2010
ASSETS		
CURRENT ASSETS		
Cash	$26,266,687	$17,403,008
Restricted cash	8,320,500	22,902,000
Accounts receivable, trade, net	8,489,272	5,304,684
Loans receivable	16,764,390	2,513,308
Notes receivable	-	1,045,830
Other receivables	232,126	479,121
Other receivables - related parties	-	477,052
Inventories	3,010,926	2,261,816
Advances to suppliers	8,994,833	4,995,703
Advances to suppliers -related party	575,700	-
Total current assets	72,654,434	57,382,522
PLANT AND EQUIPMENT, net	17,157,542	17,100,613
CONSTRUCTION IN PROGRESS	23,204,544	3,829,800
OTHER ASSETS		
Prepayments for land use rights	8,980,335	5,074,485
Prepayments for mine acquisitions	25,546,922	8,858,398
Prepayments for construction	8,134,736	17,303,883
Intangible - land use rights, net	1,919,987	1,892,292
Intangible - mining rights, net	29,408,865	2,629,437
Long-term investments	2,753,660	-
Other assets	108,290	103,110
Total other assets	76,852,795	35,861,605
Total assets	$189,869,315	$114,174,540
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Short term loans - bank	$4,950,400	$14,730,000
Accounts payable, trade	144,147	291,750
Notes payable	-	2,946,000
Short term loans - others	-	515,550
Other payables and accrued liabilities	1,426,285	1,433,121
Other payables - related party	455,768	51,381
Customer deposits	127,965	106,830
Taxes payable	2,856,671	1,229,019
Total current liabilities	9,961,236	21,303,651
LONG TERM LIABILITIES		
Long term loans	55,692,000	-
Warrants liability	5,569,047	30,436,087
Total long term liabilities	61,261,047	30,436,087
Total liabilities	71,222,283	51,739,738
COMMITMENTS AND CONTINGENCIES		
EQUITY		
Common shares, $0.001 par value, 100,000,000 authorized,		

21,090,948 and 20,871,192 issued and outstanding as of June 30, 2011 and 2010, respectively	21,091	20,871
Additional paid-in capital	3,442,083	67,269
Statutory reserves	3,403,793	1,837,395
Retained earnings	98,004,993	59,373,726
Accumulated other comprehensive income	5,111,872	1,135,541
Total SinoCoking Coal and Coke Chemicals Industries, Inc's equity	109,983,832	62,434,802
NONCONTROLLING INTERESTS	8,663,200	-
Total equity	118,647,032	62,434,802
Total liabilities and equity	$ 189,869,315	$ 114,174,540

See report of independent registered public accounting firm

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

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SINOCOKING COAL AND COKE CHEMICAL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

	FOR THE YEARS ENDED JUNE 30, 2011	2010	2009
REVENUE	$74,287,993	$59,027,490	$51,395,992
COST OF REVENUE	47,267,309	36,577,438	27,523,329
GROSS PROFIT	27,020,684	22,450,052	23,872,663
OPERATING EXPENSES:			
Selling	316,663	494,943	732,902
General and administrative	3,206,823	2,334,604	1,905,987
Total operating expenses	3,523,486	2,829,547	2,638,889
INCOME FROM OPERATIONS	23,497,198	19,620,505	21,233,774
OTHER INCOME (EXPENSE)			
Finance expense, net	(1,506,906)	(293,190)	(914,072)
Other income (expense), net	(152,879)	107,799	139,823
Change in fair value of warrants	23,135,827	24,016,407	-
Total other income (expense)	21,476,042	23,831,016	(774,249)
INCOME BEFORE INCOME TAXES	44,973,240	43,451,521	20,459,525
PROVISION FOR INCOME TAXES	5,065,380	4,517,024	3,491,590
NET INCOME	39,907,860	38,934,497	16,967,935
OTHER COMPREHENSIVE INCOME			
Foreign currency translation adjustment	3,976,331	355,737	74,264
COMPREHENSIVE INCOME	$43,884,191	$39,290,234	$17,042,199
WEIGHTED AVERAGE NUMBER OF COMMON SHARE			
Basic	20,962,091	15,623,823	13,117,952
Diluted	21,021,255	15,942,451	13,117,952
EARNINGS PER SHARE			
Basic	$1.90	$2.49	$1.29
Diluted	$1.90	$2.44	$1.29

See report of independent registered public accounting firm

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

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SINOCOKING COAL AND COKE CHEMICAL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY

	Common Share		Additional paid-in	Contribution	Retained earnings		Accumulated other comprehensive	Noncontrolling	
	Shares	Par Value	capital	Receivable	Statutory reserves	Unrestricted	income	interest	Total
BALANCE, July 1, 2008	13,117,952	$ 13,118	$ 3,032,685	$ (1,000)	$ 573,412	$ 13,340,814	$ 705,540	$ -	$ 17,664,569
Shareholder contribution			9,000	1,000					10,000
Shareholder cash contribution and by forfeited imputed interest			490,274						490,274
Net income						16,967,935			16,967,935
Adjustment of statutory reserve					554,298	(554,298)			-
Foreign currency translation adjustments							74,264		74,264
BALANCE, June 30, 2009	13,117,952	$ 13,118	$ 3,531,959	$ -	$ 1,127,710	$ 29,754,451	$ 779,804	$ -	$ 35,207,042
Shares and warrants issued in reverse merger recapitalization	405,710	406	(406)						-
Shares and warrants sold for cash	7,344,935	7,345	44,062,265						44,069,610
Offering costs related to shares and warrants sold			(12,015,273)						(12,015,273)
Warrants issued reclassified to derivative liability			(35,578,543)			(8,491,067)			(44,069,610)
Cumulative effect of reclassification of existing warrants						(631,002)			(631,002)
Fractional shares due to the one-for-twenty reverse split	2,595	2	(2)						-
Imputed interests on loans from related parties waived			67,269						67,269
Net income						38,934,497			38,934,497
Adjustment of statutory reserve					709,685	(193,153)			516,532

Foreign currency translation adjustments							355,737	-	355,737
BALANCE, June 30, 2010	20,871,192	$ 20,871	$ 67,269	$ -	$ 1,837,395	$ 59,373,726	$ 1,135,541	$ -	$ 62,434,802
Warrants exercised - cash proceeds	219,756	220	1,318,316						1,318,536
Warrants exercised - derivative value			2,056,498						2,056,498
Noncontrolling interests in acquirees								8,663,200	8,663,200
Net income						39,907,860			39,907,860
Adjustment of statutory reserve					1,566,398	(1,276,593)			289,805
Foreign currency translation adjustments							3,976,331		3,976,331
BALANCE, June 30, 2011	21,090,948	$ 21,091	$ 3,442,083	$ -	$ 3,403,793	$ 98,004,993	$ 5,111,872	$ 8,663,200	$ 118,647,032

See report of independent registered public accounting firm

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

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SINOCOKING COAL AND COKE CHEMICAL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED JUNE 30,		
	2011	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$39,907,860	$38,934,497	$16,967,935
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation	1,856,068	3,195,093	2,013,441
Amortization and depletion	1,536,739	2,685,745	2,877,364
Provision for doubtful accounts	31,689	216	293,000
Change in fair value of warrants	(23,135,827)	(24,016,407)	-
Warrants granted for service	325,285	-	-
Additional capital increased by forfeited imputed interest	-	67,269	490,274
Reservation of mine maintenance fee	289,805	516,532	-
Change in operating assets and liabilities			
Notes receivable	1,071,390	(682,133)	(358,808)
Accounts receivable, trade	(2,846,415)	1,179,942	(3,180,319)
Other receivables	230,494	(43,272)	774,999
Other receivables - related party	428,636	(416,620)	-
Inventories	(619,872)	(2,144,832)	100,353
Advances to suppliers - related party	(3,665,486)	2,897,074	(6,710,962)
Advances to suppliers	(561,559)	511,878	
Accounts payable, trade	(152,894)	(173,590)	(3,346,930)
Other payables and accrued liabilities	(54,950)	893,161	(954,832)
Customer deposits	15,381	(3,649,307)	3,237,596
Taxes payable	1,527,445	(1,461,603)	(276,983)
Net cash provided by operating activities	16,183,789	18,293,643	11,926,128
CASH FLOWS FROM INVESTING ACTIVITIES:			
Principal of loans receivable	(19,683,800)	(2,513,308)	-
Repayment of loans receivable	5,599,918	-	-
Long-term investment	(2,686,020)	-	-
Payments on equipment and construction-in-progress	(12,249,680)	(7,061,654)	(3,077,553)
Payments for business acquisitions	(14,486,400)	-	-
Prepayments on construction-in-progress	(3,247,319)	(14,388,113)	(7,462,008)
Refunds of construction prepayments	5,504,109	4,420,634	-
Prepayments on land use rights	(3,561,240)	(5,052,782)	-
Prepayments on mine acquisitions	(20,371,500)	(8,820,510)	-
Net cash used in investing activities	(65,181,932)	(33,415,733)	(10,539,561)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Change in restricted cash	14,782,500	(22,876,800)	-
Cash proceeds from sale of common stock and warrants	-	44,069,610	-
Cash proceeds from exercise of warrants	1,318,536		-
Cash offering cost related to common stock	-	(2,263,391)	-
Shareholder contribution	-	-	10,000
Proceeds from notes payables	19,617,000	2,933,400	-
Repayments of notes payables	(22,635,000)	-	-
Proceeds from short-term loans - banks	4,828,800	14,667,001	-
Proceeds from long-term loans - banks	54,324,000	-	-
Repayments of short-term loans - banks	(15,090,000)	(2,222,051)	(1,180,790)
Proceeds from short-term loans - others	-	-	586,000
Repayments of short-term loans -others	(528,150)	(586,680)	-
Proceeds from related parties	446,151	-	-
Payments to related parties	-	(1,550,552)	(5,247,852)
Net cash provided by (used in) financing activities	57,063,837	32,170,537	(5,832,642)

EFFECT OF EXCHANGE RATE ON CASH	797,985	76,162	19,345
INCREASE (DECREASE) IN CASH	8,863,679	17,124,609	(4,426,730)
CASH, beginning of year	17,403,008	278,399	4,705,129
CASH, end of year	$26,266,687	$17,403,008	$278,399
SUPPLEMENTAL CASH FLOW INFORMATION:			
Cash paid for income tax	$4,138,345	$8,902,126	$3,451,585
Cash paid for interest expense, net of capitalized interest	$1,472,368	$85,219	$286,194
NON-CASH TRANSACTIONS OF INVESTING AND FINANCING ACTIVITIES			
Warrants issued for placement agent fee	$325,285	$	$-
Reclassification of long-term prepayments to other receivable	$526,641	$208,271	$-
Reclassification of derivative liability to equity related to exercise of warrants	$2,056,498	$9,751,882	$-
Construction-in-progress acquired with prepayments made in prior year	$7,008,440	$	$-
Business acquisition with prepayments made in prior year	$4,527,000	$	$-

See report of independent registered public accounting firm

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

SINOCOKING COAL AND COKE CHEMICAL INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Nature of business and organization

SinoCoking Coal and Coke Chemical Industries, Inc. ("SinoCoking" or the "Company") was organized on September 30, 1996, under the laws of the State of Florida as "J.B. Financial Services, Inc." On July 19, 1999, the Company changed its name to "Ableauctions.com, Inc." On February 5, 2010, in connection with a share exchange transaction as described below, the Company changed its name to "SinoCoking Coal and Coke Chemical Industries, Inc."

On February 5, 2010, the Company completed a share exchange transaction with Top Favour Limited ("Top Favour"), and Top Favour became a wholly-owned subsidiary of the Company (the "Share Exchange"). In connection with the closing of the Share Exchange, all of the assets and liabilities of the Company's former business conducted under Ableauctions.com, Inc. were transferred to a liquidating trust, including the capital stock of its former subsidiaries. As a result of the Share Exchange, Top Favour's shareholders owned approximately 97% of the issued and outstanding shares, and the management members of Top Favour became the directors and officers of the Company. The Share Exchange was accounted for as a reverse acquisition and recapitalization and as a result, the consolidated financial statements of the Company (the legal acquirer) is, in substance, those of Top Favour (the accounting acquirer), with the assets and liabilities, and revenues and expenses, of the Company being included effective from the date of the Share Exchange. As the Share Exchange was accounted for as a reverse acquisition and recapitalization, there was no gain or loss recognized on the transaction. The historical financial statements for periods prior to the Share Exchange are those of Top Favour except that the equity section and earnings per share have been retroactively restated to reflect the Share Exchange.

As a result of the Share Exchange, the Company is a vertically-integrated coal and coke producer based in the People's Republic of China ("PRC" or "China"). All of the Company's business operations are conducted by a variable interest entity ("VIE"), Henan Pingdingshan Hongli Coal & Coking Co., Ltd., ("Hongli"), which is controlled by Top Favour's wholly-owned subsidiary, Pingdingshan Hongyuan Energy Science and Technology Development Co., Ltd. ("Hongyuan"), through a series of contractual arrangements (see Note 2).

The accompanying consolidated financial statements reflect the activities of the Company and each of the following entities:

Name	Background	Ownership
Top Favour	· A British Virgin Islands company · Incorporated on July 2, 2008	100%
Hongyuan	· A PRC limited liability company and deemed a wholly foreign owned enterprise ("WFOE") · Incorporated on March 18, 2009 · Registered capital of $3 million fully funded	100%
Hongli	· A PRC limited liability company · Incorporated on June 5, 1996 · Initial registered capital of $1,055,248 or 8,808,000 Renminbi ("RMB"), further increased to $4,001,248 (RMB 28,080,000) on August 26, 2010, fully funded · 85.40% of equity interests held by Jianhua Lv, the Company's Chief Executive Officer ("CEO") and Chairman of the Board of Directors · Operates a branch, Baofeng Coking Factory ("Baofeng Coking")	VIE by contractual arrangements (1)
Baofeng Hongchang Coal Co., Ltd. ("Hongchang Coal")	· A PRC limited liability company · Incorporated on July 19, 2007 · Registered capital of $396,000 (RMB 3,000,000) fully funded	VIE by contractual arrangements as a wholly-owned subsidiary of Hongli
Baofeng Shunli Coal Co., Ltd.("Shunli Coal")	· A PRC limited liability company · Incorporated on August 13, 2009 · Registered capital of $461,700 (RMB3,000,000) fully funded · Acquired by Hongchang Coal on May 20, 2011	VIE by contractual arrangements as an indirect wholly-owned subsidiary of Hongli
Baofeng Hongguang Power Co., Ltd. ("Hongguang Power")	· A PRC limited liability company · Incorporated on August 1, 2006 · Registered capital of $2,756,600 (RMB 22,000,000) fully funded	VIE by contractual arrangements as a wholly-owned subsidiary of Hongli

SINOCOKING COAL AND COKE CHEMICAL INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Baofeng Xingsheng Coal Co., Ltd. (“ Xingsheng Coal”)	· A PRC limited liability company · Incorporated on December 6, 2007 · Registered capital of $559,400 (RMB 3,634,600) fully funded · 60% of equity ownership acquired by Hongli on May 20, 2011	VIE by contractual arrangements as a 60% owned subsidiary of Hongli
Baofeng Shuangrui Coal Co., Ltd. (“Shuangrui Coal”)	· A PRC limited liability company · Incorporated on March 17, 2009 · Registered capital of $620,200 (RMB4,029,960) fully funded · 60% of equity ownership acquired by Hongli on May 20, 2011	VIE by contractual arrangements as a 60% owned subsidiary of Hongli
Zhonghong Energy Investment Company (“Zhonghong”)	· A PRC company · Incorporated on December 30, 2010 · Initial registered capital of $1,513,500 (RMB 10,010,000), further increased to $3,044,000 (RMB20 million) on April 14, 2011, and to $7,842,800 (RMB51 million) on July 12, 2011, of which $3,044,000 (RMB 20,000,000) has been paid as of June 30, 2011 and $4,798,800 (RMB30,000,000) was paid on July 12, 2011 · Equity interests of 100% held by three nominees on behalf of Hongli pursuant to share entrustment agreements	VIE by contractual arrangements as a wholly-owned subsidiary of Hongli
Baofeng Hongrun Coal Chemical Co., Ltd. (“Hongrun”)	· A PRC limited liability company · Incorporated on May 17, 2011 · Registered capital of $ 4,620,000 (RMB30 million) fully funded	VIE by contractual arrangements as a wholly-owned subsidiary of Hongli

(1) On March 18, 2009, Hongyuan entered into certain exclusive agreements with Hongli and its equity owners. Pursuant to these agreements, Hongyuan provides exclusive consulting services to Hongli in return for a consulting services fee which is equal to Hongli’s net profits. In addition, Hongli’s equity owners have pledged their equity interests in Hongli to Hongyuan, irrevocably granted Hongyuan an exclusive option to purchase all or part of the equity interests in Hongli and agreed to entrust all the rights to exercise their voting power to the person(s) appointed by Hongyuan.

Through these contractual arrangements, Hongyuan has the ability to control Hongli’s daily operations and financial affairs, appoint its senior executives and approve all matters requiring shareholder approval. As part of these contractual arrangements, Hongyuan and Hongli entered into an operating agreement which, amongst other matters, precludes Hongli from borrowing money, selling or acquiring assets, including intellectual property rights, providing guarantees to third parties or assigning any business agreements, without the prior written consent of Hongyuan. Hongyuan also agreed that, if any guarantee for Hongli’s performance of any contract or loan was required, Hongyuan would provide such guarantee to Hongli.

As a result of these contractual arrangements, Hongyuan is entitled to receive the expected residual returns of Hongli. Additionally, although Hongli has been profitable, in the event that Hongli were to incur losses, Hongyuan would be obligated to absorb a majority of the risk of loss from Hongli’s activities as a result of its inability to receive payment for its accumulated consulting fees that are equal to Hongli’s net income.

The Company believes that the equity investors in Hongli do not have the characteristics of a controlling financial interest, and that the Company is the primary beneficiary of the operations and residual returns of Hongli and, in the event of losses, would be required to absorb a majority of such losses. Accordingly, the Company consolidates Hongli’s results, assets and liabilities in the accompanying financial statements.

Selected financial data of Hongli and its subsidiaries is set forth below:

	June 30, 2011	June 30, 2010
Total current assets	$ 49,774,889	$ 22,525,835
Total assets	$ 166,989,770	$ 78,803,776
Total current liabilities	$ 78,860,160	$ 18,898,385
Total liabilities	$ 78,860,160	$ 18,898,385

SINOCOKING COAL AND COKE CHEMICAL INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Presently, the Company's coking related operations are carried out by Baofeng Coking, coal related operations by Hongchang Coal, Shuangrui Coal, Shunli Coal and Xingsheng Coal, and electricity generation by Hongguang Power. However, it is the Company's intention to transfer all coal related operations to a joint-venture between Zhonghong and Henan Province Coal Seam Gas Development and Utilization Co., Ltd., (see Note 16). As of June 30, 2011, the transfer of the Company's coal related operations to the joint-venture had not been carried out, and Shuangrui Coal, Shunli Coal and Xingsheng Coal have had no operations since they were acquired by the Company (see Note 25).

Note 2 – Summary of Significant Accounting Policies

Principles of consolidation

The accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. The consolidated financial statements include the financial statements of the Company, its wholly-owned subsidiaries – Top Favour and Hongyuan, and its VIEs – Hongli and its subsidiaries. All significant inter-company transactions and balances between the Company, its subsidiaries and VIEs are eliminated upon consolidation.

In accordance with the Financial Accounting Standards Board's ("FASB") accounting standard for consolidation of variable interest entities, VIEs are generally entities that lack sufficient equity to finance their activities without additional financial support from other parties or whose equity holders lack adequate decision making ability. All VIEs with which the Company is involved must be evaluated to determine the primary beneficiary of the risks and rewards of the VIE. The primary beneficiary is required to consolidate the VIE for financial reporting purposes. As a result of the contractual arrangements described below, the Company, through Hongyuan, is obligated to absorb a majority of the risk of loss from Hongli's activities and the Company is enabled to receive a majority of Hongli's expected residual returns. The Company accounts for Hongli as a VIE and is the primary beneficiary. The primary beneficiary is required to consolidate the VIE for financial reporting purposes. Management makes ongoing assessments of whether Hongyuan is the primary beneficiary of Hongli and its subsidiaries.

Accounting Standards Codification ("ASC") 810 – "Consolidation" addresses whether certain types of entities referred to as VIEs, should be consolidated in a company's consolidated financial statements. The contractual arrangements entered into between Hongyuan and Hongli are comprised of the following series of agreements:

(1) a Consulting Services Agreement, through which Hongyuan has the right to advise, consult, manage and operate Hongli and its subsidiaries ("the Operating Companies"), collect, and own all of the respective net profits of the Operating Companies;

(2) an Operating Agreement, through which Hongyuan has the right to recommend director candidates and appoint the senior executives of the Operating Companies, approve any transactions that may materially affect the assets, liabilities, rights or operations of the Operating Companies, and guarantee the contractual performance by the Operating Companies of any agreements with third parties, in exchange for a pledge by the Operating Companies of their respective accounts receivable and assets;

(3) a Proxy Agreement, under which the shareholders of the Operating Companies have vested their voting control over the Operating Companies to Hongyuan and will only transfer their equity interests in the Operating Companies to Hongyuan or its designee(s);

(4) an Option Agreement, under which the shareholders of the Operating Companies have granted Hongyuan the irrevocable right and option to acquire all of its equity interests in the Operating Companies, or, alternatively, all of the assets of the Operating Companies; and

(5) an Equity Pledge Agreement, under which the shareholders of the Operating Companies have pledged all of their rights, title and interest in the Operating Companies to Hongyuan to guarantee the Operating Companies' performance of their respective obligations under the Consulting Services Agreement.

Since Top Favour, Hongyuan and Hongli are under common control, the above corporate structure including the above contractual arrangements have been accounted for as a reorganization of entities and the consolidation of Top Favour, Hongyuan and Hongli has been accounted for at historical cost and prepared on the basis as if the contractual arrangements had become effective as of the beginning of the first period presented in the accompanying consolidated financial statements.

SINOCOKING COAL AND COKE CHEMICAL INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Use of estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The more significant areas requiring the use of management estimates and assumptions relate to coal reserves that are the basis for future cash flow estimates and units-of-production depletion calculations; asset impairments; allowance for doubtable accounts for accounts receivable; valuation allowances for deferred income taxes; reserves for contingencies; stock-based compensation and the fair value and accounting treatment of certain financial instruments. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Accordingly, actual results may differ significantly from these estimates.

Stock-based compensation

The Company records share-based compensation expense based upon the grant date fair value of share-based awards. The value of the award is principally recognized as expense ratably over the requisite service periods. The Company uses the Black-Scholes Merton (“BSM”) option-pricing model, which incorporates various assumptions including volatility, expected life and interest rates to determine fair value. The Company’s expected volatility assumption is based on the historical volatility of Company’s stock. The expected life assumption is primarily based on the simplified method of the terms of the options. The risk-free interest rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

Stock-based compensation expense is recognized based on awards expected to vest. The United States Generally Accepted Accounting Principles (“U.S. GAAP”) require forfeitures to be estimated at the time of grant and revised in subsequent periods, if necessary, when actual forfeitures differ from those estimates. There were no estimated forfeitures as the Company has a short history of issuing options.

Revenue recognition

Coal and coke sales are recognized at the date of shipment to customers when a formal arrangement exists, the price is fixed or determinable, the delivery is completed, no other significant obligations of the Company exist and collectability is reasonably assured. This generally occurs when coal and coke is loaded onto trains or trucks at one of the Company’s loading facilities or at third party facilities.

Substantially, if not all, of the electricity generated by Hongguang Power is typically used internally by Baofeng Coking. Supply of surplus electricity generated by Hongguang Power to the national power grid is mandated by the local utilities board. The value of the surplus electricity supplied, if it exists, is calculated based on actual kilowatt-hours produced and transmitted and at a fixed rate determined under contract.

Coal and coke sales represent the invoiced value of goods, net of a value-added tax (“VAT”), sales discounts and actual returns at the time when product is sold to the customer.

Shipping and handling costs

Shipping and handling costs related to goods sold are included in selling expense. Total shipping and handling costs amounted to $0, $25,248 and $202,849 for the years ended June 30, 2011, 2010 and 2009, respectively.

Foreign currency translation and other comprehensive income

The reporting currency of the Company is the U.S. dollar. The functional currency of the Company, its subsidiary and VIEs in the PRC is denominated in RMB.

For the subsidiaries and VIEs whose functional currencies are other than the U.S. dollar, all assets and liabilities accounts were translated at the exchange rate on the balance sheet date; shareholders’ equity is translated at the historical rates and items in the statement of operations are translated at the average rate for the period. Items in the cash flow statement are also translated at average translation rates for the period, therefore, amounts reported on the statement of cash flows will not necessarily agree with changes in the corresponding balances on the balance sheet. Translation adjustments resulting from this process are included in accumulated other comprehensive income in the statement of equity. The resulting transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in the results of operations as incurred.

The balance sheet amounts, with the exception of equity, at June 30, 2011 and 2010 were translated at RMB 6.46 to $1 and RMB 6.79 to $1, respectively. The average translation rates applied to income and cash flow statement amounts for the years ended June 30, 2011, 2010 and 2009 were at RMB 6.63 to $1, RMB6.82 to $1 and RMB6.83 to $1, respectively

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Fair value of financial instruments

The Company uses the FASB's accounting standard regarding fair value of financial instruments and related fair value measurements. Those accounting standards established a three-level valuation hierarchy for disclosures of fair value measurement and enhance disclosures requirements for fair value measures. The carrying amounts reported in the accompanying consolidated balance sheets for receivables, payables and short term loans qualify as financial instruments are a reasonable estimate of fair value because of the short period of time between the origination of such instruments, their expected realization and, if applicable, the stated rate of interest is equivalent to rates currently available. The three levels of valuation hierarchy are defined as follows:

Level 1 Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the assets or liability, either directly or indirectly, for substantially the full term of the financial instruments.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value.

The Company determined that the carrying value of the long-term loans approximated their fair value using level 2 inputs by comparing the stated loan interest rate to the rate charged by the Bank of China on similar loans (See Note 19). For long-term investments which consisted of a 2.86% interest in a Credit Union in China and an investment in a joint venture company with the local Chinese government, it was impracticable for the Company to obtain their fair values at June 30, 2011.

The following table sets forth by level within the fair value hierarchy the Company's financial assets and liabilities that were accounted for at fair value on a recurring basis as of June 30, 2011:

	Carrying Value at June 30, 2011	Fair Value Measurement at June 30, 2011		
		Level 1	Level 2	Level 3
Warrants liability	$ 5,569,047	$ —	$ —	$ 5,569,047

The following is a reconciliation of the beginning and ending balances of warrants liability measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as of June 30, 2011 and 2010:

	June 30, 2011	June 30, 2010
Beginning fair value	$ 30,436,087	$ -
Issuance of warrants	325,285	94,605,650
Realized gain recorded in earnings	(23,135,827)	(24,016,407)
Exceeded amount between value of warrants and gross proceeds recorded in earnings		(40,153,156)
Value of warrants exercised recorded in APIC	(2,056,498)	-
Ending fair value	$ 5,569,047	$ 30,436,087

The Company's warrants are not traded on an active securities market; therefore, the Company estimates the fair value of its warrants using the Cox-Ross-Rubinstein binomial model on June 30, 2011 and 2010.

	June 30, 2011	June 30, 2010
Number of shares exercisable	3,906,853	4,076,609
Exercise price	$ 6.00-48.00	$ 6.00-48.00
Stock price	$ 4.56	$ 12.30
Expected term(year)	3.60-5.78	4.61-6.78
Risk-free interest rate	1.10-2.05%	1.63-2.38%
Expected volatility	75%	80%

Due to the relatively short trading history of the Company's stock, the expected volatility is based primarily on other similar public companies' historical volatilities, which are traded on United States stock markets. Historical volatility was computed using daily pricing observations for recent periods that correspond to the term of the warrants. The Company believes this method produces an estimate that is representative of the Company's expectations of future volatility over the expected term of these warrants. The Company currently has no reason to believe future volatility over the expected remaining life of these warrants is likely to differ materially from historical volatility. The expected life is based on the remaining term of the warrants. The risk-free interest rate is based on U.S. Treasury securities according to the remaining term of the warrants.

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In addition to assets and liabilities that are recorded at fair value on a recurring basis, the Company is required to record assets and liabilities at fair value on a non-recurring basis. Generally, assets are recorded at fair value on a non-recurring basis as a result of impairment charges. For the years ended June 30, 2011, 2010 and 2009, there were no impairment charges.

The Company did not identify any other assets and liabilities that are required to be presented on the consolidated balance sheets at fair value.

Cash

The Company considers all highly liquid investments with original maturities of three months or less at the time of purchase to be cash equivalents for cash flow statement purposes. Cash includes cash on hand and demand deposits in accounts maintained with state owned banks within the PRC and with banks in Hong Kong and in the United States of America.

Balances at financial institutions or state owned banks within the PRC are not covered by insurance. Balances at financial institutions in Hong Kong may, from time to time, exceed Hong Kong Deposit Protection Board's insured limits. As of June 30, 2011 and 2010, the Company had $34,425,040 and $39,791,148 of cash deposits, including restricted cash, which were not covered by insurance, respectively. The Company has not experienced any losses in such accounts.

Restricted cash

Restricted cash represent amounts set aside by the Company in accordance with the Company's debt agreements with certain financial institutions in the PRC. These cash amounts are designated for the purpose of paying down the principal amounts owed to the financial institutions, and these amounts are held at the same financial institutions with which the Company has the debt agreements. Due to the short-term nature of the Company's debt obligations to these banks, the corresponding restricted cash balances have been classified as current in the consolidated balance sheets.

Loans receivable

Loans receivable represents amounts the Company loaned to unrelated parties. The loans either are due on demand or mature within a year, and are either unsecured or secured by the properties of the borrowers or guaranteed by unrelated parties. All loans receivables are subject to interest charges.

Accounts receivables, trade, net

During the normal course of business, the Company extends unsecured credit to its customers. Management regularly reviews aging of receivables and changes in payment trends by its customers, and records a reserve when management believes collection of amounts due are at risk. Accounts considered uncollectible are written off. The Company regularly reviews the credit worthiness of its customers and, based on the results of the credit review, determines whether extended payment terms can be granted to or, in some cases, partial prepayment is required from certain customers.

Other receivables

Other receivables mainly include advances to employees for general business purposes and other short term non-traded receivables from unrelated parties, primarily as unsecured demand loans, with no stated interest rate or due date. Management regularly reviews aging of receivables and changes in payment trends and records a reserve when management believes collection of amounts due are at risk. Accounts considered uncollectible are written off.

Inventories

Inventories are stated at the lower of cost or market, using the weighted average cost method. Inventories consist of raw materials, supplies, work in process, and finished goods. Raw materials mainly consist of coal (mined and purchased), rail, steel, wood and additives used by the Company. The cost of finished goods includes (1) direct costs of raw materials, (2) direct labor, (3) indirect production costs, such as allocable utilities cost, and (4) indirect labor related to the production activities, such as assembling and packaging. Management compares the cost of inventories with the market value and an allowance is made for writing down the inventory to its market value, if lower than cost. On an ongoing basis, inventories are reviewed for potential write-down for estimated obsolescence or unmarketable inventories equal to the difference between the costs of inventories and the estimated net realizable value based upon forecasts for future demand and market conditions. When inventories are written-down to the lower of cost or market, it is not marked up subsequently based on changes in underlying facts and circumstances. As of June 30, 2011 and 2010, management believed that no allowance for inventory valuation was deemed necessary.

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Advances to suppliers

The Company advances monies to certain suppliers for raw material purchases and in connection with construction contracts. These advances are interest-free and unsecured.

Plant and equipment, net

Plant and equipment are stated at cost. Expenditures for maintenance and repairs are charged to earnings as incurred; while additions, renewals and betterments that extend the useful life are capitalized. When items of plant and equipment are retired or otherwise disposed, the related cost and accumulated depreciation are removed from the respective accounts, and any gain or loss is included in operations. Mine development costs are capitalized and amortized by the units of production method over estimated total recoverable proven and probable reserves. Depreciation of plant and equipment is provided using the straight-line method for substantially all assets with estimated lives as follows:

	Estimated Useful Life
Building and plant	20 years
Machinery and equipment	10-20 years
Other equipment	1-5 years
Transportation equipment	5-7 years

Construction-in-progress ("CIP") includes direct costs of construction of mining tunnel improvements and its new coking plant. Interest incurred during the period of construction, if material, is capitalized. For the years ended June 30, 2011, 2010 and 2009, $794,011, $0, and $35,914 of interest was capitalized into CIP, respectively. All other interest is expensed as incurred. CIP is not depreciated until such time the assets are completed and put into service. Maintenance, repairs and minor renewals are charged to expense as incurred. Major additions and betterment to property and equipment are capitalized.

Land use rights, net

Costs to obtain land use rights are recorded based on the fair value at acquisition and amortized over 36 years, the contractual period of the rights. Under the accounting standard regarding treatment of goodwill and other intangible assets, all goodwill and certain intangible assets determined to have indefinite lives are not amortized but tested for impairment at least annually. Intangible assets with finite live are amortized over their useful lives and reviewed at least quarterly for impairment.

Intangible - mining rights, net

Mining rights are capitalized at fair value when acquired, including amounts associated with any value beyond proven and probable reserves, and amortized to operations as depletion expense using the units-of-production method over the estimated proven and probable recoverable tones. The Company's coal reserves are controlled through direct ownership which generally lasts until the recoverable reserves are depleted.

Impairment of long-lived assets

The Company evaluates long-lived tangible and intangible assets for impairment, at least annually, but more often whenever events or changes in circumstances indicate that the carrying value may not be recoverable from its estimated future cash flows, in accordance with the accounting guidance regarding "Disposal of Long-Lived Assets." Recoverability is measured by comparing the asset's net book value to the related projected undiscounted cash flows from these assets, considering a number of factors including past operating results, budgets, economic projections, market trends and product development cycles. If the net book value of the asset exceeds the related undiscounted cash flows, the asset is considered impaired, and a second test is performed to measure the amount of impairment loss. Based on its review, the Company believes that, as of June 30, 2011 and 2010, there was no impairment of long-lived assets.

Long-term investment

Investments in equity securities of privately-held companies in which the Company holds less than 20% voting interest and to which the Company does not have the ability to exercise significant influence are accounted for under the cost method.

Entities in which the Company has the ability to exercise significant influence, but does not have a controlling interest, are accounted for under the equity method. Significant influence is generally considered to exist when the Company has an ownership interest in the voting stock between 20% and 50%, and other factors, such as representation on the board of directors, voting rights and the impact of commercial arrangements, are considered in determining whether the equity method of accounting is appropriate.

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The Company evaluates potential impairment whenever events or changes in circumstances indicate that the carrying amount of the investments may not be recoverable. For investments carried at cost, the Company recognizes impairment in the event that the carrying value of the investment exceeds the Company's proportionate share of the net book value of the investee. As of June 30, 2011, management believes no impairment charge is necessary.

Asset retirement cost and obligations

The Company follows the pronouncements of the accounting standard to account for the asset retirement cost and obligations to retire tangible long-lived assets. This standard generally requires that the Company's legal obligations associated with the retirement of long-lived assets are recognized at fair value at the time the obligations are incurred. Obligations are incurred at the time development of a mine commences for underground mines or construction begins for support facilities, refuse areas and slurry ponds. If an entity has a conditional asset retirement obligation, a liability should be recognized when the fair value of the obligations can be reasonably estimated.

The obligation's fair value is determined using discounted cash flow techniques and is accreted over time to its expected settlement value. Upon initial recognition of a liability, a corresponding amount is capitalized as part of the carrying amount of the related long-lived asset. Amortization of the related asset is calculated on a unit-of-production method by amortizing the total estimated cost over the salable reserves as determined under Securities and Exchange Commission ("SEC") Industry Guide 7, multiplied by the production during the period.

Asset retirement costs generally include the cost of reclamation (the process of bringing the land back to its natural state after completion of exploration activities) and environmental remediation (the physical activity of taking steps to remediate, or remedy, any environmental damage caused).

In May 2009, the Bureau of Finance and the Bureau of Land and Resource of Henan Province issued regulations on mine environmental control and recovery which require mining companies to file an evaluation report regarding the environmental impacts of mining (the "Evaluation Report") before December 31, 2010. The corresponding authorities will then determine whether to approve the Evaluation Report after performing on-site investigation, and the asset retirement obligation will be determined by the authorities based on the approved filing. Such requirement was extended along with the extension of the provincial mine consolidation schedule. However, such extension date has not been finalized by the related provincial authorities.

The Company did not record such asset retirement obligation as of June 30, 2011 and 2010 because the Company did not have sufficient information to reasonably estimate the fair value of such obligation. The range of time over which the Company may settle the obligation is unknown and cannot be reasonably estimated. In addition, the settlement method for the obligation cannot be reasonably determined. The amount of the obligation to be determined by the government authorities is affected by several factors, such as the extent of remediation required in and around the mining area, the methods to be used to remediate the mining site, and any government grants which may or may not be credited to the mining companies.

The Company will recognize the liability in the period in which sufficient information is available to reasonably estimate its fair value.

Income taxes

Income taxes provided on the liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of assessable tax profit. In principle, deferred tax liabilities are recognized for all taxable temporary differences, and deferred tax assets are recognized to the extent that it is probably that taxable profit will be available against which deductible temporary differences can be utilized. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled. Deferred tax is charged or credited in the income statement, except when it related to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. Penalties and interest incurred related to underpayment of income tax are classified as income tax expense in the period incurred. No significant penalties or interest relating to income taxes have been incurred during the years ended June 30, 2011, 2010 and 2009.

Chinese income taxes

The Company's subsidiary and VIEs that operate in the PRC are governed by the income tax laws of the PRC and various local income tax laws (the "Income Tax Laws"), and are generally subject to an income tax at a statutory rate of 25% of taxable income, which is based on the net income reported in the statutory financial statements after appropriate tax adjustment.

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Value added tax (“VAT”)

Sales revenue represents the invoiced value of goods, net of VAT. All of the Company’s coal and coke are sold in the PRC and are subject to a Chinese VAT at a rate of 17% of the gross sales price. This VAT may be offset by VAT paid by the Company on raw materials and other materials included in the cost of producing finished products. The Company records VAT payable and VAT receivable net of payments in the consolidated financial statements. The VAT tax return is filed to offset the payables against the receivables.

Warrants liability

A contract is designated as an asset or a liability and is carried at fair value on a company’s balance sheet, with any changes in fair value recorded in a company’s results of operations. The Company then determines which options, warrants and embedded features require liability accounting and records the fair value as a derivative liability. The changes in the values of these instruments are shown in the accompanying consolidated statements of income and other comprehensive income as “change in fair value of warrants”.

In connection with the Share Exchange, the Company adopted the provisions of an accounting standard regarding instruments that are indexed to an entity’s own stock. This accounting standard specifies that a contract that would otherwise meet the definition of a derivative but is both (a) indexed to the Company’s own stock and (b) classified in equity in the statement of financial position would not be considered a derivative financial instrument. It provides a new two-step model to be applied in determining whether a financial instrument or an embedded feature is indexed to an issuer’s own stock and thus able to qualify for the scope exception within the standards. As a result of the adoption of this accounting standard, all warrants issued after the Share Exchange are recorded as a liability because the strike price of such warrants is denominated in U.S. dollars, a currency other than the Company’s functional currency which is denominated in RMB.

All warrants issued before the Share Exchange, which were treated as equity pursuant to the derivative treatment exemption prior to the Share Exchange, are also no longer afforded equity treatment because the strike price of such warrants is denominated in U.S. dollar, a currency other than the Company’s functional currency which is denominated in RMB. Therefore, such warrants are not considered indexed to the Company’s own stock, and as such, all future changes in the fair value of these warrants will be recognized currently in earnings until such warrants are exercised or expire. The Company has reclassified the fair value of such warrants of $631,002 from equity to liability since the Share Exchange.

Noncontrolling interests

Noncontrolling interests consist of the 40% equity interests of Xingsheng Coal and Shuangrui Coal owned by unrelated third parties. For the year ended June 30, 2011, 2010 and 2009, there was no net income or loss attributable to such noncontrolling interests because neither Xingsheng Coal nor Shuangrui Coal was operational during such periods.

Earnings per share

The Company reports earnings per share in accordance with the provisions of ASC – 260 “Earnings Per Share”. This standard requires presentation of basic and diluted earnings per share in conjunction with the disclosure of the methodology used in computing such earnings per share. Basic earnings per share excludes dilution and is computed by dividing income available to common stockholders by the weighted average common shares outstanding during the period. Diluted earnings per share takes into account the potential dilution that could occur if securities or other contracts to issue common stock were exercised and converted into common stock. Dilution is computed by applying the treasury stock method. Under this method, option and warrants were assumed to be exercised at the beginning of the period (or at the time of issuance, if later), and as if funds obtained thereby were used to purchase common stock at the average market price during the period.

Comprehensive income

FASB’s accounting standard regarding comprehensive income establishes requirements for the reporting and display of comprehensive income, its components and accumulated balances in a full set of general purpose financial statements. This accounting standard defines comprehensive income to include all changes in equity except those resulting from investments by owners and distributions to owners. Among other disclosures, it also requires that all items that are required to be recognized under current accounting standards as components of comprehensive income be reported in financial statement that is presented with the same prominence as other financial statements. The Company's only current component of comprehensive income is the foreign currency translation adjustments.

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Recently issued accounting pronouncements

In December 2010, the FASB issued Accounting Standards Update ("ASU") 2010-28 which amend "Intangibles- Goodwill and Other" (Topic 350). The ASU modifies Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting entities, they are required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. An entity should consider whether there are any adverse qualitative factors indicating that impairment may exist. The qualitative factors are consistent with the existing guidance in Topic 350, which requires that goodwill of a reporting unit be tested for impairment between annual testes if an event occurs or circumstances changes that would more likely than not reduce the fair value of a reporting unit below its carrying amount. ASU 2010-28 is effective for fiscal years, and interim periods within those years beginning after December 15, 2010. The adoption of this ASU will not have a material impact on the Company's consolidated financial statements.

In December 2010, the FASB issued ASU 2010-29 which address diversity in practice about the interpretation of the pro forma revenue and earnings disclosure requirements for business combinations (Topic 805). This ASU specifies that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. This ASU also expands the supplemental pro forma disclosures under Topic 805 to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. ASU 2010-29 is effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. Early adoption is permitted. The Company is currently evaluating the impact of this ASU and expects the adoption of this ASU may have an impact on its future business combinations.

In May 2011, FASB issued Fair Value Measurement (Topic 820) — Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs No. 2011-0, which provides additional guidance for fair value measurements. These updates to the ASC include clarifications regarding existing fair value measurement principles and disclosure requirements, and also specific new guidance for items such as measurement of instruments classified within stockholders' equity and disclosures regarding the sensitivity of Level 3 measurements to changes in valuation model inputs. These updates to the ASC are effective for interim and annual periods beginning after December 15, 2011. The Company expects the implementation of this guidance will have no material impact on its consolidated financial statements.

In June 2011, the FASB issued Comprehensive Income (Topic 220) — Presentation of Comprehensive Income (ASU No. 2011-05), which updates the ASC to require the presentation of the components of net income, the components of other comprehensive income (OCI) and total comprehensive income in either a single continuous statement of comprehensive income or in two separate, but consecutive statements of net income and comprehensive income. These updates do not affect the items reported in OCI or the guidance for reclassifying such items to net income. These updates to the ASC are effective for interim and annual periods beginning after December 15, 2011. The Company expects the implementation of this guidance will have no material impact on its consolidated financial statements.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current period presentation. These reclassifications have no effect on the companying consolidated financial statements.

Note 3 - Business reorganization

On February 5, 2010, the Company completed a Share Exchange with Top Favour, and Top Favour became a wholly-owned subsidiary of the Company. In connection with the closing of the Share Exchange, all of the assets and liabilities of Ableauction.com, Inc.'s former business had been transferred to a liquidating trust, including the capital stock of its former subsidiaries. On the closing date, the Company issued 13,117,952 of its common shares to Top Favour's shareholders in exchange for 100% of the capital stock of Top Favour. Prior to the Share Exchange, the Company had 405,710 shares of common stock issued and outstanding. After the Share Exchange, the Company had 13,523,662 shares of common stock outstanding, and Top Favour's shareholders owned approximately 97% of the issued and outstanding shares. The management members of Top Favour became the directors and officers of the Company. The Share Exchange was accounted for as a reverse acquisition and recapitalization and as a result, the consolidated financial statements of the Company (the legal acquirer) is, in substance, those of Top Favour (the accounting acquirer), with the assets and liabilities, and revenues and expenses, of the Company being included effective from the date of the Share Exchange. As the Share Exchange was accounted for as a reverse acquisition and recapitalization, there was no gain or loss recognized on the transaction. Acquisition-related costs incurred to effect the business combination, including finder's fee, advisory, legal, accounting, valuation, and other professional and consulting fees, were $1,127,612 and accounted for as expense as of June 30, 2010.

Note 4 – Concentration and credit risk

The Company’s operations are all carried out in the PRC. Accordingly, the Company’s business, financial condition and results of operations may be influenced by the political, economic and legal environments in the PRC, and by the general state of the PRC’s economy. The Company’s operations in the PRC are subject to specific considerations and significant risks not typically associated with companies in North America and Western Europe. These include risks associated with, among others, the political, economic and legal environments and foreign currency exchange. The Company’s results may be adversely affected by changes in governmental policies with respect to laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods of taxation, among other things.

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For the year ended June 30, 2011, 74.6% of the Company's total revenue was from three major customers who individually accounted for 38.0%, 21.4%, and 15.2% of total revenue, respectively. Accounts receivable of these three customers were 27.0%, 20.4%, and 11.1% of the total accounts receivable balance at June 30, 2011, respectively. For the year ended June 30, 2010, 89.7% of the Company's total revenue was from three major customers who accounted individually for 43.6%, 34.1%, and 12.0% of total revenue, respectively. Accounts receivable with those three customers were 0%, 58.7%, and 11.9%of the total accounts receivable balance at June 30, 2010, respectively. For the year ended June 30, 2009, 65.2% of the Company's total revenue was from four major customers who accounted individually for 29.0%, 13.2%, 12.2% and 10.8% of total revenue, respectively.

For the years ended June 30, 2011, 2010 and 2009, all of the Company's raw material purchases as well as accounts payable were generated in the PRC.

For the year ended June 30, 2011, three major suppliers provided 32.9% of the Company's total raw material purchases, with each supplier individually accounting for 11.4%, 10.9% and 10.6%, respectively. For the year ended June 30, 2010, three major suppliers provided 62.5% of total raw material purchases, with each supplier individually accounting for 29.2%, 22.2% and 11.1%, respectively. For the year ended June 30, 2009, three major suppliers provided 40.6% of total raw material purchases, with each supplier individually accounting for 15.3%, 15.2% and 10.1%, respectively.

The Company held no accounts payable from its major suppliers as of June 30, 2011 and 2010.

Note 5 – Loans receivable

Top Favour loaned $2,513,308 to Capital Paradise Limited ("CPL"), an unrelated party, which was outstanding on June 30, 2010. The loan was due on demand and unsecured, and carried an annual interest rate of 3%. The loan was repaid in September and October 2010.

In August 2010 and April 2011, Top Favour loaned $1,000,000 and $2,000,000, respectively, to CPL, and the balance was repaid in full on June 15, 2011. On June 8, 2011, Top Favour loaned $10,044,200 to CPL, of which $86,610 was repaid prior to the due date. This loan, which will mature on June 7, 2012, is unsecured and carries an annual interest rate of 9.45%. Interest is receivable every six months.

On April 19, 2011, the Company loaned $2,165,800 (RMB 14,000,000) to an unrelated party. This loan, which was due June 30, 2011, is secured by the borrower's land use rights, carries an annual interest rate of 10.8%. This loan was extended to September 30, 2011.

On June 21, 2011, the Company loaned $4,641,000 (RMB 30, 000,000) to an unrelated party. This loan is due on July 28, 2011 and is guaranteed by an unrelated party, and carries an annual interest rate of 10.8%. This loan was outstanding as of June 30, 2011 and repaid in full on August 17, 2011.

For the year ended June 30, 2011, 2010 and 2009, interest income from loans receivable was approximately $60,000, $0 and $0, respectively.

Note 6 – Notes receivable

Notes receivable represent trade accounts receivable due from various customers where the customers' banks have guaranteed the payment of the receivable. This amount is non-interest bearing and is normally paid within three to nine months. The Company is allowed to submit its request for payment to the customer's bank earlier than the scheduled payment date. However, an early request will incur an interest charge and a processing fee. Notes receivable amounted to $0 and $1,045,830 as of June 30, 2011 and 2010, respectively.

Note 7 - Accounts receivable, trade, net

Accounts receivable consisted of the following:

	June 30, 2011	June 30, 2010
Accounts receivable	$ 8,489,272	$ 5,304,900
Allowance for doubtful accounts	-	216
Accounts receivable, trade, net	$ 8,489,272	$ 5,304,684

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SINOCOKING COAL AND COKE CHEMICAL INDUSTRIES, INC. AND SUBSIDIARIES
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For the years ended June 30, 2011and 2010, the Company did not write off any uncollectible accounts receivables. The Company wrote off $293,000 of uncollectible accounts receivables during the year ended June 30, 2009.

Note 8 – Other receivables

Other receivables consisted of the following:

	June 30, 2011	June 30, 2010
Prepayment to be refunded due to cancellation of contracts	$ -	$ 209,166
Receivables from an unrelated company	125,503	154,381
Advances to employees	42,740	115,574
Miscellaneous	63,883	-
Other receivables	$ 232,126	$ 479,121

The Company cancelled purchase agreements with two suppliers prior to June 30, 2010 and prepayments to these suppliers were refunded to the Company during the year ended June 30, 2011. As of June 30, 2011 and 2010, prepayments to be refunded due to cancellation of contracts amounted to $0 and $209,166, respectively.

For the years ended June 30, 2011, the Company wrote off $32,736 in uncollectible other receivables. For the years ended June 30, 2010 and 2009, there was no such write-offs. Management believes all other receivables were collectible as of June 30, 2011 and 2010.

Note 9 – Inventories

Inventories consisted of the following:

	June 30, 2011	June 30,2010
Raw materials	$ 179,957	$ 157,717
Work in process	751,529	587,886
Supplies	87,430	21,744
Finished goods	1,992,010	1,494,469
Total	$ 3,010,926	$ 2,261,816

Note 10 – Advances to suppliers

Advances to suppliers are monies deposited or advanced to unrelated vendors for future inventory purchases, which consist mainly of raw coal purchases. Most of the Company's vendors require a certain amount of funds to be deposited with them as a guarantee that the Company will receive its purchases on a timely basis and with favorable pricing.

The Company temporarily halted its monthly purchases from Zhengyun Coal Distribution Co., Ltd. ("Zhengyun Coal") beginning in December 2010, due to its inability to supply coal to the Company. Zhengyun Coal refunded a portion of the Company's advances in the amount of approximately $1.71 million (RMB 11,077,505) in January 2011.

Advances to suppliers as of June 30, 2011 and 2010 amounted to $8,994,833 and $4,995,703, respectively.

Note 11 – Prepayments

Prepayments for land use rights

Prepayments for land use rights are monies advanced in connection with acquiring land use rights to expand the site of the Company's new coking factory still under construction. As of June 30, 2011 and 2010, prepayments for land use rights amounted to $8,980,335 and $5,074,485, respectively. Such prepayments were paid to the former occupants of the land underlying the land use rights, and are not refundable. The Company expects to acquire the land use rights by December 31, 2011, at an estimated total cost of $10,682,625 (RMB 70,050,000).

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Prepayments for acquisitions

The Company has been in the process of acquiring coal mine companies with annual production capacity of 150,000 to 300,000 metric tons, pursuant to a government-directed coal mine consolidation program. The Company had prepaid $8,858,398 to six potential targets, two of which, Xingsheng Coal and Shuangrui Coal, the Company acquired 60% of each on May 20, 2011.

As of June 30, 2011, the Company had prepaid $20,905,922 (RMB 135,138,476) in the aggregate in connection with four of the potential targets which the Company later decided not to acquire. Pursuant to the Company's agreements with the owners of these four targets entered into in August 2011, $7.5 million of the prepayments has been refunded to the Company, with the balance to be refunded by December 31, 2011.

In December 2010, the Company advanced $4,641,000 (RMB 30,000,000) to Henan Province Coal Seam Gas Development and Utilization Co., Ltd. ("Henan Coal Seam Gas"), a state-owned enterprise and qualified provincial-level mine consolidator, to form a joint-venture with Zhonghong. The joint-venture, Henan Hongyuan Coal Seam Gas Engineering Technology Co., Ltd. ("Hongyuan CSG"), was established on April 28, 2011.

As of June 30, 2011 and 2010, prepayments for mine acquisitions amounted to $25,546,922 and $8,858,398, respectively.

Prepayments for construction

Prepayments for construction are mainly monies advanced to contractors and equipment suppliers in connection with the Company's new coking plant, as well as for tunnel improvement at the Company's Hongchang coal mine.

As of June 30, 2011, the Company made prepayments of approximately $10.7 million toward construction of its new coking plant.

The total contract price of construction amounted to approximately $40.9 million. Prepayments for construction, as of June 30, 2011 and 2010, amounted to $8,134,736 and $17,303,883, respectively.

In addition, the Company made prepayment of approximately $1.2 million (RMB 8.0 million) during the year ended June 30, 2010 to improve the existing mining tunnel of Hongchang coal mine. As of June 30, 2011, this project had not commenced.

Note 12 –Plant and equipment, net

Plant and equipment consisted of the following:

	June 30, 2011	June 30,2010
Buildings and improvements	$ 10,580,909	$ 10,074,777
Mine development cost	11,178,672	10,643,945
Machinery and equipment	7,149,957	5,678,274
Other Equipment	421,189	482,716
Total	29,330,727	26,879,712
Less accumulated depreciation	(12,173,185)	(9,779,099)
Total plant and equipment, net	$ 17,157,542	$ 17,100,613

Depreciation expense for the years ended June 30, 2011, 2010 and 2009 amounted $1,856,068, $3,195,093 and $2,013,441, respectively.

Note 13 – Construction in progress

Construction in progress at June 30, 2011 and 2010 amounted to $23,204,544 and $3,829,800, respectively, and relate to the Company's new coking plant. No depreciation is provided for construction in progress until such time the assets are completed and placed into service.

Project	Total in CIP as of June 30, 2011	Estimate cost to complete	Estimated total cost	Estimated completion date
New coking factory	$ 23,204,544	$ 26,585,000	$ 49,789,544	December 2011

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Note 14 – Intangible – land use rights, net

Land use rights, net, consisted of the following:

	June 30, 2011	June 30,2010
Land use rights	$2,425,247	$2,309,237
Accumulated amortization	(505,260)	(416,945)
Total land use rights, net	$1,919,987	$1,892,292

Amortization expense for the years ended June 30, 2011, 2010 and 2009 amounted to $65,713, $63,871 and $63,798, respectively.

Amortization expense for the next five years and thereafter is as follows:

Year ended June 30,	Amortization Expense
2012	$65,713
2013	65,713
2014	65,713
2015	65,713
2016	65,713
Thereafter	1,591,422
Total	$1,919,987

Note 15 – Intangible - mining rights, net

Mining rights, net, consisted of the following:

	June 30, 2011	June 30,2010
Mining rights	$ 41,990,576	$ 13,173,377
Accumulated depletion	(12,581,711)	(10,543,940)
Total, net	$ 29,408,865	$ 2,629,437

Depletion expense for the years ended June 30, 2011, 2010 and 2009 amounted to $1,471,026, $2,621,874 and $2,813,566, respectively. Depletion expenses were charged to cost of revenue in the period incurred using unit-of-production method.

Note 16 – Long-term Investments

Long-term investments consisted of investment accounted for using the cost and equity methods.

In February 2011, the Company invested approximately $1.2 million (RMB 8.0 million) in Pingdingshan Rural Cooperative Bank ("PRCB"). This investment represents an approximately 2.86% interest in Cooperative Bank, and is accounted for under the cost method.

In April 2011, the joint venture, Hongyuan CSG, was established by Zhonghong (49%) and Henan Coal Seam Gas (51%). The total registered capital of Hongyuan CSG is approximately $15.47 million (RMB 100 million). As of June 30, 2011, approximately $3.09 million (RMB 20 million) of the registered capital of Hongyuan CSG has been funded, of which $1.5 million (RMB 9.8 million) was paid by Zhonghong. The remaining registered capital of Hongyuan CSG is due on April 20, 2013, of which approximately $6.0 million (RMB 39.2 million) will be paid by Zhonghong. Zhonghong's investment in Hongyuan CSG is accounted for under the equity method. Hongyuan CSG has not commenced operation since inception.

Note 17 – Notes payable

Notes payable represents arrangements with certain banks to allow the issuance of notes in connection with purchases. When making a purchase, a short-term note can be issued to the vendor pursuant to such arrangements. Such short-term note is guaranteed by the bank under which arrangement it is issued from for its complete face value through a letter of credit and matures within three to six months of issuance.

Under the Company’s arrangement with Shanghai Pudong Development Bank (“SPDB”), the Company is required to deposit 50% of the notes payable balance at SPDB as a guarantee deposit, which is classified on the balance sheet as restricted cash. In addition, the notes payables are guaranteed either by the Company’s CEO, Hongli or an unrelated party. SPDB subjects the Company to a diligence review for each note issued, and also charges a processing fee based on 0.05% of the face value of the note.

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Under the Company's arrangement with PRCB, the Company has a line of credit of $30.3 million. While the Company is required to deposit 50% of the face value of the notes issued under such line of credit as a guarantee deposit, PRCB does not subject the Company to diligence review for each note issued so long as the aggregated amount of notes issued are within the credit limit.

As of June 30, 2011, the Company paid off all short-term notes payable issued through SPDB and PRCB, in the aggregate amount of $20,111,000 (RMB 130,000,000), and these banks released deposits in the aggregate amount of $10,829,000 (RMB 70,000,000) in connection with such payments.

On January 31, 2011, the Company deposited $2,320,500 (RMB 15,000,000) with Pingdingshan City Rural Credit Union as guarantee deposit to enable Hongguang Power to issue notes payable. As of June 30, 2011, no agreement had been entered into with the bank, and no notes payable have been issued in connection therewith.

Note 18 – Short-term loans

Short-term loans represent amounts due to various banks which generally can be renewed.

On May 30, 2010, Hongyuan entered a one-year loan agreement with a local bank to borrow $14,730,000 (RMB 100 million) with per annum interest rate of 4.301%, or 90% of the interest rate of the same-term bank loan set by the People's Bank of China, which was 4.779% at the time the loan agreement was entered into. The collateral of this bank loan was pledged by Top Favour through a bank deposit with the same bank of $17,010,000 with an annual interest rate of 1.3%. The loan was also guaranteed by the Company's CEO. The Company paid off this loan on June 1, 2011, and the bank released the deposit in full.

In connection with this one-year bank loan, on May 15, 2010, the Company entered into a foreign currency exchange contract with a local bank. Pursuant to the contract, at the Company's option, the Company was able to exchange $20,000,000 into RMB with the exchange rate at $1 to RMB 6.7 on October 31, 2010. The Company did not exercise such option when the contract expired.

On June 16, 2011, Hongyuan entered a one-year loan agreement with a local bank to borrow $4,950,400 (RMB 32,000,000) with per annum interest rate of 6.435%. The collateral of this bank loan was pledged by Top Favour through a bank deposit with the same bank of $6,000,000 with an annual interest rate of 1.3%. The loan was also guaranteed by the Company's CEO.

Note 19 – Long-term loans

Long-term loans represent amounts due to unrelated lenders and mature over one year.

On April 2, 2011, Hongli entered into a loan agreement with Bairui Trust Co., Ltd. ("Bairui"), an unrelated third party, pursuant to which Bairui agreed to loan Hongli the sum of approximately $55.7 million (RMB 360 million) with annual interest of 6.3%, of which approximately $27.8 million (RMB 180 million) is due on April 2, 2013, and approximately $27.8 million (RMB 180 million) on April 2, 2014. The loan was issued on April 3, 2011 and guaranteed by Hongyuan and the Company's CEO.

Average interest rate of the short-term and long-term loans was 7.99%, 3.25% and 8.89% for the years ended June 30, 2011, 2010 and 2009, respectively. Total interest expense on short term loans and long-term loans for the years ended June 30, 2011, 2010 and 2009 amounted to $2,246,876, $85,219 and $344,532, respectively, of which $794,011, $0 and $35,914 was capitalized into CIP, respectively.

Note 20 – Other payables and accrued liabilities

Other payables mainly consisted of customer deposits to be returned, and accrued liabilities which consisted of salary, utility, professional service, and other general and administrative expenses incurred.

Other payables and accrued liabilities consisted of the following:

	June 30, 2011	June 30, 2010
Customer deposits to be returned	$ -	$ 823,241
Accrued liabilities	1,426,285	609,880
Total	$ 1,426,285	$ 1,433,121

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Note 21 – Taxes

Income Tax

The PRC does not allow consolidation or group filing for corporate income tax purposes. Income and losses from members of the same consolidated group (for financial reporting purposes) are not allowed to offset one another. Therefore, total taxable income (loss) subject to actual PRC corporate tax within the consolidated group does not necessarily equal to the consolidated net income before income tax of the consolidated group. The PRC tax administration system does not necessarily retroactively recognize or allow accounting adjustments that are discovered and posted after the income tax returns are filed as additional taxable income or deductions for the tax year to which such post-filing accounting adjustments relate. The Company considers any U.S. GAAP adjustments to its financial statements made after the statutory tax returns are filed to be permanent differences for the purpose of reconciling differences of income tax provision and actual PRC income tax liabilities.

SinoCoking is subject to the United States federal income tax provisions. Top Favour is a tax-exempt company incorporated in the British Virgin Islands. All of the Company's businesses are conducted by its PRC subsidiary and VIEs, namely Hongyuan, Hongli, Baofeng Coking, Hongchang Coal, Shunli Coal, Xingsheng Coal, Shuangrui Coal, Hongguang Power and Zhonghong.

Hongyuan, Hongli, Baofeng Coking, Hongguang Power, Shunli Coal, Xingsheng Coal, Shuangrui Coal and Zhonghong are subject to 25% enterprise income tax rate in China.

As approved by the local tax bureau, Hongchang Coal's total income tax obligation for the 12 months ended December 31, 2011, 2010 and 2009 was approximately $380,000 (RMB 2,520,000) for each such calendar year, regardless of its actual taxable income during such period.

The estimated tax savings due to the foregoing reduced tax rate amounted to $1,471,736, $902,291 and $1,900,000 for the years ended June 30, 2011, 2010 and 2009, respectively. If the statutory income tax had been applied, the Company would have had decreased basic and diluted earnings per share from $1.90 to $1.83 for the years ended June 30, 2011, respectively, decreased basic and diluted earnings per share from $2.49 to $2.43 and from $2.44 to $2.38 for the year ended June 30, 2010, respectively, and decreased basic and diluted earnings per share from $1.29 to $1.15 for the year ended June 30, 2009.

The provision for income taxes consisted of the following:

	For the years ended June 30,		
	2011	2010	2009
U.S. current income tax expense	$-	$-	$-
BVI current income tax expense	-	-	-
PRC current income tax expense	5,065,380	4,517,024	3,491,590
Total provision for income taxes	5,065,380	$4,517,024	$3,491,590

The following table reconciles the statutory rates to the Company's effective tax rate for the years ended June 30, 2011, 2010 and 2009:

	June 30,		
	2011	2010	2009
U.S. Statutory rate	34.0 %	34.0 %	34.0 %
Foreign income not recognized in U.S.A	(34.0)%	(34.0)%	(34.0)%
BVI income tax	0.0 %	0.0 %	0.0 %
PRC income tax	25.0 %	25.0 %	25.0 %
China income tax exemption	(6.2)%	(4.2)%	(10.9)%
Other item (1)	(7.5)%	(10.4)%	3.0 %
Effective rate	11.3 %	10.4 %	17.1 %

(1) The (7.5)% for the year ended June 30, 2011 mainly represents gain on change in fair value of warrants of $23,135,827 incurred by the Company, for which the Company did not incur a tax expense. The (10.4)% for the year ended June 30, 2010 mainly represents change in fair value of warrants of $24,016,407 incurred by the Company that was not subject to the income tax. The 3.0% for the year ended June 30, 2009 represents operating losses incurred by Hongguang Power and Hongchang Coal. Management believes the losses may not be recovered through future operations.

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SinoCoking is incorporated in the U.S. and has incurred a net operating loss for income tax purposes for 2011. As of June 30, 2011, the estimated net operating loss carryforwards for U.S. income tax purposes was approximately $1,353,000, which may be available to reduce future years' taxable income. The net operating loss will carry forward through 2031 if not utilized. Management believes that the realization of the benefits arising from this loss appears to be uncertain due to the Company's limited operating history and continuing losses for U.S. income tax purposes. Accordingly, the Company has provided a 100% valuation allowance at June 30, 2011. The Company's management reviews this valuation allowance periodically and makes adjustments as necessary.

The following table reconciles the valuation allowance for the years ended 2010 and 2011:

	Valuation allowance	
Balance at June 30, 2009	$	208,000
Additions		68,000
Balance at June 30, 2010	$	276,000
Additions		184,000
Balance at June 30, 2011	$	460,000

The Company has cumulative undistributed earnings of foreign subsidiaries of approximately $34.5 million as of June 30, 2011, which was included in consolidated retained earnings and will continue to be reinvested in its operations in China. Accordingly, no provision has been made for U.S. deferred taxes related to future repatriation of these earnings, nor is it practicable to estimate the amount of income taxes that would have to be provided if we concluded that such earnings will be remitted in the future.

Value Added Tax

The Company incurred VAT on sales and VAT on purchases in the PRC amounting to $15,024,674 and $9,155,023 for the year ended June 30, 2011, $12,735,437 and $7,189,738 for the year ended June 30, 2010, and $9,285,223 and $3,272,861 for the year ended June 30, 2009, respectively.

Sales and purchases are recorded net of VAT collected and paid as the Company acts as an agent for the government. VAT taxes are not impacted by the income tax holiday.

Taxes Payable

Taxes payable consisted of the following:

	June 30, 2011		June 30, 2010	
VAT	$	888,602	$	59,848
Income tax		1,710,717		723,966
Others		257,352		445,205
Total taxes payable	$	2,856,671	$	1,229,019

Note 22 – Private placement equity financing

On February 5, 2010, simultaneously with the Share Exchange and immediately following a 1-for-20 reverse stock split (Note 23), the Company executed a private placement financing in which it sold and issued 1,180,892 units for the aggregated proceeds of $7,085,352, at a purchase price of $6.00 per unit, to 34 non-U.S. investors. Each unit consists of one share of common stock and a warrant ("Investor warrants") for the purchase of 0.5 shares of common stock with an exercise price of $12.00 per whole share. The Investor warrants are exercisable for a period of five years from the date of issuance.

On March 11, 2010, the Company conducted a subsequent closing of its private placement financing in which it sold and issued 6,164,043 of its units at a purchase price of $6.00 per unit, to both U.S. and non-U.S. investors. The gross proceeds from this subsequent closing of the private placement was approximately $37 million, each unit consists of one share of common stock and a warrant ("Callable investor warrants") for the purchase of 0.5 shares of common stock with an exercise price of $12.00 per share. The Callable investor warrants are exercisable for a period of five years from the date of issuance, and are callable at the Company's election six months after the date of issuance if the Company's common stock trades at a price equal to at least 150% of the exercise price (or $18.00 per share) with an average trading volume of at least 150,000 shares of Common Stock (as adjusted for any stock splits, stock dividends, combination and the like) per trading date for at least 10 consecutive trading days and the underlying shares of common stock are registered.

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In connection with the foregoing, the Company entered into a registration rights agreement with the U.S. investors under with the Company agreed to file a registration statement to register both the shares of common stock, and the common stock underlying the warrants, that were issued to the U.S. investors in the financing, within 60 days after the closing date of March 11, 2010. The Company agreed to use its best efforts to have this registration statement declared effective by the Commission within 120 days, subject to certain exceptions. The Company also agreed to undertake commercially reasonable efforts to register the shares of common stock and warrants issued to the non-U.S. investors in the initial closing on February 5, 2010, as well as the securities issued to non-U.S. investors on March 11, 2010. The registration statement was filed with SEC on May 11, 2010 and was declared effective by the SEC on September 13, 2010.

Madison Williams & Company, LLC and Rodman & Renshaw, LLC, acted as joint placement agents in connection with the March 11, 2010 equity financing. Under an agreement with the placement agents, the Company agreed to pay the placement agents a cash fee equal to 7% of the aggregate gross proceeds from the sales of securities to the U.S. accredited investors, plus reimbursement of fees and expenses, and reasonable fees and expenses of placement agent legal counsel. In addition, the Company agreed to issue warrants ("Callable agent warrants") for the purchase of up to 250,000 shares of common stock, with an exercise price of $6.00 per share. In addition, the Company issued $117,163 callable warrants to Madison Williams & Company on March 18, 2010, with an exercise price of $12.00 per share, in connection with the second closing of the financing on March 11, 2010. Warrants issued to placement agents contain terms and provisions otherwise similar to the terms provided under the Callable investor warrants described above. The Company used the Cox-Ross-Rubinstein binomial model to value the warrants issued, which amounted to $9,751,886. In addition, the placement agents received cash payment of $2,188,391. $3,524,206 of total payments made to the placement agents was capitalized, and $8,491,067 was charged to retained earnings.

The following table summarizes the securities issued and expenses incurred in connection with this equity financing.

	# of shares of underlying common stock	Value
Investor warrants@$12.00 per share	590,446	$ 11,898,728
Callable investor warrants@$12.00 per share	3,082,027	72,324,038
Total warrants to investors	3,672,473	84,222,766
Gross cash proceeds from equity financing		
Allocated to warrants		(44,069,610)
Excess charged to current period expense		$ 40,153,156
Common stock issued to investors	7,344,935	$ -
Callable agent warrants @$6.00 per share	250,000	$ 6,791,519
Callable agent warrants @$12.00 per share	117,163	2,960,363
7% cash fee paid to placement agents		2,188,391
Legal fee in connection with Equity financing		75,000
Total issuance costs		12,015,273
Less beginning balance in paid in capital		(3,524,206)
Remaining amount of issuance costs charged to retained earnings		$ 8,491,067

Note 23 – Capital transactions

Stock split

On February 5, 2010, the Company affected a 1-for-20 reverse split of its outstanding common shares. All references to share and per-share data for all periods presented in the consolidated financial statements have been adjusted to give effect to this stock split.

Issuance of capital stock

Immediately before the Share Exchange, the Company had 405,710 shares of outstanding common stock on February 5, 2010.

In connection with the Share Exchange, on February 5, 2010, the Company issued 13,117,952 shares of the Company's common stock.

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In connection with the private placement equity financing disclosed in Note 22, the Company issued 1,180,892 and 6,164,043 shares of the Company's common stock to investors at the first closing date February 5, 2010, and the second closing date of March, 11, 2010, respectively.

The Company issued 2,593 round-up shares of common stock in connection with the Share Exchange and private placement equity financing.

Increase of registered capital in Hongli

As required by the local government and in order for Hongli to retain its coal trading license, Hongli increased its registered capital by $3,050,000 (RMB 20,000,000). The increased amount was paid by Hongli's equity owners on August 26, 2010. The registration for the registered capital increase was complete as of June 30, 2011.

Options

2002 Stock Option Plan for Directors

In 2002, the Board of Directors adopted a 2002 Stock Option Plan for Directors (the "Directors Plan"). The purpose of the Directors Plan is to attract and retain the services of experienced and knowledgeable individuals to serve as its directors. On the date the Directors Plan was adopted, the total number of shares of common stock subject to it was 11,057. This number of shares may be increased on the first day of January of each year so that the common stock available for awards will equal 5% of the common stock outstanding on that date, provided, however, that the number of shares included in the Directors Plan may not exceed more than 10% of all shares of common stock outstanding. The Directors Plan is administered by the Board of Directors, or any Committee that may be authorized by the Board of Directors. The grant of an option under the Directors Plan is discretionary. The exercise price of an option must be the fair market value of the common stock on the date of grant. An option grant may be subject to vesting conditions. Options may be exercised in cash, or with shares of the common stock of the registrant already owned by the person. The term of an option granted pursuant to the Directors Plan may not be more than 10 years.

2002 Consultant Stock Plan

In 2002 the Board of Directors adopted a 2002 Consultant Stock Plan (the "Consultants Plan"). The purpose of the Consultants Plan is to be able to offer consultants and others who provide services to the registrant the opportunity to participate in the registrant's growth by paying for such services with equity awards. The Consultants Plan is administered by the Board of Directors, or any Committee that may be authorized by the Board of Directors. Persons eligible for awards under the Consultants Plan may receive options to purchase common stock, stock awards or stock restricted by vesting conditions. The exercise price of an option must be no less than 85% of the fair market value of the common stock on the date of grant. An option grant may be subject to vesting conditions. Options may be exercised in cash, or with shares of the common stock of the registrant already owned by the person or with a fully recourse promissory note, subject to applicable law. The term of an option granted pursuant to the Consultants Plan may not be more than 10 years.

1999 Stock Option Plan

In 1999 the Board of Directors adopted a 1999 Stock Option Plan (the "Option Plan"). The purpose of the Option Plan is to enable the Company retain the services of employees and consultants and others who are valuable to the registrant and to offer incentives to such persons to achieve the objectives of the registrant's shareholders. The total number of shares of common stock subject to the Option Plan is 45,417. The Option Plan is administered by the Board of Directors, or any Committee that may be authorized by the Board of Directors. Employees eligible for awards under the Option Plan may receive incentive options to purchase common stock. If a recipient does not receive an incentive option, he or she will receive a non-qualified stock option. The exercise price of an option must be no less than the fair market value of the common stock on the date of grant, unless the recipient of an award owns 10% or more of the registrant's common stock, in which case the exercise price of an incentive stock option must not be less than 110% of the fair market value. An option grant may be subject to vesting conditions. Options may be exercised in cash, or with shares of the common stock of the registrant already owned by the recipient of the award. The term of an option granted pursuant to the Option Plan may not be more than five years if the option is an incentive option granted to a recipient who owns 10% or more of the registrant's common stock, or 10 years for all other recipients and for recipients of non-qualified stock options.

On February 5, 2010, the completion date of the Share Exchange, there were options exercisable for 11,124 shares of the Company's common stock outstanding.

Under the Directors Plan, there were outstanding options exercisable to 4,792 shares of the Company's common stock. Options exercisable for 1,666 shares of the Company's common stock were granted on October 11, 2002, with exercise price of $36.00 per share and an expiration date of October 15, 2012. Options exercisable for 3,126 shares of the Company's common stock were granted on November 16, 2004, with exercise price of $96.00 per share and an expiration date of November 16, 2014.

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Under the Option Plan, there were outstanding options exercisable to 6,332 shares of the Company's common stock. Options exercisable for 6,059 shares of the Company's common stock were granted on November 14, 2004, with exercise price of $96.00 per share and an expiration date of November 14, 2014. Options exercisable for 273 shares of the Company's common stock were granted on May 2, 2003, with an exercise price of $60.00 per share and an expiration date of May 2, 2010.

These outstanding options were fully vested before the completion of the Share Exchange on February 5, 2010, and through June 30, 2011, no additional options had been granted.

The following consisted of the outstanding and exercisable options at June 30, 2011

Outstanding Options			Exercisable Options		
Number Of Options	Average Remaining Contract Life	Average Exercise Price	Number of Options	Average Remaining Contractual Life	Average Exercise Price
10,851	3.11 years	$ 86.79	10,851	3.11 years	$ 86.79

A summary of changes in options activity is presented as follows:

	Options
Outstanding, June 30, 2009	-
Granted	11,124
Forfeited	273
Exercised	-
Outstanding, June 30, 2010	10,851
Granted	-
Forfeited	-
Exercised	-
Outstanding, June 30, 2011	10,851

Warrants

In connection with the equity financing disclosed in Note 22, the Company issued warrants exercisable into 4,039,636 shares of the Company's common stock. In addition, the Company had existing warrants exercisable into 36,973 shares of the Company's common stock ("Existing Warrants") outstanding on February 5, 2010.

On July 1, 2010, the Company granted callable warrants underlying 50,000 shares of the Company's common stock to exchange for consulting service. These warrants expire on July 1, 2015 with exercise price of $20.00, and such exercise price was changed to $15.00 in March 2011. The fair value of these warrants was $325,285, and was charged to general and administrative expense for the year ended June 30, 2011.

On November 12, 2010, warrants underlying 1,000 shares of the Company's common stock were exercised at $6.00 per share. The fair value of these warrants on the exercise date was $6,438. In addition, 218,756 warrants underlying 218,756 shares of the Company's common stock were exercised at $6.00 per share during the third quarter ended March 31, 2011. The fair value of these warrants on the exercise date was $2,050,060.

The Company follows the provisions of an accounting standard regarding instrument that are Indexed to an Entity's Own Stock. This accounting standard specifies that a contract that would otherwise meet the definition of a derivative but is both (a) indexed to the Company's own stock and (b) classified in stockholders' equity in the statement of financial position would not be considered a derivative financial instrument. It provides a two-step model to be applied in determining whether a financial instrument or an embedded feature is indexed to an issuer's own stock and thus able to qualify for the scope exception within the standards.

As a result, the Existing Warrants are not afforded equity treatment because the strike price of such warrants is denominated in U.S. dollar, a currency other than the Company's functional currency RMB. Therefore such warrants are not considered indexed to the Company's own stock, and as such, all changes in the fair value of such warrants are recognized currently in earnings until such time as such warrants are exercised or expire.

As of June 30, 2011 and 2011, warrants that were exercisable into 3,906,853 and 4,076,609 shares of the Company's common stock were recorded as derivative instruments. The value of warrant liabilities was $5,569,047 and $30,436,087 at June 30, 2011 and 2010, respectively. The decrease of fair value of warrants was $23,135,827 and it was recorded as a gain on change in fair value of warrants. Fair value of

$2,056,498 in relation to the warrants exercised during the year ended June 30, 2011 was recorded to the additional paid in capital. $325,285 was the fair value of the 50,000 warrants at the issuance date of July 1, 2010, which was charged to the general and administrative expense.

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A summary of changes in warrant activity is presented as follows:

	Existing warrants @$48.00 (1)	Investor warrants @12.00 (2)	Callable warrants @$12.00 (3)(6)	Callable warrants @6.00 (4)(6)	Callable warrants@ 15.00 (5)(6)	Total
Outstanding, June 30, 2009	-	-		-	-	-
Granted	36,973	590,446	3,199,190	250,000	-	4,076,609
Forfeited	-	-	-	-	-	-
Exercised	-	-	-	-	-	
Outstanding, June 30, 2010	36,973	590,446	3,199,190	250,000		4,076,609
Granted	-	-	-	-	50,000	50,000
Forfeited	-	-	-	-	-	-
Exercised	-	-	-	(219,756)	-	(219,756)
Outstanding, June 30, 2011	36,973	590,446	3,199,190	30,244	50,000	3,906,853

(1) The warrants underlying 36,973 shares of the Company's common stock are exercisable at any time until April 9, 2017, with remaining contractual term of 5.78 years as of June 30, 2011

(2) The warrants underlying 590,446 shares of the Company's common stock are exercisable at any time until February 5, 2015, with remaining contractual term of 3.60 years as of June 30, 2011.

(3) The warrants underlying 3,082,027 and 117,163 shares of the Company's common stock are exercisable at any time until March 11, 2015 and March 18, 2015, respectively, with remaining contractual terms of 3.70 and 3.72 years as of June 30, 2011, respectively.

(4) The warrants underlying 30,244 shares of the Company's common stock are exercisable until March 11, 2015, with a remaining contractual term of 3.70 years as of June 30, 2011.

(5) The warrants underlying 50,000 shares of the Company's common stock are exercisable until July 1, 2015, with a remaining contractual term of 4.00 years as of June 30, 2011.

(6) The Callable warrants are exercisable for a period of five years from the date of issuance, and are callable at the Company's election six months after the date of issuance if the Company's common stock trades at a price equal to at least 150% of the exercise price with an average trading volume of at least 150,000 shares of common stock (as adjusted for any stock splits, stock dividends, combination and the like) per trading date for at least 10 consecutive trading days, and the underlying shares of common stock are registered.

Note 24 – Earnings per Share

The following is a reconciliation of the basic and diluted earnings per share computation for the years ended June 30, 2011, 2010 and 2009:

	For the years ended June 30, 2011	2010	2009
Net income for earnings per share	$39,907,860	$38,934,497	$16,967,935
Weighted average shares used in basic computation	20,962,091	15,623,823	13,117,952
Diluted effect of warrants	59,164	318,628	-
Weighted average shares used in diluted computation	21,021,255	15,942,451	13,117,952
Earnings per share – Basic	$1.90	$2.49	$1.29
Earnings per share – Diluted	$1.90	$2.49	$1.29

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Company had warrants and options exercisable for 3,917,704 shares of the Company's common stock in aggregate at June 30, 2011. For the year ended June 30, 2011, 3,876,609 of outstanding warrants and 10,851 of outstanding options were excluded from the diluted earnings per share calculation due to the anti-dilution feature while warrants underlying 30,244 shares of the Company's common stock were included in the diluted earnings per share calculation using treasury method.

As of June 30, 2010, the Company had warrants and options exercisable in aggregate of 4,087,460 shares of the Company's common stock. For the year ended June 30, 2010, all outstanding options were excluded from the diluted earnings per share calculation due to the anti-dilution feature while warrants underlying 4,039,631 shares of the Company's common stock were included in the diluted earnings per share calculation using treasury method.

The Company had no warrants and options outstanding on June 30, 2009, and therefore no diluted effect on the earnings per share calculation for year ended June 30, 2009.

Note 25- Acquisitions

On May 20, 2011, the Company acquired 60% of the equity interests of Shuangrui Coal and Xingsheng Coal, and 100% of the equity interests of Shunli Coal.

In August and September 2011, the Company entered into supplemental agreements with the sellers of these three companies (collectively the "Supplement Agreements") to memorialize certain mutually agreed upon terms that were not reflected in the original purchase agreements. Specifically, all assets and liabilities of each company, other than such company's mining rights, would be disposed of by the sellers on or before the closing of the Company's acquisition, or assume by the sellers until their disposal. At June 30, 2011, the Company's acquisition of the three companies included only their mining rights, as all other assets and liabilities were being disposed of by the sellers, and none of the three companies was operational. Therefore, the operating results of these three companies (other than with respect to their mining rights) from May 20, 2011 through June 30, 2011, which were mainly from disposing assets and liabilities (other than their mining rights), have not been included in the accompanying consolidated financial statements.

Although the Company has acquired the equity interests of these three companies, the parties' intention, as memorialized in the Supplemental Agreement, is for the Company to acquire only their mining rights without any of their other assets or liabilities, which assets and liabilities remain with the sellers. Thus, the Company has accounted for these transactions in substance as acquisitions of assets.

Acquisition of Shuangrui Coal

On August 10, 2010, Hongli entered an equity purchase agreement to acquire 60% of equity interests of Shuangrui Coal, which operates Shuangrui coal mine, for a consideration of approximately $6.4 million (RMB 42 million), payable in cash. Transfer of such equity interests to Hongli, and registration of such transfer with the appropriate PRC authorities, were completed on May 20, 2011. As a result, Hongli owns 60% of the equity interests of Shuangrui Coal, with the remaining 40% owned by the sellers. As memorialized in the Supplement Agreement with the sellers, all assets and liabilities of Shuangrui Coal at the time of Hongli's acquisition, other than its mining rights, are to be disposed of and/or assumed by the sellers. As such, Hongli's acquisition consideration is equivalent to the purchase price for 60% ownership of Shuangrui's mining rights. As of June 30, 2011, $6.3 million (RMB 41 million) of the purchase price was paid, with the balance of approximately $155,000 (RMB 1 million) due by December 31, 2011.

Acquisition of Xingsheng Coal

On August 10, 2010, Hongli entered an equity purchase agreement to acquire 60% of equity interests of Xingsheng Coal, which operates the Xingsheng Mine, for a consideration of approximately $6.4 million (RMB 42 million), payable in cash. Transfer of such equity interests to Hongli, and registration of such transfer with the appropriate PRC authorities, were completed on May 20, 2011. As a result, Hongli owns 60% of the equity interests of Xingsheng Coal, with the remaining 40% owned by the sellers. As memorialized in the Supplement Agreement with the sellers, all assets and liabilities of Xingsheng Coal at the time of Hongli's acquisition, other than its mining rights, are to be disposed of and/or assumed by the sellers. As such, Hongli's acquisition consideration is equivalent to the purchase price for 60% ownership of Xingsheng's mining rights. As of June 30, 2011, payment of the purchase price has been paid in full.

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Acquisition of Shunli Coal

On May 19, 2011, Hongchang Coal entered an equity purchase agreement to acquire 100% of equity interests of Shunli Coal, which operates the Shunli Mine, for a consideration of approximately $6.4 million (RMB 42 million), payable in cash. Transfer of such equity interests to Hongchang, and registration of such transfer with the appropriate PRC authorities, were completed on May 20, 2011. As a result, Hongchang owns 100% of the equity interests of Shunli Coal. As memorialized in the Supplement Agreement with the sellers, all assets and liabilities of Shunli Coal at the time of Hongli's acquisition, other than its mining rights, were to be disposed of and/or are assumed by the sellers. As such, Hongli's acquisition consideration is equivalent to the purchase price for 100% ownership of Shunli's mining rights. As of June 30, 2011, payment of the purchase price has been made in full.

Since the initial accounting for these acquisitions were for the mining rights only, the entire purchase price was allocated to the mining rights. The mining rights acquired are not being amortized because the businesses have not commenced any operations since the closing of these acquisitions. Pro forma information is not presented because these business acquisitions were insignificant to the Company's consolidated financial statements. Total assets at June 30, 2010 would have increased by approximately $20 million if these acquisitions occurred in the prior year.

Note 26 – Commitments and contingencies

Lease agreement:

The Company entered into a lease agreement to lease three office units in Beijing from June 15, 2010 to June 14, 2013 with monthly lease payment of $21,960 (RMB 145,529) and monthly management fee of $3,875 (RMB 25,681).

In August 2010, the Company entered into another lease agreement for three different office units within the same building replacing the original lease (see above) from August 14, 2010 to June 14, 2013, with monthly lease payment of $10,497 (RMB 69,565) and monthly management fee of $1,852 (RMB 12,276).

Zhonghong is leasing an office unit in Zhengzhou from February 25, 2011 to August 24, 2013 with monthly lease payments of $5,595 (RMB 37,075).

Hongli is also leasing an office unit in Pingdingshan from October 1, 2010 to September 30, 2011 with monthly lease payment of $2,040 (RMB 13,520).

For the years ended June 31, 2011, 2010 and 2009, lease expense were $363,130, $19,830, and $0, respectively.

As of June 30, 2011, total future minimum lease payments for the unpaid portion under an operating lease were as follows:

Year ended June 30,		Amount
2012	$	223,462
2013		209,158
2014		9,925
Total	$	442,545

Purchase commitment

The Company entered into several contracts with contractors and suppliers for the construction of its new coking facility and for equipment purchases. As of June 30, 2011, the total amount due under these contracts was approximately $40,915,000. The Company has made payments of approximately $30,102,000, with the remaining $10,813,000 to be paid based on construction progress.

Note 27 – Statutory reserves

The laws and regulations of the PRC require that before foreign invested enterprise can legally distribute profits, it must first satisfy all tax liabilities, provide for losses in previous years, and make allocations, in proportions determined at the discretion of the board of directors, after the statutory reserves. The statutory reserves include the statutory surplus reserve fund and the enterprise expansion fund.

Each of the Company's subsidiary and VIEs in the PRC is required to transfer 10% of its net income, as determined in accordance with the PRC Company Law, to a statutory surplus reserve fund until such reserve balance reaches 50% of each such entity's registered capital. The transfer must be made before distribution of any dividends to shareholders. The surplus reserve fund is non-distributable other than during liquidation and can be used to fund previous years' losses, if any, and may be utilized for business expansion or converted into share capital by issuing new shares to existing shareholders in proportion to their shareholdings or by increasing the par value of the shares currently held by them, provided that the remaining reserve balance after such issue is not less than 25% of the registered capital.

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The enterprise fund may be used to acquire plant and equipment or to increase the working capital to expend on production and operation of the business. No minimum contribution is required

As of June 30, 2011, the statutory surplus reserves of Hongchang Coal had reached 50% of each entity's registered capital. Hongguang Power did not make any contribution to the statutory reserve due to its net operating loss. Zhonghong and Hongrun did not make any contribution to the statutory reserves as neither entity had operations as of June 30, 2011. The newly acquired Shuangrui Coal, Xingsheng Coal and Shunli Coal did not make any contribution to the statutory reserve due to their respective operating losses. During the year ended June 30, 2011, Hongli made additional contribution of $1,276,593to the statutory reserve in response to its increase of registered capital of $2,946,000 (RMB 20,000,000).

Hongchang Coal is required by the PRC government to reserve safety and maintenance expense to the cost of production based on the actual quantity of coal exploited. The amount of reserves is determined within the unit price range provided by Ministry of Finance of PRC. Currently, Hongchang Coal reserves at RMB 6 per metric ton for safety expense and RMB 8.5 per metric ton for maintenance expense. The newly acquired Shuangrui Coal, Xingsheng Coal and Shunli Coal had no special reserve as of June 30, 2011.

The component of statutory reserves and the future contributions required pursuant to PRC Company Law are as follows as of June 30, 2011 and 2010:

	June 30, 2011	June 30, 2010	50% of registered capital	Future contributions required as of June 30, 2011
Hongli	$1,824,797	$548,204	$ 2,057,204	$ 232,407
Hongguang Power	-	-	1,514,590	1,514,590
Hongchang Coal	218,361	218,361	218,361	-
Shuangrui Coal	-	-	310,105	310,105
Xingsheng Coal	-	-	279,682	279,682
Shunli Coal	-	-	230,850	230,850
Hongrun	-	-	2,310,000	2,310,000
Hongyuan	-	-	1,500,000	1,500,000
Zhonghong	-	-	1,521,990	1,521,990
Statutory surplus reserve	2,043,158	766,565	9,942,782	7,899,624
Mine reproduction reserve	1,360,635	1,070,830	-	-
Total statutory reserve	$3,403,793	$1,837,395	$ 9,942,782	$ 7,899,624

Note 28 – Related party transactions

Other receivables from related parties at June 30, 2011 and 2010 amounted to $0 and $477,052, respectively. The balance at June 30, 2010 represented $418,410 in funds advanced to Mr. Hui Zheng, the Director and Vice President of Operation of Hongli, for him to perform business and acquisition development activities on behalf the Company, and over-repayment of $58,642 to Mr. Liuchang Yang, the former Vice President of the Company.

Advances to suppliers – related party at June 30, 2011 and 2010 amounted to $575,700 and $0, respectively. The balance at June 30, 2011 represented prepayments to the 40% owner of Xingsheng Coal for coal purchases. The Company acquired 60% equity interests of Xingsheng Coal on May 20, 2011(see Note 25).

The Company also received funds from its CEO. Payables to the CEO amounted to $455,768 and $51,381 at June 30, 2011 and 2010, respectively. Such payables are interest free, due on demand and will be settled by cash payment.

Note 29 – Revenues by products

Based on qualitative and quantitative criteria established by the FASB accounting standard regarding disclosures about segments of an enterprise and related information, the Company considers itself, including coal mining, coking and the sales of all products as a result of these business activities, to be operating within one reportable segment. All of the Company's products are sold within the PRC. Major products and respective revenues for the years ended June 30, 2011, 2010 and 2009 are as summarized as follows:

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	For the years ended June 30, 2011	2010	2009
Coke	$35,970,933	$27,650,175	$30,534,755
Coal tar	3,358,513	1,324,743	1,171,510
Raw coal	15,073,052	22,964,448	13,151,325
Washed coal	19,885,495	7,088,124	6,538,402
Total	$74,287,993	$59,027,490	$51,395,992

Note 30 – Quarterly Data (Unaudited)

Year ended June 30, 2011	First quarter	Second quarter	Third quarter	Fourth quarter	Full year (audited)
Revenue	$13,008,462	$ 16,745,332	$19,872,461	$24,661,738	$74,287,993
Gross profit	$4,644,353	$ 7,110,377	$7,235,710	$8,030,244	$27,020,684
Net income	$15,481,998	$ (6,989,723)	$17,138,441	$14,277,144	$39,907,860
Basic net income per share	$0.74	$ (0.33)	$0.81	$0.68	$1.90
Diluted net income per share	$0.73	$ (0.33)	$0.81	$0.68	$1.90

Year ended June 30, 2010	First quarter	Second quarter	Third quarter	Fourth quarter	Full year (audited)
Revenue	$18,129,461	$14,763,958	$15,247,494	$10,886,577	$59,027,490
Gross profit	$9,060,396	$6,027,147	$5,641,605	$1,720,904	$22,450,052
Net income	$6,547,377	$4,736,299	$(36,876,262)	$64,527,083	$38,934,497
Basic net income per share	$0.50	$0.36	$(2.39)	$4.02	$2.49
Diluted net income per share	$0.50	$0.36	$(2.39)	$3.97	$2.44

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

(a) Evaluation of Controls and Procedures

Regulations under the Securities Exchange Act of 1934 (the “Exchange Act”) require public companies to maintain“disclosure controls and procedures,” which are defined as controls and other procedures that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer’s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

The Company conducted an evaluation, with the participation of its Chief Executive Officer and its Chief Financial Officer, of the effectiveness of its disclosure controls and procedures as of June 30, 2011. Based on that evaluation, its Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2011, the Company’s disclosure controls and procedures were not effective due to the material weaknesses described in the “Management’s Report on Internal Control over Financial Reporting” section below.

Notwithstanding management’s assessment that our internal control over financial reporting was ineffective as of June 30, 2011 due to the material weaknesses described in the “Management’s Report on Internal Control over Financial Reporting” section below, we believe that the consolidated financial statements included in this Annual Report on Form 10-K correctly present our financial condition, results of operations and cash flows for the fiscal years covered thereby in all material respects.

(b) Management’s Annual Report on Internal Control over Financial Reporting

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, for the Company. These controls are designed under the supervision of the Company's Chief Executive Officer and Chief Financial Officer to provide reasonable assurance to the management and the Board of Directors regarding the reliability of financial reporting and the preparation of the Company's financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles. Our 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 our assets;

2. Provide reasonable assurance that transactions are recorded properly to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorization of our management and directors; and

3. Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisitions, use or disposition of our 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. 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. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Because of the inherent limitations of internal control, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

As of June 30, 2011, management as then constituted assessed the effectiveness of its internal control over financial reporting based on the criteria for effective internal control over financial reporting established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) and SEC guidance on conducting such assessments. Based on that evaluation, management concluded that, as of June 30, 2011, such internal control over financial reporting was not effective because of the material weakness described below.

A material weakness is a control deficiency, or combination of control deficiencies, that result in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness; yet important enough to merit attention by those response

The specific material weaknesses identified by its Chief Executive Officer and Chief Financial Officer as of June 30, 2011 are described as follows:

(a) Inadequate U.S. GAAP expertise - The current staff in the accounting department is inexperienced in applying United States generally accepted accounting principles ("U.S. GAAP") standards and they were primarily engaged in ensuring compliance with PRC accounting and reporting requirement for our operating subsidiaries. The staff needs substantial training to meet the higher demands of being a U.S. public company. The current staff's accounting skills and their understanding as to how to fulfill the requirements of U.S. GAAP-based reporting, including their skills related to subsidiary financial statements consolidation, is inadequate.

(b) Inadequate internal audit resources - The Company lacks qualified resources to perform the internal audit functions properly. In addition, the scope and effectiveness of the Company's internal audit function are yet to be developed. We are committed to establishing the internal audit functions but due to the limited qualified resources in the region, we were not able to hire sufficient internal audit resources to perform the internal audit functions properly.

(c) Inadequate control on corporate governance - During this fiscal year, we conducted several material investment activities, such as lending a short-term loan to an unrelated party, acquiring a coal mine company, investing in a local commercial bank, and setting up a joint venture, without proper preapproval process in accordance with the internal control policy over investments.

The specific significant deficiencies identified by its Chief Executive Officer and Chief Financial Officer as of June 30, 2011 are described as follows:

(a) Lack of internal control documentations - Although we have set up internal control policies over all major business cycles, due to the lack of internal audit function and employee trainings, those internal control policies were not completely implemented at the operation level. A material amount of cash disbursement transactions, such as construction prepayments, raw material purchases, and investment payments, were orally approved without written approval documentations.

(b) Inadequate Segregation Duties - We have an inadequate number of personnel to properly implement control procedures.

(c) Lack of internal control over maintaining accounting records – Some external shipping documents were not kept in place due to inadequate management controls over maintaining accounting records. We were not able to obtain the extra copies from the external carriers; this significant deficiency delayed our monthly closing process.

(d) Lack of timely internal communications - Due to the lack of timely internal communication and approval process, the information and documents of certain material amount transactions were not delivered to the accounting department timely and resulted in delays in the monthly and annual closing process.

Notwithstanding these material weaknesses and significant deficiencies in our internal control over financial reporting, we believe that the consolidated financial statements included in this report fairly represent our consolidated financial position as of June 30, 2011, and consolidated results of operations for the year ended June 30, 2011.

Management's Remediation Initiatives

Management is committed to continuing its efforts to further strengthen the internal control systems of the Company. During the fourth quarter of the fiscal year ended June 30, 2011, we hired an independent accounting advisor firm who is familiar with the U.S. GAAP and internal control procedures over financial reporting to assist us in preparing our consolidated financial statements under the U.S. GAAP, and in implementing adequate control procedures and processes in many areas, and they will also help us identify the areas in which we still need to make substantial improvements in our procedures and processes. The remediation measures that we have undertaken, or plan to undertake, have focused on these efforts.

We plan to recruit more experienced accounting and finance personnel at the management level and staff level and at both the corporate and subsidiary levels so that we can maintain a skilled and competent accounting team across the entire company.

We plan to invest in more resources and expand our corporate internal audit group by adding more professionals experienced with audit to enhance our internal audit team. The internal audit group assists the top management in assessing the effectiveness of our internal controls over financial reporting. The internal audit group prepares audit plans, performs internal testing periodically based on our design of the internal controls over financial reporting, summarizes issues identified through internal testing, develops remediation plans, and submits the plans to our Chief Financial Officer and Chief Executive Officer for approval.

We plan to provide extensive and continuous training to our inexperience staff in applying the United States generally accepted accounting principles ("U.S. GAAP") standard and to strengthen the importance of implementing internal control procedures and the requirements of internal control documentation.

We also plan to strengthen the overview function of the Board of Directors. The Board will meet on a regular basis to discuss and approve the material business activities the Company plans to conduct.

We plan to enhance the accountability of our management and staff and to restructure our management and staff incentive system based on the evaluation of operational performances and result of the effectiveness of our internal controls..

In addition, we are in the process of installing an Enterprise Resource Planning ("ERP") system to improve our financial and internal control system, and the ERP system is expected to be implemented by the end of June, 2012.

(c) Management Process to Assess the Effectiveness of Internal Control over Financial Reporting

To comply with the requirements of Section 404(a) of the Sarbanes-Oxley Act of 2002, the Company followed a comprehensive compliance process across our major operations to evaluate our internal control over financial reporting, engaging employees at all levels of the organization. Our internal control environment includes a corporate-wide attitude of integrity and control consciousness. This is exemplified by our ethics education program that includes long-standing principles and policies on ethical business conduct that require employees to maintain the highest ethical and legal standards in the conduct of our business. We have distributed the Board of Directors approved policy on ethics and code of business conduct to all employees and required them to study and abide by the policy. We encourage any employee to report suspected violations of law or of our policy. The internal control system further includes careful selection and training of supervisory and management personnel, appropriate delegation of authority and division of responsibility, dissemination of accounting and business policies throughout the Company, and an extensive program of internal audits with management follow-up. Our independent accounting advisor company tested the effectiveness of internal controls in accordance to our internal control policies, and reported the test results to our CEO and CFO. The test results and the remediation plans were discussed and approved by our Board of Directors and Audit Committee.

(d) Changes in Internal Control over Financial Reporting

Other than the management's remediation initiatives noted above, there were no changes in the Company's internal controls over financial reporting that occurred during the most recent quarter covered by this Annual Report on Form 10-K. Material weaknesses and significant deficiencies discovered during evaluation process led management to conclude that internal controls over financial reporting in certain areas need further improvement.

Our independent registered public accounting firm, Friedman, LLP, with direct access to our Board of Directors through our Audit Committee, has audited our consolidated financial statements and independently assessed the effectiveness of our internal control over financial reporting as of June 30, 2011, as stated in their report which is included in this Annual Report on Form 10-K.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

As reported in our current report on Form 8-K filed with the SEC on June 3, 2011, Mr. Liuchang Yang and Mr. Jin Yao resigned from all of their offices and positions held with the Company effective May 31, 2011. At the time of resignation, Mr. Yang was a director and the Company's vice president and secretary, and Mr. Yao was a director and a member of the audit, compensation and nominating committees of the board of the directors.

Our current directors and executive officers, their ages, their respective offices and positions, and their respective dates of election or appointment are as follows:

Name	Age	Position Held	Officer/Director since
Jianhua Lv	43	President, Chief Executive Officer and Chairman of the Board	February 5, 2010
Zan ("Sam") Wu	34	Chief Financial Officer	February 5, 2010
Hui Zheng	39	Vice President of Operations and Director	February 5, 2010
Yushan Jiang	57	Independent Director	February 5, 2010
Hui Huang	43	Independent Director	February 5, 2010
Haoyi Zhang	37	Independent Director	February 5, 2010

Business Experience

The following is a summary of the educational background and business experience during the past five years of each of our directors and executive officers. The following information includes the person's principal occupation during the period, and the name and principal business of the organization by which he or she was employed.

Jianhua Lv has been the executive director and chairman of Hongli since 1996, when he founded the company. Prior to this, from 1989 to 1996 Mr. Lv held a number of positions at the Henan Province Pingdingshan Coal Group, where he developed many years of experience in the coal and coking industries. In early 2007, Mr. Lv was appointed as a standing committee member of the Chinese People's Political Consultative Conference of Baofeng, Henan Province, and as a standing committee member of the National People's Congress of Baofeng, Henan Province. Mr. Lv has been honored as an outstanding entrepreneur of the year in 2003 and 2004. Mr. Lv holds a bachelor's degree from Henan University in Chinese, a master's degree in economics from Henan University, and a master of law degree from the Central Party School. Mr. Lv's experience as our Chief Executive Officer and Chairman, and his extensive knowledge of the coal and coking industries qualifies him to serve on our Board.

Zan ("Sam") Wu has served as the chief financial officer of Hongli since July 2009. Prior to this, Mr. Wu worked as an auditor at the Zhong Rui Hui Accounting Firm from 2000 to 2001. Mr. Wu was a financial analyst at VIR Consultancy Ltd. from 2003 to 2004. From 2004 through 2006, Mr. Wu held the positions of assistant manager and financial manager at Domino Scientific Equipment Ltd. Mr. Wu was the chief representative of Global American, Inc. (China Representative Office) from 2006 – 2009. Except for Hongli, our VIE, none of these companies is related to or affiliated with the Company. Mr. Wu holds a bachelor's degree in accounting from the Capital University of Economics and Business and a master's degree in financial management and control from Aston Business School.

Hui Zheng has served as vice manager of Human Resources at Hongli since 2006. Prior to this Mr. Zheng worked at SinoCoking as a statistician, secretary and vice-dean from 1998 until 2006. Mr. Zheng has worked in the materials industry since 1996. Mr. Zheng holds a degree from Zhengzhou University. Mr. Zheng's in-depth working experience as vice manager at Hongli and operating business in the PRC, his knowledge and his lengthy working experience in the Chinese coal and materials industries qualify him to serve on our Board.

Yushan Jiang has served as the chief executive officer of the Pingdingshan Coal Group Shoushan Coking Co., Ltd. since February 2007. Prior to this, from 2001 to 2007, he was chief engineer at the Henan Tianhong Coking Company. Prior to this Mr. Jiang developed expensive experience in the coking industry as he held numerous positions since 1972 as a worker, director, and head of research and development for various coking operations. None of these operations is related to or affiliated with the Company. Mr. Jiang is also currently a vice-director and member of the Coking Committee of the Henan Province Metals Association, and vice-secretary of the Henan Province Institute of Coal & Coke. Mr. Jiang holds a Bachelor's degree in Coal and Chemistry from the Wuhan College of Iron & Steel. Mr. Jiang's extensive working and leadership experience in the coking industry and his educational background qualify him to serve on our Board.

Hui Huang is the chairman and chief executive officer of Wuhan Pingdingshan Coal and Wuhan Steel Unification Coking Company ("WPCWSUCC"). Mr. Huang has also served as director of sales and administration of the same company from 1985 to 1996. He then served as director of the Economics and Technology Cooperation Center of the Pingdingshan Coal Group (now known as the Wuhan Pingdingshan Coal and Wuhan Steel Unification Coking Company) from 1996 to 2008, of which he is now chairman of the board. None of these companies is related to or affiliated with the Company. Mr. Huang is also a director of the China Association of Comprehensive Resource Utilization, a vice-director of the Henan Institute of Coal (a branch of the China Association of Comprehensive Resource Utilization), and vice-secretary of the Pingdingshan Youth Union. Mr. Huang holds a bachelor's degree in Economic Management and an MBA from the University of Mining and Technology. Mr. Huang's vast experience in the coal and coking industry in management and as an executive officer and director of WPCWSUCC and as a leader in various coal industry related associations qualify him to serve on our Board.

Haoyi Zhang serves as the chief financial officer of Henan Pinggao Electricity Ltd., one of the major A-Share public companies traded on the Shanghai Stock Exchange, a position he has held since January 2005. From January 2005 to March 2009, he served as the chief accountant of Henan Pinggao DongZhi Gao Ya Kaiguan Ltd., a Sino-Japanese Joint-venture with Toshiba, concurrently with his position as the chief financial officer at Henan Pinggao Electricity Ltd. From April to December 2004, he served as the chief accountant of Henan Pinggao DongZhi Gao Ya

Kaiguan Ltd. Mr. Zhang held numerous positions from July 1995 to March 2004 as the deputy director, the director, the deputy chief accountant, the assistant general manager and the chief accountant at China Beifang Industry Company, Xiamen Branch. None of these companies is related to or affiliated with the Company. Mr. Zhang holds a Bachelor's degree in Accounting from Xiamen University and an EMBA degree from Xian Jiaotong University. Mr. Zhang's extensive financial and accounting experience at numerous Chinese companies and his educational background qualify him to serve on our Board.

There are no family relationships among our current directors or executive officers.

During the past ten years none of our current directors or executive officers was involved in any legal proceedings described in subparagraph (f) of Item 401 of Regulations S-K.

Mr. Lv was appointed to his director and officer positions, and Mr. Wu was appointed to his officer position, because they had held similar positions at Hongli, and upon the closing of the Share Exchange on February 5, 2010, they assumed these respective positions. Messrs. Huang and Jiang were selected to serve as independent directors on the board because of their deep and substantial experience in the coal and coking industry. Mr. Haoyi Zhang was selected to serve on as an independent director because of his expertise in public company matters, with particular expertise in accounting, auditing, controls and procedures and financial matters.

Board of Directors

Our board of directors is currently composed of five members. All members of our board of directors serve in this capacity until their terms expire or until their successors are duly elected and qualified. Our bylaws provide that the authorized number of directors will be not less than one and not more than seven.

Director Independence and Board Committees

Based upon information submitted to the Company, the board of directors has determined that Messrs. Yushan Jiang, Hui Huang and Haoyi Zhang are each “independent” under the listing standards of the NASDAQ Stock Market.

The board of directors has an audit committee that was established in accordance with section 3(a)(58)(A) of the Securities Exchange Act of 1934. The audit committee members include Mr. Haoyi Zhang (chairman), Mr. Hui Huang and Mr. Yushan Jiang. Mr. Zhang is the audit committee financial expert who is independent, as independence for audit committee members is defined in the listing standards of the NASDAQ Stock Market. The audit committee operates under a written charter adopted by the board of directors on February 16, 2010.

The board of directors established a compensation committee on February 16, 2010. The compensation committee consists of Mr. Yushan Jiang (chairman), Mr. Haoyi Zhang, and Mr. Hui Huang, each of whom is an independent director. Our compensation committee oversees and, as appropriate, makes recommendations to the board of directors regarding the annual salaries and other compensation of our executive officers, and other related policies, and provides assistance and recommendations with respect to our compensation policies and practices. The compensation committee operates under a written charter adopted by the board of directors on February 16, 2010.

The board of directors established a nominating committee on February 16, 2010. The nominating committee consists of Mr. Hui Huang (chairman), Mr. Haoyi Zhang and Mr. Yushan Jiang, each of whom is an independent director. Our nominating committee assists in the selection of director nominees, approves director nominations to be presented for shareholder approval at our annual shareholder meetings and fill any vacancies on our board of directors, considers any nominations of director candidates validly made by shareholders, and reviews and considers developments in corporate governance practices. The nominating committee operates under a written charter adopted on February 16, 2010.

Section 16(a) of the Exchange Act

Section 16(a) of the Exchange Act requires our directors, executive officers and persons who own more than 10% of our common stock to file reports of ownership and changes in ownership of our common stock with the SEC. Directors, executive officers and persons who own more than 10% of our common stock are required by SEC regulations to furnish to the Company copies of all Section 16(a) forms they file.

To our knowledge, based solely upon review of the copies of such reports received or written representations from the reporting persons, the Company believes that during our 2011 fiscal year, our directors, executive officers and persons who owned more than 10% of our common stock complied with all Section 16(a) filing requirements.

Code of Ethics

We have adopted a code of ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. We will provide a copy of our code of ethics to any person who requests a copy in writing to the Secretary of the Company, including the e-mail address or facsimile number of the requesting party. Any written requests should be mailed to us at Kuanggong Road and Tiyu Road 10th Floor, Chengshi Xin Yong She, Tiyu Road, Xinhua District, Pingdingshan, Henan Province, P.R. China 467000.

ITEM 11. EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This compensation discussion and analysis describes the material elements of the compensation awarded to our current executive officers. This compensation discussion focuses on the information contained in the following tables and related footnotes and narrative for the last completed fiscal year. The compensation committee of our board of directors currently oversees the design and administration of our executive compensation program.

Our current executive compensation program may from time to time include the following principal components: (i) base salary, (ii) discretionary annual cash bonuses, and (iii) stock incentive plan awards, and (iv) perquisites and benefits.

Our Compensation Philosophy and Objectives

Our philosophy regarding compensation of our executive officers includes the following principles:

- our compensation program should reward the achievement of our strategic initiatives and short- and long-term operating and financial goals;
- compensation should appropriately reflect differences in position and responsibility;
- compensation should be reasonable; and
- the compensation program should be understandable and transparent.

In order to implement such compensation principles, we have developed the following objectives for our executive compensation program:

- overall compensation levels must be sufficiently competitive to attract and retain talented leaders and motivate those leaders to achieve superior results;
- a portion of total compensation should be contingent on, and variable with, achievement of objective corporate performance goals, and that portion should increase as an executive's position and responsibility increases;
- total compensation should be higher for individuals with greater responsibility and greater ability to influence our achievement of operating goals and strategic initiatives;
- the number of elements of our compensation program should be kept to a minimum, and those elements should be readily understandable by and easily communicated to executives, shareholders, and others; and
- executive compensation should be set at responsible levels to promote a sense of fairness and equity among all employees and appropriate stewardship of corporate resources among shareholders.

Determination of Compensation Awards

The compensation committee of our board of directors is provided with the primary authority to determine the compensation awards available to our executive officers. To aid the compensation committee in making its determination for the current fiscal year, our current senior management provided recommendations to the compensation committee regarding the compensation of our executive officers.

Compensation Benchmarking and Peer Group

Our compensation committee did not rely on any consultants or utilize any peer company comparisons or benchmarking in setting executive compensation levels for fiscal 2011. However, our management informally considered competitive market practices by reviewing publicly available information relating to compensation of executive officers at other comparable companies in making its recommendations to our board of directors regarding our executives' compensation for fiscal 2011. As our Company grows, we expect to take steps, including the utilization of peer company comparisons and/or hiring of compensation consultants, to ensure that the compensation committee has a comprehensive picture of the compensation paid to our executives and with a goal toward total direct compensation for our executives that are on a par with the median total direct compensation paid to executives in peer companies if annually established target levels of performance at the Company and business segment level are achieved.

Elements of Compensation

The principal elements of our executive compensation may include:

- base salary;
- discretionary annual cash bonuses;
- stock incentive plan awards; and
- perquisites and other compensation.

While base salary is generally included as an element of compensation of our executive officers in every year, the granting of bonuses, stock incentive awards and perquisites is determined on a case-by-case basis. During the fiscal year ended December 31, 2009, our compensation program consisted solely of base salary. For fiscal 2011, executive compensation consists of base salary, and we have no immediate plans to include bonuses, stock option grants or perquisites as elements of executive compensation.

Base Salaries

Base salary is used to recognize the experience, skills, knowledge and responsibilities required of our employees, including our named executive officers. When establishing base salaries for 2011, subject to the provisions of each person's employment agreement, our compensation committee and management considered a number of factors, including the seniority of the individual, the functional role of the position, the level of the individual's responsibility, the ability to replace the individual, the base salary of the individual at their prior employment and the number of well qualified candidates to assume the individual's role. Generally, we believe that executive base salaries should be targeted near the median of the range of salaries for executives in similar positions at comparable companies.

Discretionary Annual Cash Bonuses

Our compensation committee has discretion to recommend and approve the annual cash bonus for our chief executive officer and each other named executive officer. Bonus awards will be generally based on our management's recommendations and ultimately approved by our compensation committee. There were no bonuses granted in fiscal 2011. The annual bonuses, if any, are intended to compensate officers for individual performance, for our overall financial performance, and for achieving important operational and financial milestones during the relevant fiscal year.

Stock Incentive Plan Awards

Our stock option plans are designed to provide long term incentives to our executives and other employees and award recipients, to increase shareholder value through competent, effective management of the Company. Management believes that the ability to grant stock options as a component of compensation will provide the Company with an advantage in attracting qualified management and employees to our Company. There were no stock option awards granted in fiscal 2011. Stock option award decisions, if any are granted, will be evaluated on a case-by-case basis giving consideration to factors such as the recipient's qualifications and abilities, the nature of the recipient's position, and the recipient's ability to contribute to the Company's development and achievement of its business objectives.

Perquisites and Other Compensation

Our compensation committee may include perquisites and other benefits as an element of compensation from time to time on a discretionary basis. Presently, the Company does not include perquisites or other benefits as a part of executive compensation.

Management's Role in the Compensation-Setting Process

Our management plays an important role in our compensation-setting process. The most significant aspects of management's role are evaluating other executive officers' performances, recommending business performance targets and objectives, and recommending salary levels and option awards. Our management makes recommendations to our compensation committee regarding our executive's compensation packages. During this process, management may be asked to provide the compensation committee with their evaluation of the executive officers' performances, the background information regarding our strategic financial and operational objectives, and compensation recommendations as to the executive officers.

Executive Compensation – Summary Compensation Table

The following table sets forth, for the fiscal years indicated, all compensation awarded to, earned by or paid to our Named Executive Officers.

Name and Principal Position	Fiscal Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Nonqualified Deferred Compensation Earnings ($)	All other Compensation ($)	Total ($)
Jianhua Lv (1)	2011	192,000	—	—	—	—	—	—	192,000
Chairman and Chief Executive	2010	80,000	—	—	—	—	—	—	80,000
Officer	2009	8,357	—	—	—	—	—	—	8,357
Liuchang Yang (2)	2011	9,167	—	—	—	—	—	—	9,167
Former Director, Vice President and	2010	4,056	—	—	—	—	—	—	4,056
Secretary	2009	—	—	—	—	—	—	—	—
Zan Wu (3)	2011	120,000	—	—	—	—	—	—	120,000
Chief Financial Officer	2010	50,000	—	—	—	—	—	—	50,000
	2009	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Abdul Ladha (4)	2010	-	-	-	-	-	-	-	-
Former President, CEO and Director	2009	156,000 (5)	-	-	-	-	-	781,842 (6)	937,842

(1) Mr. Lv was appointed as our president, chief executive officer and chairman of the board on February 5, 2010 in connection with the Share Exchange. Compensation reported above consists of compensation received as the principal executive officer of Hongli, and is translated from Chinese RMB to U.S. Dollars using an exchange rate of RMB 6.63 to US $1.00 for fiscal 2011, RMB 6.82 to US $1.00 for fiscal 2010, and RMB 6.83 to US $1.00 for fiscal 2009.

(2) Mr. Yang was appointed as our vice president of operation, secretary and director on February 5, 2010 in connection with the Share Exchange and resigned from these positions on May 31, 2011.

(3) Mr. Wu was appointed as our chief financial officer on February 5, 2010 in connection with the Share Exchange. Prior to this date Mr. Wu served as Chief Financial Officer of Hongli since July 2009 (commencing in fiscal 2010).

(4) Mr. Ladha resigned as our president, chief executive officer and director on February 5, 2010 in connection the Share Exchange. Mr. Ladha's compensation is reported for the fiscal year ended December 31, 2009, when the Company, then named "Ableauctions.com, Inc.", had a fiscal year ending December 31. On April 14, 2010, we changed our fiscal year end from December 31 to June 30.

(5) All of the compensation paid to Mr. Ladha was paid to him in Canadian dollars. The table above sets forth the amount of Mr. Ladha's compensation as reported in U.S. dollars, using an exchange rate of $0.87601 U.S. dollars per Canadian dollar.

(6) This amount consists of a fee paid to Mr. Ladha pursuant to the Development Agreement the predecessor Company (then known as "Ableacutions.com, Inc.," entered into on October 6, 2008 for his services in connection with a project by the predecessor company which was completed prior to the Share Exchange.

Outstanding Equity Awards

There was no equity awards granted to our officers or directors in the year ended June 30, 2011.

Retirement Plans

We currently have no plans that provide for the payment of retirement benefits, or benefits that will be paid primarily following retirement, including but not limited to tax-qualified defined benefit plans, supplemental executive retirement plans, tax-qualified defined contribution plans and nonqualified defined contribution plans.

Potential Payments upon Termination or Change-in-Control

We currently have no contract, agreement, plan or arrangement, whether written or unwritten, that provides for payments to a named executive officer at, following, or in connection with any termination, including without limitation resignation, severance, retirement or a constructive termination of a named executive officer, or a change in control of the Company or a change in the named executive officer's responsibilities, with respect to each named executive officer.

Employment Agreements

We entered into an employment agreement with Mr. Jianhua Lv, our president and chief executive officer, on February 5, 2010. The compensation committee of the board of directors approved and established Mr. Lv's salary at a rate of $160,000 per annum for the 2010 fiscal year, beginning from February 2010. Mr. Lv agreed that in the event that he departs from the Company for any reason, he will refrain from using or disclosing our confidential information in any manner which might be detrimental to or conflict with the business interests of the Company. Both the Company and Mr. Lv have the right to terminate Mr. Lv's employment with or without cause by giving prior notice. Any disputes arising from Mr. Lv's employment, termination of his employment or breach of any covenant of good faith related to his employment shall be conclusively settled by final and binding decision of the court located in Henan Province, China. Mr. Lv's agreement does not provide for any fixed term or duration, and Mr. Lv is employed by the Company on an at-will basis.

We entered into an employment agreement with Mr. Zan Wu, our chief financial officer, treasurer and secretary, on February 5, 2010. The compensation committee of the board of directors approved and established Mr. Wu's salary at a rate of USD $120,000 per annum for the 2010 fiscal year, beginning from February 2010. Mr. Wu agreed that in the event that he departs from the Company for any reason, he will refrain from using or disclosing our confidential information in any manner which might be detrimental to or conflict with the business interests of the Company. Both the Company and Mr. Wu have the right to terminate Mr. Wu's employment with or without cause by giving prior notice. Any disputes arising from Mr. Wu's employment, termination of his employment or breach of any covenant of good faith related to his employment shall be conclusively settled by final and binding decisions of the court located in Henan Province, China. Mr. Wu's agreement does not provide for any fixed term or duration, and Mr. Wu is employed by the Company on an at-will basis.

Director Compensation

The following table provides compensation information for our directors during the fiscal year ended June 30, 2011:

Name	Fees Earned or Paid in Cash($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Non-Qualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Jianhua Lv (1)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Liuchang Yang (1)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Hui Zheng	$ 10,000	$ -	$ -	$ -	$ -	$ -	$ 10,000
Yushan Jiang	$ 10,000	$ -	$ -	$ -	$ -	$ -	$ 10,000
Jin Yao	$ 10,000	$ -	$ -	$ -	$ -	$ -	$ 10,000
Hui Huang	$ 10,000	$ -	$ -	$ -	$ -	$ -	$ 10,000
Haoyi Zhang	$ 10,000	$ -	$ -	$ -	$ -	$ -	$ 10,000

(1) This individual's compensation is reflected in the Summary Compensation Table for our executive officers above.

All of our current directors were appointed on February 5, 2010 in connection with the Share Exchange. On February 5, 2010, we entered into letter agreements with all of our current directors and pursuant to which we agreed to pay cash compensation in the amount of $10,000 to each of the directors for their services on our board of directors in 2010. The terms and conditions under these agreements remained effective for 2011.

Corporate Governance

The board of directors has an audit committee that was established in accordance with section 3(a)(58)(A) of the Securities Exchange Act of 1934. The audit committee members include Haoyi Zhang (chairman), Jin Yao and Yushan Jiang. Mr. Zhang is the audit committee financial expert who is independent, as independence for audit committee members is defined in the listing standards of the NASDAQ Stock Market.

There have been no material changes to the procedures by which security holders may recommend nominees to our board of directors.

REPORT OF THE COMPENSATION COMMITTEE

The Compensation Committee has reviewed and discussed with management the Company's disclosures under "Compensation Discussion and Analysis," beginning on page 56 of the Company's Annual Report on Form 10-K for the year ended June 30, 2011 for filing with the Securities and Exchange Commission ("Form 10-K").

Based on such review and discussion, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Form 10-K.

MEMBERS OF THE COMPENSATION COMMITTEE:

YUSHAN JIANG, CHAIR
HUI HUANG
HAOYI ZHANG

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth information, as of September 6, 2011, regarding the beneficial ownership of the Company's common stock by any person known to the Company to be the beneficial owner of more than 5% of the outstanding common stock, by directors and certain executive officers, and by all directors and executive officers of the Company as a group. All officers and directors above utilize the following address for correspondence purposes: Kuanggong Road and Tiyu Road 10th Floor, Chengshi Xin Yong She, Tiyu Road, Xinhua District, Pingdingshan, Henan Province, China 467000.

Name and Address	Amount and Nature of Beneficial Ownership	Percent (%) of Class*	
Jianhua Lv (1)	6,694,091	31.7	%
Zan ("Sam") Wu	0	0	%
Hui Zheng	0	0	%
Hui Huang	0	0	%
Yushan Jiang	0	0	%
Haoyi Zhang	0	0	%
All Officers and Directors as a Group (6 total)	6,694,091	31.7	%
Honour Express Limited (2)	6,694,091	31.7	%

Applicable percentage ownership is based on 21,090,948 shares of common stock outstanding as of September 6, 2011.

(1) Represents shares held directly by Honour Express Limited, a British Virgin Islands international business company ("Honour Express"). Jianhua Lv is a director of Honour Express, and in such capacity, Mr. Lv may be deemed to have voting and dispositive power over the shares held directly by Honour Express. Mr. Lv is also an indirect beneficiary, as he holds an option to acquire shares of Honour Express. Pursuant to a certain Incentive Option Agreement dated July 6, 2009, as amended ("Incentive Option Agreement"), Mr. Lv has the right to acquire 100% of the issued and outstanding capital stock of Honour Express from a nominee who holds the shares of capital stock of Honour Express, subject to certain conditions. Mr. Lv's address is: 10th Floor, Chengshi Xin Yong She, Tiyu Road, Xinhua District, Pingdingshan, Henan Province, People's Republic of China, 467000.

(2) The address of Honour Express Limited is: P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.

To our knowledge, none of our directors, officers or affiliates, or any 5% or greater shareholder of the Company, or any associate or any such directors, officers or affiliates, is a party that is adverse to the Company in any material legal proceeding.

Securities authorized for issuance under equity compensation plans

We maintain the following equity compensation plans. The discussions below give effect to the 1-for-12 reverse stock split effected on January 15, 2009 and the 1-for-20 reverse stock split the Company effected on February 5, 2010.

2002 Stock Option Plan for Directors

In 2002, the board of directors adopted a 2002 Stock Option Plan for Directors (the "Directors Plan"). The purpose of the Directors Plan is to attract and retain the services of experienced and knowledgeable individuals to serve as our directors. On the date the Directors Plan was adopted, the total number of shares of common stock subject to it was 11,057. This number of shares may be increased on the first day of January of each year so that the common stock available for awards will equal 5% of the common stock outstanding on that date, provided, however, that the number of shares included in the Directors Plan may not exceed more than 10% of all shares of common stock outstanding. The Directors Plan is administered by the board of directors, or any committee that may be authorized by the board of directors, so long as any such committee is made up of Non-Employee Directors, as that term is defined in Rule 16(b)-3(b) of the Securities Exchange Act of 1934. The grant of an option under the Directors Plan is discretionary. The exercise price of an option must be the fair market value of the common stock on the date of grant. An option grant may be subject to vesting conditions. Options may be exercised in cash, or with shares of the common stock of the Company already owned by the person. The term of an option granted pursuant to the Directors Plan may not be more than 10 years. The Directors Plan was adopted and approved by the board of directors on October 11, 2002 and the Directors Plan shall terminate 10 years from such approval date.

2002 Consultant Stock Plan

In 2002, the board of directors adopted a 2002 Consultant Stock Plan (the “Consultants Plan”). The purpose of the Consultants Plan is to be able to offer consultants and others who provide services to the Company the opportunity to participate in our growth by paying for such services with equity awards. The total number of shares of common stock subject to the Consultants Plan was increased from 27,084 to 133,334 as approved by the board of directors in 2003. The Consultants Plan is administered by the board of directors, or any committee that may be authorized by the board of directors. Persons eligible for awards under the Consultants Plan may receive options to purchase common stock, stock awards or stock restricted by vesting conditions. The exercise price of an option must be no less than 85% of the fair market value of the common stock on the date of grant. An option grant may be subject to vesting conditions. Options may be exercised in cash, or with shares of the common stock of the Company already owned by the person or with a fully recourse promissory note, subject to applicable law. The term of an option granted pursuant to the Consultants Plan may not be more than 10 years. The Consultants Plan terminates on the first business day prior to the 10 year anniversary of the date on which the plan was adopted by the board of directors, which was May 28, 2002.

1999 Stock Option Plan

In 1999, the board of directors adopted a 1999 Stock Option Plan (the “Option Plan”). The purpose of the Option Plan is to be able to retain the services of employees and consultants and others who are valuable to the Company and to offer incentives to such persons to achieve the objectives of our shareholders. The total number of shares of common stock subject to the Option Plan is 45,417. The Option Plan is administered by the board of directors, or any committee that may be authorized by the board of directors, so long as any such committee is made up of Non-Employee Directors, as that term is defined in Rule 16(b)-3(b) of the Securities Exchange Act of 1934. Employees eligible for awards under the Option Plan may receive incentive options to purchase common stock. If a recipient does not receive an incentive option, he or she will receive a non-qualified stock option. The exercise price of an option must be no less than the fair market value of the common stock on the date of grant, unless the recipient of an award owns 10% or more of our common stock, in which case the exercise price of an incentive stock option must not be less than 110% of the fair market value. An option grant may be subject to vesting conditions. Options may be exercised in cash, or with shares of the common stock of the Company already owned by the recipient of the award. The term of an option granted pursuant to the Option Plan may not be more than five years if the option is an incentive option granted to a recipient who owns 10% or more of our common stock, or 10 years for all other recipients and for recipients of non-qualified stock options. Incentive Stock Options may be granted under the Option Plan until the day immediately preceding the 10 year anniversary of the date on which the Option Plan was adopted by the board of directors, which was October 14, 1999. Non-Qualified Stock Options may be granted under the Option Plan until the Option Plan is terminated by the board of directors in its sole discretion.

The following table illustrates, as of June 30, 2011, information relating to all of our equity compensation plans.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights		Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity Compensation Plan Approved by Security Holders – 2002 Consultant Stock Plan	0		N/A	0
Equity Compensation Plan Approved by Security Holders – 1999 Stock Option Plan	6,059	(1)	$96.00	0
Equity Compensation Plan Not Approved by Security Holders – 2002 Stock Option Plan for Directors	4,792	(1)	$75.13	0

(1) This number reflects the reverse stock splits that were effected in January 2009 and February 2010.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Set forth below are our related party transactions since July 1, 2008:

Acquisition of Top Favour

On December 30, 2009, our shareholders approved a Plan and Agreement of Share Exchange, dated July 17, 2009, with Top Favour, pursuant to which we (formerly named “Ableauctions.com, Inc.”) agreed to acquire all of the outstanding capital stock of Top Favour in exchange for the issuance of 13,117,952 shares of our common stock to the shareholders of Top Favour (the “Share Exchange”). The Share Exchange was consummated at 5:00 p.m. Pacific time on February 5, 2010 (the “Closing Date”).

On the Closing Date:

- We ceased operating our historical auctions and real estate-related businesses;
- We changed our name from "Ableauctions.com, Inc." to "SinoCoking Coal and Coke Chemical Industries, Inc." to reflect the business of Top Favour;
- All of our directors and officers prior to the Share Exchange resigned, and successor officers and directors designated by Top Favour were appointed to the board and management;
- All of our pre-Share Exchange assets (e.g. relating to online auctions, liquidation, real estate services, finance and development) were transferred to a liquidating trust (the "Liquidating Trust"); these assets included the capital stock of our pre-Share Exchange subsidiaries;
- The Liquidating Trust assumed all of our pre-Share Exchange liabilities;
- Top Favour and its controlled companies and subsidiaries became our controlled companies and subsidiaries;
- The business, operations and assets of Top Favour (e.g., production of coal and coke) became our sole business, operations and assets.

Liquidation of Our Former Business

The operations of our former pre-Share Exchange subsidiaries, now held by the Liquidating Trust, are in the process of being wound down and will eventually be liquidated. Any proceeds from the liquidation which remain after the payment of liabilities and expenses relating to the liquidation will be distributed by the Liquidating Trust to the shareholders of record prior to the consummation of the Share Exchange.

Other Related Party Transactions

We advanced funds to Mr. Hui Zheng, the Director and Vice President of Operation, for him to perform business and acquisition developments activities on our behalf. Mr. Zheng returned the full amount of $418,410 to the Company by end of August 2010. As of June 30, 2011 and 2010, due from Mr. Hui Zheng amounted to $0 and $418,410, respectively.

We also had loans from Mr. Jianhua Lv, our President and CEO, and Mr. Liuchang Yang, our former Director and Vice President, to fund our acquisitions and the construction of our new coking plant. These loans were unsecured, payable on demand and bear no interest. We paid off these loans before June 30, 2009.

Mr. Lv and Mr. Yang also advanced funds to us for daily operations. We overpaid Mr. Yang by $58,642 as of June 30, 2010, which he returned to us in full on September 24, 2010. As of June 30, 2011 and 2010, the payables to Mr. Lv amounted to $455,768 and $51,381, respectively.

As of June 30, 2011, we had $575,700 in prepayments to the 40% owner of Xingsheng Coal for coal purchases. We became 60% owner of Xingsheng Coal on May 20, 2011.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

As reported in our Current Report on Form 8-K filed with the SEC on May 18, 2011, effective May 17, 2011, Friedman LLP was engaged to serve as the new certifying accountant to audit the Company's financial statements. The following table shows the fees that were billed for audit and other services provided by Friedman LLP during the 2011 fiscal year:

	Fiscal Year Ended June 30, 2011
Audit Fees (1)	$ 220,000
Audit-related Fees (2)	-
Tax Fees (3)	-
All Other Fees (4)	-
Total	$ 220,000

Our former accountant, Frazer Frost, LLP, was appointed on April 14, 2010 as our auditor. The following table shows the fees that were billed for audit and other services provided by Frazer Frost, LLP, during the years ended June 30, 2011 and 2010:

	Fiscal Year Ended June 30,	
	2011	2010
Audit Fees (1)	$295,000	$240,000
Audit-related Fees (2)	-	34,000
Tax Fees (3)	-	-
All Other Fees (4)	-	-
Total	$295,000	$274,000

(1) Audit Fees – This category includes the audit of our annual financial statements, review of financial statements included in our Quarterly Reports on Form 10-Q, and services that are normally provided by independent auditors in connection with statutory and regulatory filings or the engagement for fiscal years. This category also includes advice on audit and accounting matters that arose during, or as a result of, the audit or the review of interim financial statements.

(2) Audit-Related Fees – This category consists of assurance and related services by our independent auditors that are reasonably related to the performance of the audit or review of our financial statements and are not reported above under "Audit Fees." The services for the fees disclosed under this category include consultation regarding our correspondence with the SEC.

(3) Tax Fees – This category consists of professional services rendered by our independent auditors for tax compliance and tax advice. The services for the fees disclosed under this category include tax return preparation and technical tax advice.

(4) All Other Fees – This category consists of fees for other miscellaneous items.

Pre-Approval Policies and Procedures of the Audit Committee

Our Audit Committee approves the engagement of our independent auditors and is also required to pre-approve all audit and non-audit expenses. Prior to engaging its accountants to perform particular services, our Audit Committee obtains an estimate for the service to be performed. All of the services described above were approved by the Audit Committee in accordance with its procedure.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(1) Financial Statements

The following consolidated financial statements of SinoCoking for the years ended June 30, 2011 and 2010 and for the three years ended June 30, 2011 are included in Part II, Item 8 of this Report:

Reports of Independent Registered Public Accounting Firm

Consolidated Balance Sheets

Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Equity

Consolidated Statements of Cash Flows

Notes to Consolidated Financial Statements

(2) Financial Statement Schedules

Schedules are omitted because the required information is not present or is not present in amounts sufficient to require submission of the schedule or because the information required is given in the consolidated financial statements or the notes thereto.

(3) Exhibits

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EXHIBIT INDEX

Exhibit Number	Description
2.1	Share Exchange Agreement dated July 17, 2009 between Ableauctions.com, Inc., Abdul Ladha and Hanifa Ladha and Top Favour Limited and the shareholders of Top Favour Limited (6)
2.2	First Amendment to the Share Exchange Agreement between Ableauctions.com, Inc., Abdul Ladha and Hanifa Ladha and Top Favour Limited and the shareholders of Top Favour Limited dated November 25, 2009 (9)
3.1	Articles of Incorporation, as amended (1)
3.2	Articles of Amendment to Articles of Incorporation (2)
3.3	Bylaws (1)
4.1	Specimen Stock Certificate of SinoCoking Coal and Coke Chemical Industries, Inc. (2)
10.1	1999 Stock Option Plan (4)
10.2	2002 Stock Option Plan for Directors (3)
10.3	2002 Consultant Stock Plan (5)
10.4	License Agreement dated May 15, 2009 between the Company and iCollector Technologies Ltd. and ABC Live Auction World Ltd. (7)
10.5	License Agreement dated June 1, 2009 between the Company and RapidFusion, Inc. and Pacific Amber Technologies, Inc. (7)
10.6	Voting Agreement dated July 17, 2009 between Abdul Ladha and Hanifa Ladha and Top Favour Limited (6)
10.7	Agreement establishing the Able (U.S.) Liquidating Trust (7)
10.8	Agreement establishing the Able (U.S.) Distribution Trust (7)
10.9	Agreement establishing the Able (Canada) Distribution Trust (7)
10.10	Transfer and Assignment of Assets and Assumption of Liabilities (7)
10.11	Form of Securities Purchase Agreement (Regulation S) (1)
10.12	Form of Warrant dated February 5, 2010 (Regulation S) (1)
10.13	Form of Director’s Offer and Acceptance Letter (2)
10.14	Form of Officer’s Offer and Acceptance Letter (2)
10.15	Consulting Services Agreement dated March 18, 2009 (2)
10.16	Operating Agreement dated March 18, 2009 (2)
10.17	Equity Pledge Agreement dated March 18, 2009 (2)
10.18	Option Agreement dated March 18, 2009 (2)
10.19	Voting Rights Proxy Agreement dated March 18, 2009 (2)
10.20	Form of Warrant dated March 11, 2010 (Regulation S) (10)
10.21	Form of Securities Purchase Agreement (Regulation D) (10)
10.22	Form of Registration Rights Agreement (10)
10.23	Form of Warrant dated March 11, 2010 (Regulation D) (10)
10.24	Placement Agent Agreement (10)
10.25	Re-execution of Equity Pledge Agreement dated September 9, 2011(15)
10.26	Re-execution of Operating Agreement dated September 9, 2011(15)
10.27	Re-execution of Option Agreement dated September 9, 2011(15)
10.28	Re-execution of Voting Rights Proxy Agreement dated September 9, 2011(15)
10.29	Supplemental Agreement between Hongli and the Owners of Shuangrui Coal dated September 2, 2011*
10.30	Supplemental Agreement between Hongli and the Owners of Xingsheng Coal dated September 2, 2011*
10.31	Supplemental Agreement between Hongchang and the Owners of Shunli Coal dated September 2, 2011*
14	Code of Ethics (8)
21.2	Subsidiaries of SinoCoking Coal and Coke Chemical Industries, Inc. (7)
23.1	Consent of Frazer Frost LLP *
31.1	Certification Pursuant to Rule 13a-14(a) and 15d-14(a) (4) of Chief Executive Officer *
31.2	Certification Pursuant to Rule 13a-14(a) and 15d-14(a) (4) of Chief Financial Officer *
32.1	Certification Pursuant to Section 1350 of Title 18 of the United States Code of Chief Executive Officer*
32.2	Certification Pursuant to Section 1350 of Title 18 of the United States Code of Chief Financial Officer*
99.1	Equity Interests Transfer Agreement between Henan Province Pingdingshan Hongli Coal & Coke Co., Ltd. on the one hand, and Dongping Wu, Xiaoling Zhao and Dianqing Li on the other, for the Shuangrui Equity Interests dated August 10, 2010 (11)
99.2	Equity Interests Transfer Agreement between Henan Province Pingdingshan Hongli Coal & Coke Co., Ltd. on the one hand, and Mingxun Du and Xingling Li on the other, for the Xingsheng Equity Interests dated August 10, 2010 (11)
99.3	Bank Acceptance Agreement between Hongli and Pingdingshan Rural Cooperative Bank dated January 7, 2011 (12)
99.4	Loan Agreement by and between Hongli and Bairei Trust Co., Ltd. dated April 2, 2011 (13)
99.5	Security Deposit Payment Agreement by and between Hongli and Bairei Trust Co., Ltd. dated April 2, 2011 (13)

99.6	Guarantee Agreement by and between Hongyuan and Bairei Trust Co., Ltd. dated April 2, 2011 (13)
99.7	Loan Agreement between Top Favour Limited and Ziben Tiantang Co., Ltd. dated June 17, 2011 (14)
99.8	Supply Agreement between Hongli and Wuhan Railway Zhongli Group Co., Ltd. dated January 1, 2011 *
99.9	Supply Agreement between Hongli and Daye Xinye Tegang Co., Ltd. dated January 2, 2011 *

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99.10	Supply Agreement between Hongchang Coal and Wuhan Tieying Commerce Co., Ltd. dated January 3, 2011 *
99.11	Purchase Agreement between Baofeng Coking and Hongfeng Coal Processing and Coking Co., Ltd. dated January 1, 2011 *
99.12	Purchase Agreement between Baofeng Coking and Gansu Senbao Commerce Co., Ltd. dated January 3, 2011 *
99.13	Purchase Agreement between Baofeng Coking and Shaanxi Xiansheng Industry and Commerce Co., Ltd. dated January 3, 2011 *
99.14	Equity Interest Transfer Agreement between Baofeng Hongchang Coal Co., Ltd. on the one hand, and Jianguo Yang, Yaoqun Wang and Zhanjing Yang on the other, for the Shunli Equity Interests dated May 19, 2011 *
99.15	Mining permit of Hongchang coal mine *
99.16	Mining permit of Shunli coal mine *
99.17	Mining permit of Xingsheng coal mine *
99.18	Mining permit of Shuangrui coal mine *

* Filed herewith.

(1) Incorporated by reference to the Form 10-SB filed by the Company with the Securities and Exchange Commission on November 18, 1999.

(2) Incorporated by reference to the Current Report on Form 8-K filed by the Company with the Securities and Exchange Commission on February 8, 2010.

(3) Incorporated by reference to the Annual Report on Form 10-KSB for the fiscal year ended December 31, 2002 filed by the Company with the Securities and Exchange Commission on March 27, 2003.

(4) Incorporated by reference to the Form S-8 Registration Statement filed by the Company with the Securities and Exchange Commission on June 13, 2003.

(5) Incorporated by reference to the Form S-8 Registration Statement filed by the Company with the Securities and Exchange Commission on May 8, 2002.

(6) Incorporated by reference to the Current Report on Form 8-K filed by the Company with the Securities and Exchange Commission on July 17, 2009.

(7) Incorporated by reference to the registration statement on Form 10-K filed by the Company with the Securities and Exchange Commission on March 31, 2010.

(8) Incorporated by reference to the Annual Report on Form 10-KSB for the fiscal year ended December 31, 2003 filed by the Company on March 30, 2004.

(9) Incorporated by reference to the Form 8-K Current Report filed by the Company with the Securities and Exchange Commission on November 25, 2009.

(10) Incorporated by reference to the Form 8-K Current Report filed by the Company with the Securities and Exchange Commission on March 15, 2010.

(11) Incorporated by reference to the Form 8-K Current Report filed by the Company with the Securities and Exchange Commission on August 10, 2010.

(12) Incorporated by reference to the Form 8-K Current Report filed by the Company with the Securities and Exchange Commission on January 18, 2011.

(13) Incorporated by reference to the Form 8-K Current Report filed by the Company with the Securities and Exchange Commission on April 5, 2011.

(14) Incorporated by reference to the Form 8-K Current Report filed by the Company with the Securities and Exchange Commission on June 23, 2011.

(15) Incorporated by reference to the Form 8-K Current Report filed by the Company with the Securities and Exchange Commission on September 12, 2011.

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SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: September 13, 2011

SINOCOKING COAL AND COKE CHEMICAL INDUSTRIES, INC.

By: /s/ Jianhua Lv
Jianhua Lv
Chief Executive Officer
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Jianhua Lv Jianhua Lv	Chairman of the Board, Chief Executive Officer and President (Principal Executive Officer)	September 13, 2011
/s/ Zan Wu Zan Wu	Chief Financial Officer (Principal Financial Officer and Accounting Officer)	September 13, 2011
/s/ Hui Huang Hui Huang	Director	September 13, 2011
/s/ Haoyi Zhang Haoyi Zhang	Director	September 13, 2011
/s/ Yushan Jiang Yushan Jiang	Director	September 13, 2011