Trina Solar LTD
Form 20-F
April 30, 2009

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**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**WASHINGTON, DC 20549**

# FORM 20-F

(Mark One)

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

**OR**

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

**For the fiscal year ended December 31, 2008**

**OR**

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

**For the transition period from _____ to _____**

**OR**

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

**Date of event requiring this shell company report _____**

**Commission file number: 001-33195**

**TRINA SOLAR LIMITED**

(Exact Name of Registrant as Specified in Its Charter)

N/A

(Translation of Registrant s Name Into English)

Cayman Islands

(Jurisdiction of Incorporation or Organization)

No. 2 Tian He Road
Electronics Park, New District
Changzhou, Jiangsu 213031
People s Republic of China

(Address of Principal Executive Offices)

Terry Wang, Chief Financial Officer
Thomas Young, Director of Investor Relations
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(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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

| Title of Each Class | Name of Each Exchange on Which Registered |
|---|---|
| American Depositary Shares, each representing 100 ordinary shares, par value $0.00001 per share | New York Stock Exchange |

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

**None**

**(Title of Class)**

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

**None**

**(Title of Class)**

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

**2,958,183,059 ordinary shares, par value $0.00001 per share, as of December 31, 2008.**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No þ

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes o No þ

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

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

Large accelerated filer þ Accelerated filer o Non-accelerated filer o

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

U.S. GAAP þ

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

* If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 o

Item 18 o

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes o No o

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## INTRODUCTION

Unless the context otherwise requires, in this annual report on Form 20-F:

We, us, our, and our company refer to Trina Solar Limited, its predecessor entities and its subsidiarie

Trina refers to Trina Solar Limited;

Trina China refers to Changzhou Trina Solar Energy Co., Ltd.;

ADSs refers to our American depositary shares, each of which represents 100 ordinary shares;

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

RMB or Renminbi refers to the legal currency of China, $ or U.S. dollars refers to the legal currency the United States, and Euro refers to the legal currency of the European Union; and

shares or ordinary shares refers to our ordinary shares, par value $0.00001 per share.

Names of certain companies provided in this annual report are translated or transliterated from their original Chinese legal names.

Discrepancies in any table between the amounts identified as total amounts and the sum of the amounts listed therein are due to rounding.

This annual report on Form 20-F includes our audited consolidated financial statements for the years ended December 31, 2006, 2007 and 2008.

This annual report contains translations of certain Renminbi amounts into U.S. dollars at the rate of RMB6.8225 to $1.00, the noon buying rate in effect on December 31, 2008 in New York City for cable transfers of Renminbi as certified for customs purposes by the Federal Reserve Bank of New York. We make no representation that the Renminbi or U.S. dollar amounts referred to in this annual report 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. See Item 3. Key Information D. Risk Factors Risks Related to Doing Business in China Fluctuation in the value of the Renminbi may have a material adverse effect on your investment. On April 24, 2009, the noon buying rate was RMB6.8250 to $1.00.

We completed the initial public offering of 5,300,000 ADSs on December 22, 2006. On December 19, 2006, we listed our ADSs on the New York Stock Exchange under the symbol TSL.

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## PART I

### Item 1. Identity of Directors, Senior Management and Advisers

Not Applicable.

### Item 2. Offer Statistics and Expected Timetable

Not Applicable.

### Item 3. Key Information

A. Selected Financial Data

The following selected consolidated statement of operations data for the years ended December 31, 2006, 2007 and 2008 and the selected consolidated balance sheet data as of December 31, 2006, 2007 and 2008 have been derived from our audited financial statements included elsewhere in this annual report. The selected consolidated financial data should be read in conjunction with those financial statements and the accompanying notes and Item 5. Operating and Financial Review and Prospects below. Our consolidated financial statements are prepared and presented in accordance with United States generally accepted accounting principles, or U.S. GAAP. Our historical results do not necessarily indicate our results expected for any future periods.

Our selected consolidated statements of operations data for the years ended December 31, 2004 and 2005 and our consolidated balance sheets as of December 31, 2004 and 2005 have been derived from our audited consolidated financial statements, which are not included in this annual report.

| | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2004 | 2005 | 2006 | 2007 | 2008 |
| | (in thousands, except for share, per share, operating data and percentages) | | | | |
| **Consolidated Statement of Operations Data** | | | | | |
| Net revenues | $ 414 | $ 27,275 | $ 114,500 | $ 301,819 | $ 831,901 |
| Cost of revenues | 373 | 20,986 | 84,450 | 234,191 | 667,459 |
| Gross profit | 41 | 6,289 | 30,050 | 67,628 | 164,442 |
| Operating expenses: | | | | | |
| Selling expenses | 66 | 521 | 2,571 | 11,019 | 20,302 |
| General and administrative Expenses | 40 | 1,375 | 8,656 | 17,817 | 41,114 |
| Research and development Expenses | 262 | 122 | 1,903 | 2,805 | 3,039 |
| Total operating expenses | 368 | 2,018 | 13,130 | 31,641 | 64,455 |
| Income (loss) from continuing operations | (327) | 4,271 | 16,920 | 35,987 | 99,987 |
| Foreign exchange loss | | | | (1,999) | (11,802) |
| Interest expense | (73) | (470) | (2,137) | (7,551) | (23,937) |
| Interest income | 4 | 16 | 261 | 4,810 | 2,944 |
| Gain (loss) on change in fair value of derivative | | | | 854 | (1,067) |

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| | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2004 | 2005 | 2006 | 2007 | 2008 |
| | (in thousands, except for share, per share, operating data and percentages) | | | | |
| Other (expense) income | (35) | (27) | (82) | 1,554 | (156) |
| Income (loss) before income taxes | (431) | 3,790 | 14,962 | 33,655 | 65,969 |
| Income tax (expense) benefit | 52 | (570) | (1,788) | 1,707 | (4,609) |
| Minority interest | 13 | | | | |
| Net income (loss) from continuing operations | (366) | 3,220 | 13,174 | 35,362 | 61,360 |
| Net Income (loss) from discontinued operations | 354 | 91 | (753) | 368 | |
| Net income (loss) | $ (12) | $ 3,311 | $ 12,421 | $ 35,730 | $ 61,360 |
| Earnings per ordinary share from continuing operations: | | | | | |
| Basic | | 0.00 | 0.01 | 0.02 | 0.02 |
| Diluted | | 0.00 | 0.01 | 0.02 | 0.02 |
| Earnings per ADS from continuing operations: | | | | | |
| Basic | (0.04) | 0.32 | 0.98 | 1.51 | 2.45 |
| Diluted | (0.04) | 0.32 | 0.96 | 1.49 | 2.41 |
| Earnings per ordinary share: | | | | | |
| Basic | | 0.00 | 0.01 | 0.02 | 0.02 |
| Diluted | | 0.00 | 0.01 | 0.02 | 0.02 |
| Earnings per ADS: | | | | | |
| Basic | (0.00) | 0.33 | 0.92 | 1.53 | 2.45 |
| Diluted | (0.00) | 0.33 | 0.90 | 1.51 | 2.41 |
| Weighted average ordinary shares outstanding: | | | | | |
| Basic | 1,000,000,000 | 1,000,000,000 | 1,038,316,484 | 2,339,799,657 | 2,501,202,680 |
| Diluted | 1,000,000,000 | 1,000,000,000 | 1,058,483,593 | 2,370,685,156 | 2,690,723,390 |
| Weighted average ADS outstanding: | | | | | |
| Basic | 10,000,000 | 10,000,000 | 10,383,165 | 23,397,997 | 25,012,027 |
| Diluted | 10,000,000 | 10,000,000 | 10,584,836 | 23,706,852 | 26,907,234 |
| **Consolidated Financial Data** | | | | | |
| Gross margin | 9.8% | 23.1% | 26.2% | 22.4% | 19.8% |
| | (88.6)% | 11.8% | 11.5% | 11.7% | 7.4% |

| | | | | | |
|---|---|---|---|---|---|
| Net margin of continuing operations | | | | | |
| **Consolidated Operating Data** | | | | | |
| PV modules shipped (in MW) | 0.12 | 6.79 | 27.39 | 75.91 | 201.01 |
| Average selling price ($/W) | $ 3.45 | $ 4.02 | $ 3.98 | $ 3.80 | $ 3.92 |

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| | As of December 31, | | | | |
|---|---|---|---|---|---|
| | 2004 | 2005 | 2006 | 2007 | 2008 |
| | (in thousands) | | | | |
| **Consolidated Balance Sheet Data** | | | | | |
| Cash and cash equivalents | $ 3,395 | $ 1,224 | $ 93,380 | $ 59,696 | $ 132,224 |
| Restricted cash | 242 | 527 | 5,004 | 103,375 | 44,991 |
| Inventories | 541 | 6,696 | 32,230 | 58,548 | 85,687 |
| Accounts receivable, net | 81 | 4,924 | 29,353 | 72,323 | 105,193 |
| Other receivables | 238 | 817 | 1,228 | 3,063 | 4,380 |
| Property, plant and equipment, net | 758 | 9,630 | 51,419 | 197,124 | 357,594 |
| Total assets | 11,192 | 32,298 | 251,745 | 600,674 | 940,116 |
| Short-term borrowings | 3,656 | 6,628 | 71,409 | 163,563 | 248,558 |
| Accounts payable | 1,390 | 3,845 | 9,147 | 42,691 | 62,504 |
| Total current liabilities | 6,178 | 12,715 | 88,068 | 220,485 | 335,714 |
| Accrued warranty costs | 4 | 272 | 1,400 | 4,486 | 12,473 |
| Long-term borrowings | | 4,957 | 5,122 | 8,214 | 14,631 |
| Total shareholders equity | 5,010 | 14,355 | 157,154 | 367,489 | 433,057 |
| Total liabilities and shareholders equity | $ 11,192 | $ 32,298 | $ 251,745 | $ 600,674 | $ 940,116 |

B. Capitalization and Indebtedness

Not Applicable.

C. Reasons for the Offer and Use of Proceeds

Not Applicable.

D. Risk Factors

**Risks Related to Our Company and Our Industry**

***As polysilicon supply increases, the corresponding increase in the global supply of Photovoltaic (PV) modules may cause substantial downward pressure on the price of such products and reduce our revenues and earnings.***

Polysilicon is an essential raw material used in the production of solar cells and modules. In the past few years, 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 $45-$50 per kilogram delivered in 2006 to $60-$65 per kilogram in 2007 and further increased to $60-$75 per kilogram in 2008. In addition, according to Solarbuzz, spot prices for solar grade polysilicon were in the range of $230-$375 per kilogram for most of the first half of 2008 but rose to a peak of $400-$450 per kilogram by mid-2008. In late 2008 and 2009, however, newly available polysilicon supply and slowed global solar power market growth have resulted in an excess supply of polysilicon, which created a downward pressure on the price of polysilicon. According to Solarbuzz, spot prices for solar grade polysilicon decreased rapidly to $150-$300 per kilogram in the fourth quarter of 2008. We cannot assure you that the price of polysilicon will continue to decline, especially once the global solar power market regains its growth momentum. 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. Because of the scarcity of polysilicon in the past few years, supply chain management and financial strength were the key barriers to entry. As the shortage of polysilicon has eased recently, these barriers are less significant and PV module production may increase globally. A decrease in polysilicon prices and an increase in PV module production may result in substantial downward pressure on the price of PV modules. Such price reductions could have a negative impact on our revenues and earnings, and materially adversely affect our business and results of operations.

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

We are affected by solar energy market and industry trends. In the fourth quarter of 2008, the global solar power industry experienced a precipitous decline in demand. During the same period, the global supply of solar products exceeded the global demand due to excess production capacity and the global economic downturn, which contributed to a decline in the average selling price of PV modules. The average selling price per watt of our PV modules decreased from $3.98 in 2006 to $3.80 in 2007 and increased to $3.92 in 2008. The increase in the average selling price of our PV modules in 2008 was due to an increase in demand of our PV modules in the first three quarters of 2008, driven largely by surging market demand, particularly in the Spanish market, which was offset by a decrease in the average selling price of our PV modules in the fourth quarter of 2008, due to the falling demand caused by the global economic downturn. If demand for solar products continues to decline, and the supply of solar products continues to grow, the average selling price of our products will be materially and adversely affected.

The demand for solar products is also influenced by macroeconomic factors such as the worldwide credit crisis, the devaluation of the Euro, 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 financing, also contributed to the slowdown of the large solar project market segments. If these negative market and industry trends continue and the price of PV modules continues to decrease as a result, our business and results of operations may be materially and adversely affected.

***We continue to rely on a limited number of third-party suppliers for certain raw materials for our products, which could prevent us from delivering our products to our customers within required time frames, which could result in sales and installation delays, cancellations, liquidated damages and loss of market share.***

We purchase polysilicon from a limited number of international and domestic suppliers. If we fail to develop or maintain our relationships with our limited suppliers, we may be unable to manufacture our products or our products may only be available at a higher cost or after a long delay, which could prevent us from delivering our products to our customers within the required time frames. We may experience order cancellations and loss of market share. Furthermore, the current credit crisis is having a significant negative impact on businesses around the world, and the impact of this crisis on our suppliers cannot be predicted. Our suppliers typically require a significant amount of cash to fund their production and operation. The suppliers also require a significant amount of cash to meet future capital requirements, including the expansion of manufacturing facilities, as well as research and development activities. The inability of our suppliers to access liquidity, or the insolvency of our suppliers, could lead to their failure to deliver raw materials to us. Our inability to obtain raw materials in a timely manner from suppliers could have a material adverse effect on our business, financial conditions and results of operations.

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***Our costs and expenses may increase as a result of entering into fixed price, prepaid arrangements with our suppliers.***

Due to the industry-wide shortage of polysilicon experienced during the past few years, we have purchased polysilicon using short-term, medium-term and long-term contracts from a limited number of international and domestic suppliers. From the fourth quarter of 2008, the price of polysilicon decreased rapidly due to the excess supply of polysilicon resulting from slowed global solar power market growth. Due to such excess supply, we are renegotiating some of our existing, higher priced medium-term and long-term contracts. We cannot assure you that we will be successful in renegotiating existing contracts. If the prices under our medium-term or long-term supply agreements result in our paying more for such supplies than the current market prices available to our competitors, we may be placed at a competitive disadvantage, and our earnings could decline. In addition, if demand for our PV modules decreases and such agreements require us to purchase more polysilicon than required to meet our actual customer demand over time, we may incur costs associated with carrying excess inventory. To the extent we are not able to pass these increased costs and expenses on to our customers, our business, cash flows, financial condition and results of operations may be materially and adversely affected.

***Some of the suppliers of polysilicon with whom we have entered into long-term contracts have limited operating experience in polysilicon production and may not be able to produce polysilicon of sufficient quantity and quality or on schedule to meet our manufacturing requirements.***

Some of the suppliers of polysilicon with whom we have entered into long-term contracts have limited operating experience in polysilicon production. As a result, they might have difficulty in manufacturing and supplying to us a sufficient amount of polysilicon to meet their obligations under these long-term supply contracts. Manufacturing polysilicon is a highly complex process and these suppliers may not be able to produce polysilicon of sufficient quantity and quality or on schedule to meet our wafer manufacturing requirements. Minor deviations in the manufacturing process can also cause substantial decreases in yield and, in some cases, cause production to be suspended or result in minimal output. If shipments of polysilicon from these suppliers experience major delays or our suppliers are unable to supply us with polysilicon as planned, we may suffer a setback to our raw material procurement, which could materially and adversely affect our growth strategy and our results of operations. Moreover, we may be involved in disputes to retrieve prepayments we made for the polysilicon delivery, which would expose us to risks of losing the prepayment or entering into settlements which may result in losses to us. In addition, the polysilicon supplied by suppliers may contain quality defects. For example, PV modules produced using polysilicon of substandard quality would result in lower cell efficiency and conversion rates than that which the supplier has claimed or provided a warranty. From time to time, we may engage in negotiations and disputes with certain suppliers that supplied us with polysilicon with quality defects. Any litigation arising out of the disputes could subject us to potentially expensive legal expenses, distract management from the day-to-day operation of our business and expose us to risks for which appropriate damages may not be awarded to us, all of which could materially and adversely affect our business and financial condition.

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***Prepayments we provide to our polysilicon suppliers and equipment suppliers expose us to the credit risks of such suppliers and may increase our costs and expenses, which could in turn have a material adverse effect on our liquidity.***

Under existing supply contracts with many of our multi-year polysilicon and our equipment suppliers, consistent with industry practice, we make prepayments to our suppliers prior to the scheduled delivery dates for polysilicon and equipment. In many such cases, we make the prepayments without receiving collateral for such payments. As a result, our claims for such payments would rank as unsecured claims, which would expose us to the credit risks of our suppliers in the event of their insolvency or bankruptcy. Our claims against the defaulting suppliers would rank below those of secured creditors, which would undermine our chances of obtaining the return of our prepayments or interest free loans. In addition, if the market price of polysilicon decreases after we prepay our suppliers, we will not be able to adjust any historical payment insofar as it relates to a future delivery at a fixed price. Furthermore, if demand for our products decreases, we may incur costs associated with carrying excess materials. Accordingly, any of the above scenarios may have a material adverse effect on our financial condition and results of operations.

***Failure to procure sufficient reclaimable silicon raw materials at reasonable prices may decrease our gross margin and profitability.***

To reduce our reliance on polysilicon, we also produce silicon ingots and wafers by using a portion of reclaimable silicon raw materials, which include tops and tails of discarded portions of silicon ingots, pot scraps and broken silicon wafers acquired primarily from the semiconductor industry. In 2008, we used a higher proportion of virgin polysilicon than in the past several years as polysilicon became widely available in the market and we are now able to have access to a high quality and stable supply of polysilicon. In the fourth quarter of 2008, reclaimable silicon materials accounted for no more than 25% of our total silicon requirements, compared to approximately 80% in the fourth quarter of 2007. Although the prices of reclaimable silicon raw materials have also been decreasing in line with the recent decrease in the price of polysilicon, we cannot assure you that we will not revert to using a higher proportion of reclaimable silicon raw materials when the price of polysilicon increases in the future. If we fail to procure sufficient reclaimable silicon raw materials at commercially reasonable prices in the future, we may be unable to timely manufacture our products or our products may be available only at a higher cost, and we would be prevented from delivering our products to our customers in the required quantities and at prices that are profitable. This would have a materially negative impact on our business, financial condition and results of operations.

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

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

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The scope of the government incentives for solar power depends, to a large extent, on political and policy developments relating to environmental concerns in a given country, which could lead to a significant reduction in or a discontinuation of the support for renewable energies in such country. Federal, state and local governmental bodies in many of our key markets, most notably Germany, Italy, Spain, the United States, France and South Korea have provided subsidies and economic incentives in the form of rebates, tax credits and other incentives to end users, distributors, system integrators and manufacturers of solar power products to promote the use of solar energy in on-grid applications and to reduce dependency on other forms of energy. These government economic incentives could be reduced or eliminated altogether. For example, the rapid rise of the Spanish market was largely due to a government policy that set feed-in tariff terms at attractive rates. However, in September 2008, the Spanish government introduced a cap of 500 MW for the feed-in tariff in 2009, which has resulted in limiting the demand in the grid-connected market in Spain. The policy shift also contributed in part to the decline in global PV market demand in the fourth quarter of 2008. In 2007, Germany and Spain accounted for 31.4% and 40.0% of our net revenues, respectively, and in 2008, Germany and Spain accounted for 23.9% and 32.5% of our net revenues, respectively. We believe that in the time of uncertainty of political and policy developments, competition among solar company manufacturers could become fierce. Electric utility companies that have significant political lobbying powers may also seek changes in the relevant legislation in their markets that may adversely affect the development and commercial acceptance of solar energy. A significant reduction in the scope or discontinuation of government incentive programs, especially those in our target markets, could cause demand for our products and our revenues to decline, and have a material adverse effect on our business, financial condition, results of operations and prospects.

***Demand for our products may be adversely affected by the effect of the current economic and credit environment on our customers.***

The United States and international economies recently have experienced (and continue to experience) a period of slow economic growth. A near-term economic recovery is uncertain. In particular, the current credit and housing crises, the increase in U.S. sub-prime mortgage defaults, terrorist acts and similar events, continued turmoil in the Middle East or war in general could contribute to a slowdown of the market demand for products that require significant initial capital expenditures, including demand for solar products. For example, recent global economic, capital markets and credit disruptions have resulted in slower investments in new installation projects that make use of solar products. Existing projects have also been delayed as a result of the credit and other disruptions. If the economic recovery slows down as a result of the recent economic turmoil, or if there are further terrorist attacks in the United States or elsewhere, we may experience decreases in the demand for our solar products, which may harm our operating results.

Recent global economics, capital markets and credit disruptions pose risks for our customers. We have benefited from historically low interest rates that have made it more attractive for our customers to use credit to purchase our products. Interest rates have fluctuated recently, which could increase the cost of financing these purchases and may reduce our customers profits and investors expected returns on investment. Given the current credit environment, particularly the tightening of the credit markets, there can be no assurance that our customers will be able to borrow money on a timely basis or on reasonable terms, which could have a negative impact on their demand for our products. If economic recovery is slow in the United States or elsewhere, we may experience decreases in the demand for our solar power products, which may harm our operating results. These factors may adversely impact our existing or future sales agreements, including increasing the likelihood of contract breaches. Our sales are affected by interest rate fluctuations and the availability of liquidity, and would be adversely affected by increases in interest rates or liquidity constraints. Rising interest rates may also make certain alternative investments more attractive to investors, and therefore lead to a decline in demand for our solar products, which could have a material adverse effect on our business, results of operations, financial conditions and cash flows.

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***Because the markets in which we compete are highly competitive and many of our competitors have greater resources than us, we may not be able to compete successfully and we may lose or be unable to gain market share.*** The market for solar power products is competitive and fast evolving. We expect to face increased competition, which may result in price reductions, reduced margins or loss of market share. We compete with other PV module manufacturing companies such as Sharp Electronic Corporation, Suntech Power Holdings Co., Ltd., Yingli Green Energy Holding Co., Ltd. and Mitsubishi Electric Corporation. Some of our competitors have also become vertically integrated, from polysilicon production, silicon ingot and wafer manufacturing to solar power system integration, such as Renewable Energy Corporation ASA and SolarWorld AG. Many of our competitors have a stronger market position than ours, more sophisticated technologies and products, and larger resources and better name recognition than we have. Further, many of our competitors are developing and are currently producing products based on new solar power technologies, such as thin-film technology, which may ultimately have costs similar to, or lower than, our projected costs.

The barriers to entry are relatively low in the PV module manufacturing business, given that manufacturing PV modules is labor intensive and requires limited technology. Because of the scarcity of polysilicon in the past few years, supply chain management and financial strength were the key barriers to entry. As the shortage of polysilicon has eased recently, these barriers are less significant and many new competitors may enter the industry and cause the industry to rapidly become over-saturated. Many mid-stream solar products manufacturers have been seeking to move downstream to strengthen their position in regional markets. They are expected to leverage on their existing sales capacity as the industry faces challenges posed by the economic downturn. In addition, we may also face new competition from semiconductor manufacturers, several of which have already announced their intention to start production of solar cells. Decreases in polysilicon prices and increases in PV module production could result in substantial downward pressure on the price of PV modules and intensify the competition we face.

Some of our current and potential competitors have longer operating histories, access to a larger customer base, stronger relationships with customers, access to greater resources, and significantly greater economies of scale, financial, sales and marketing, manufacturing, distribution, research and development, technical and other resources than us. As a result, they may be able to respond more quickly to changing customer demands or market conditions or to devote greater resources to the development, promotion and sales of their products than we can. Our business relies on sales of our PV modules, and our competitors with more diversified product offerings may be better positioned to withstand a decline in the demand for PV modules. New competitors or alliances among existing competitors could emerge and rapidly acquire a significant market share, which would harm our business. If we fail to compete successfully, our business would suffer and we may lose or be unable to gain market share.

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***Our dependence on a limited number of customers may cause significant fluctuations or declines in our revenues.*** We currently sell a significant portion of our PV modules to a limited number of customers. In 2006, 2007 and 2008, sales to our top five customers accounted for approximately 48.9%, 33.5% and 41.9%, respectively, of our total net revenues. The top customer contributed approximately 9.8% of our net revenues in 2008. Sales to our customers are typically made through non-exclusive, short-term arrangements. We anticipate that our dependence on a limited number of customers will continue for the foreseeable future. Consequently, any one of the following events may cause material fluctuations or declines in our revenues:

- reduction, delay or cancellation of orders from one or more of our significant customers;
- selection by one or more of our significant customers of products competitive with ours;
- loss of one or more of our significant customers due to disputes, dissatisfaction with our products or otherwise and our failure to attract additional or replacement customers; and
- failure of any of our significant customers to make timely payment for our products.

We are exposed to the credit risk of these customers, some of which are new customers with whom we have not historically had extensive business dealings. The failure of any of these significant customers to meet their payment obligations would materially and adversely affect our financial position, liquidity and results of operations.

***The practice of requiring customers to make advance payments when they place orders with us has declined, and we have experienced and will continue to experience increased needs to finance our working capital requirements and are exposed to increased credit risk.***

We generally required our customers to make an advance payment of a certain percentage of their orders, a business practice that helped us to manage our accounts receivable, prepay our suppliers and reduce the amount of funds that we needed to finance our working capital requirements. In line with market trends, this practice of requiring our customers to make advance payments is on the decline, which in turn has increased our need to obtain additional short-term borrowings to fund our working capital requirements. In 2009, we believe a larger portion of our revenues will be derived from credit sales to our customers in comparison to 2008, generally with payment schedules due according to negotiated contracts. In addition, some of our customers pay us through letters of credit, which typically take 30 to 90 days to process in order for us to be paid. Despite the more lenient payment terms, any of our customers may fail to meet their payment obligations, especially due to the current credit crisis, which would materially and adversely affect our financial position, liquidity and results of operations.

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***We have significant outstanding bank borrowings and capital expenditure needs, and we may not be able to arrange adequate financing when our outstanding borrowings mature or when capital expenditures are required.***

We typically require a significant amount of cash to fund our operations, especially prepayments or loans to suppliers to secure our polysilicon supply requirements. We also require a significant amount of cash to meet future capital requirements, including the expansion of our module and cell manufacturing facilities, as well as research and development activities in order to remain competitive. Future acquisitions, expansions, market changes or other developments may cause us to require additional funds. As of December 31, 2008, we had $132.2 million in cash and cash equivalents and $263.2 million in outstanding borrowings, of which approximately $248.6 million was due within one year. We might not be able to obtain extensions of these borrowings in the future as they mature. In the event that we are unable to obtain extensions of these borrowings, or if we are unable to obtain sufficient alternative funding at reasonable terms to make repayments, we will have to repay these borrowings with cash generated by our operating activities. In addition, we estimate that our capital expenditures will be approximately $189.0 million in 2009 for capacity expansion. Our business might not generate sufficient cash flow from operations to repay these borrowings, some of which are secured by significant amounts of our assets, and at the same time fund our capital expenditures. In addition, repaying these borrowings and capital expenditures with cash generated by our operating activities will divert our financial resources from the requirements of our ongoing operations and future growth, and may have a material adverse effect on our business, financial condition and future prospects. 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 decrease materially. Moreover, recent turmoil in the credit markets and the potential impact on the liquidity of financial institutions may have an adverse effect on our ability to fund our business through borrowings, under either existing or newly created instruments in the public or private markets on terms that we believe to be reasonable, if at all. Failure to secure any necessary financing in a timely manner and on favorable terms could have a material adverse effect on our growth strategy, financial performance and market price of ADSs and could require us to delay or abandon critical development plans.

***We may not be successful in manufacturing solar cells cost-effectively.***

We began manufacturing our own solar cells in May 2007, and prior to that we did not have any significant operating experience in solar cell manufacturing. Manufacturing solar cells is a complex process. Minor deviations in the manufacturing process can cause substantial decreases in yield and cell conversion efficiency and, in some cases, cause production to be suspended or yield no output. We have invested significantly in research and development in solar cell technology in order to achieve the high conversion efficiency rates required for our solar cells and modules to remain competitive. If we face technological difficulties in our production of solar cells, we may be unable to expand our business as planned.

Currently, we have 14 production lines with an annual manufacturing capacity of approximately 350 MW and plan to increase our annual manufacturing capacity by up to 200 MW to a total of up to 550 MW by the end of 2009. The specific increase will be based on market visibility in both customer demand and the commercial lending environment to finance PV system installations in our respective sales markets. We are implementing a strategy to focus on preserving cash, which includes reducing costs and reviewing and taking a prudent approach towards our capital expansion plan. Accordingly, we cannot assure you that we will not revise our capacity expansion plan after we finalize our review. If we fail to implement our plan as expected, experience a delay in the ramp up or fail to achieve our targeted yields, our business and results of operations may be materially and adversely affected.

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***We may experience difficulty in achieving acceptable yields and product performance as a result of manufacturing problems.***

The technology for the manufacturing of silicon ingots and wafers is complex, requires costly equipment and is continuously being modified in an effort to improve yields and product performance. Microscopic impurities such as dust and other contaminants, difficulties in the manufacturing process, disruptions in the supply of utilities or defects in the key materials and tools used to manufacture wafers can cause a percentage of the wafers to be rejected, which in each case negatively affects our yields. We have, from time to time, experienced production difficulties that have caused manufacturing delays and lower than expected yields.

Because our manufacturing capabilities are concentrated in our manufacturing facilities in Changzhou, China, any problem in our facilities may limit our ability to manufacture products. We may encounter problems in our manufacturing facilities, as a result of, among other things, production failures, construction delays, human errors, equipment malfunction or process contamination, which could seriously harm our operations. We may also experience floods, droughts, power losses and similar events beyond our control that would affect our facilities. For example, shortages or suspensions of power supplied to us have occasionally occurred due to severe thunderstorms in the area, and have disrupted our operations and caused severe damages to wafers in the process. A disruption to any step of the manufacturing process will require us to repeat each step and recycle the silicon debris, thus adversely affecting our yields.

***Problems with product quality or product performance could damage our reputation, or result in a decrease in customers and revenues, unexpected expenses or loss of market share, and may cause us to incur significant warranty expenses***

Our products may contain defects that are not detected until after they are shipped or are installed because we cannot test for all possible scenarios. Unlike PV modules, which are subject to certain uniform international standards, solar cells generally are not subject to uniform international standards, and it is often difficult to determine whether solar power product defects are a result of defective solar cells, other defective components of PV modules or other reasons. Furthermore, the solar wafers and other components that we purchase from third-party suppliers are typically sold to us with no or only limited warranties. We have received in the past, and may receive from time to time in the future, complaints from certain customers that portions of our PV modules have quality deficiencies. For example, in certain instances in the past, customers raised concerns about the stated versus actual performance output of some of our PV modules. We determined that these concerns resulted from differences in calibration standards we used. However, the corrective actions and procedures that we took may turn out to be inadequate to prevent further similar incidents or to protect against future errors or defects. If we deliver PV module products that do not satisfy our customers or end users quality requirements, or if there is a perception that our products are of poor quality, our credibility and the market acceptance and sales of our PV module products could be harmed. We may also incur substantial expense to replace low quality products.

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In the past, our PV modules were typically sold with a two-year warranty for materials and workmanship and a minimum power output warranty of up to 25 years following the date of purchase or installation. In 2008, we extended the warranty for materials and workmanship from two years to five years. We believe our warranty periods are consistent with industry practice. We have only begun to sell PV modules since November 2004. Although we conduct accelerated reliability testing of our PV modules, our PV modules have not been and cannot be tested in an environment simulating the 25-year warranty period. As a result, we may be subject to unexpected warranty expense and associated harm to our financial results for as long as 25 years after the sale of our products. Any increase in the defect rate of our products would cause us to increase the amount of our warranty reserves and have a correspondingly negative impact on our operating results. Furthermore, widespread product failures may damage our market reputation, reduce our market share and cause our sales to decline.

***We may not be successful in the commercial production of new products, which could adversely affect our business and prospects.***

We may develop and produce new products from time to time, such as our new PV module product manufactured using Upgraded Metallurgical Grade silicon materials. We may be unable to generate sufficient customer demand for our new products if we are unable to develop and produce new products in a cost-effective manner with the expected performance. If we failed to generate demand for our new products, our business and prospects may be adversely affected and we may be unable to recoup our investment in the development and production of such products.

***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. 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 to our customers of using our solar power products and make them less desirable, thereby harming our business, prospects, financial condition and results of operations.

We anticipate that our 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. It is difficult to track the requirements of individual jurisdictions and design products to comply with the varying standards. Any new government regulations or utility policies pertaining to our solar power products may result in significant additional expenses to us and, as a result, could cause a significant reduction in demand for our solar power products.

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***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 not continue to increase or may even 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 are 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. In addition, demand for solar power products in our targeted markets, including Germany, Italy, Spain, the United States, France and South Korea, may not develop or may develop to a lesser extent than we anticipate. Many factors may affect the viability of widespread adoption of solar power technology and demand for solar power products, including:

- cost-effectiveness, performance and reliability of solar power products compared to conventional and other renewable energy sources and products;
- 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 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 suffer and we may be unable to sustain our profitability.

***Further development in thin-film technologies or other changes in the solar power industry could render our products uncompetitive or obsolete, which could reduce our market share and cause our sales and profit to decline.***

The solar power market is characterized by evolving technologies and standards that result in improved features, such as more efficient and higher power output, improved aesthetics and smaller size. This requires us to develop new solar power products and enhance existing products to keep pace with evolving technologies and changing customer requirements.

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A variety of competing solar technologies that other companies may develop could prove to be more cost-effective and have better performance than our technologies. For example, thin-film technologies are competing technologies in the solar power industry. According to Solarbuzz, in 2008, thin-film technologies represented 13.0% of the solar market, compared to 87.0% for crystalline technology. Thin-film technologies allow for lower production costs for solar cells by using lower amounts of semiconductor materials. Thin-film solar cells generally have a lower conversion efficiency rate than crystalline solar cells.

Further development in competing solar power technologies may result in lower manufacturing costs or higher product performance than those expected from our PV modules. We will need to invest significant financial resources in research and development to maintain our market position, keep pace with technological advances in the solar power industry and effectively compete in the future. Our failure to further refine our technology, enhance our existing solar power products, or develop and introduce new products, could cause our products to become uncompetitive or obsolete, which could reduce our market share and cause our revenues to decline.

***Noncompliance with present or future construction and environmental regulations may result in potentially significant monetary damages and fines.***

In the past, we had begun constructing and operating facilities without having obtained all of the necessary construction and environmental permits. Although we have subsequently obtained all of the construction and environmental permits for these facilities, we could be subject to fines or penalties for our past non-compliance.

Because our manufacturing processes generate noise, waste water, gaseous wastes and other industrial wastes, we are required to comply with national and local environmental regulations. If we fail to comply with present or future environmental regulations, we may be required to pay substantial fines, suspend production or cease operations. Any failure by us to control the use or to adequately restrict the discharge of hazardous substances could subject us to potentially significant monetary damages and fines or suspensions in our business operations, which would have a materially adverse effect on our business and results of operations.

In particular, the manufacturing processes for producing polysilicon employ processes that generate toxic waste products, including the highly volatile and highly toxic substance silicon-tetrachloride. We purchase our polysilicon from our suppliers in the United States, Europe and China. If any of our suppliers fails to comply with environmental regulations for the production of polysilicon and the discharge of the highly toxic waste products, we may face negative publicity which may have a material adverse effect on our business and results of operations. Furthermore, if any of our suppliers are forced to suspend or shut down production due to violations of environmental regulations, we may not be able to secure enough polysilicon for our production needs on commercially reasonable terms, or at all.

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

Our future success depends on our ability to significantly increase both our manufacturing capacity and output. If we are unable to do so, we may be unable to expand our business, decrease our costs per watt, maintain our competitive position and improve our profitability. Our ability to establish additional manufacturing capacity and increase output is subject to significant risks and uncertainties, including:

- the need to raise significant additional funds to purchase raw materials or to build additional manufacturing facilities, which we may be unable to obtain on commercially viable terms or at all;
- delays and cost overruns as a result of a number of factors, many of which are beyond our control, such as increases in the price of polysilicon and problems with equipment vendors, particularly with respect to major equipment such as ingot pulling or growing machines;
- delays or denial of required approvals by relevant government authorities;
- diversion of significant management attention and other resources; and
- failure to execute our expansion plan effectively.

If we are unable to establish or successfully operate additional manufacturing capacity, or if we encounter any of the risks described above, we may be unable to expand our business as planned. Moreover, even if we do expand our manufacturing capacity we might not be able to generate sufficient customer demand for our solar power products to support our increased production levels.

In particular, we believe that the expansion of our manufacturing capacity is an integral part of our long-term strategy to achieve a grid parity cost structure. Our ability to meet our estimate for the scale of production needed to achieve grid parity is affected by a number of factors, including our ability to improve and maintain the degree of vertical integration and to increase our efficiencies and margins, the likelihood that we may approach or reach a point of diminishing returns as we continue to expand our scale, the average purchase price we will pay for silicon in the future to meet our expansion requirements, and the cost of conventional grid electricity which will determine at which point grid parity can be reached. We might not be able to meet our desired scale of production in order to fully implement our strategy.

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

Our future success depends substantially on the continued services of our executive officers, especially Mr. Jifan Gao, our chairman and chief executive officer. If one or more of our executive officers or key employees were unable or unwilling to continue in their present positions, we might not be able to replace them easily or at all. Our business may be severely disrupted, our financial condition and results of operations may be materially and adversely affected, and we may incur additional expenses to recruit, train and retain personnel. Since our industry is characterized by high demand and intense competition for talent, we also may not be able to attract or retain additional highly skilled employees or other key personnel that we will need to achieve our strategic objectives. As we are still a relatively young company and our business has grown rapidly, our ability to train and integrate new employees into our operations may not meet the growing demands of our business.

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If any of our executive officers or key employees joins a competitor or forms a competing company, we may lose customers, suppliers, know-how and key professionals and staff members. Each of our executive officers has entered into an employment agreement with us, which contains non-competition provisions. If any dispute arises between our executive officers and us, these agreements may not be enforceable in China in light of the uncertainties with China s legal system, or in another country where they obtain employment. See Risks Related to Doing Business in China Uncertainties with respect to the Chinese legal system could have a material adverse effect on us.

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

Our future success depends, to a significant extent, on our ability to attract, train and retain qualified technical personnel, particularly those with expertise in the solar power industry. There is substantial competition for qualified technical personnel, and we might not be able to attract or retain our qualified technical personnel. If we are unable to do so, our business may be materially and adversely affected.

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

We have experienced a period of rapid growth and expansion that has placed, and continues to place, significant strain on our management personnel, systems and resources. To accommodate our growth, we anticipate that we will need to implement a variety of new and upgraded operational and financial systems, procedures and controls, including the improvement of our accounting and other internal management systems, all of which require substantial management efforts. We also will need to continue to expand, train, manage and motivate our workforce, manage our customer relationships and manage our relationship with foundries and assembly and testing houses. All of these endeavors will require substantial management effort and skill and incurrence of additional expenditures. We might not be able to manage our growth effectively, and any failure to do so may have a material adverse effect on our business.

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

In 2006, 2007 and 2008, we sold approximately 90.7%, 97.9% and 96.3%, respectively, of our products to customers outside of China. The marketing, distribution and sale of our solar power products in the international markets expose us to a number of risks, including:

- fluctuations in currency exchange rates;
- difficulty in engaging and retaining distributors who are knowledgeable about, and can function effectively in, overseas markets;
- increased costs associated with maintaining marketing efforts in various countries;
- difficulty and costs relating to compliance with the different commercial and legal requirements of the overseas markets in which we offer our products;
- 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; and
- demand for solar products in overseas markets as influenced by the worldwide credit crisis and its effects.

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

Our success depends largely on our ability to use and develop our technology and know-how without infringing the intellectual property rights of third parties. The validity and scope of claims relating to solar power technology patents involve complex scientific, legal and factual questions and analysis and, therefore, may be highly uncertain. We may be subject to litigation involving claims of patent infringement or violation of intellectual property rights of third parties. The defense and prosecution of intellectual property suits, patent opposition proceedings and related legal and administrative proceedings can be both costly and time consuming and may significantly divert the efforts and resources of our technical and management personnel. An adverse determination in any such litigation or proceedings to which we may become a party could subject us to significant liability to third parties, require us to seek licenses from third parties, to pay ongoing royalties, or to redesign our products or subject us to injunctions prohibiting the manufacturing 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 failure to protect our intellectual property rights may undermine our competitive position, and litigation to protect our intellectual property rights or defend against third-party allegations of infringement may be costly.***

We rely primarily on patent, trademark, trade secret, copyright law and other contractual restrictions to protect our intellectual property. Nevertheless, these afford only limited protection and the actions we take to protect our intellectual property rights may not be adequate. Third parties may infringe or misappropriate our proprietary technologies or other intellectual property rights, which could have a material adverse effect on our business, financial condition or operating results. Policing unauthorized use of proprietary technology can be difficult and expensive. Also, litigation may be necessary to enforce our intellectual property rights, protect our trade secrets or determine the validity and scope of the proprietary rights of others. 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 rights and may harm our business, prospects and reputation. Implementation of PRC intellectual property-related laws has historically been lacking, primarily because of ambiguities in the PRC laws and difficulties in enforcement. Accordingly, intellectual property rights and confidentiality protections in China may not be as effective as in the United States or other countries.

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

As with other solar power product manufacturers, we are exposed to risks associated with product liability claims if the use of our solar power products results in injury. Since our products generate electricity, it is possible that users could be injured or killed by our products as a result of product malfunctions, defects, improper installation or other causes. We only began commercial shipment of our PV modules in November 2004 and, because of our limited operating history, we cannot predict whether product liability claims will be brought against us in the future or the effect of any resulting negative publicity on our business. Moreover, we do not have any product liability insurance and may not have adequate resources to satisfy a judgment in the event of a successful claim against us. The successful assertion of product liability claims against us could result in potentially significant monetary damages and require us to make significant payments.

***If we fail to maintain an effective system of internal control over financial reporting, we may lose investor confidence in the reliability of our financial statements.***

We are subject to reporting obligations under the U.S. securities laws. The SEC, as required by Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, adopted rules requiring every public company to include a management report on such company s internal control over financial reporting in its annual report, which contains management s assessment of the effectiveness of the company s internal control over financial reporting. In addition, an independent registered public accounting firm must render an opinion on the effectiveness of the company s internal control over financial reporting.

Our management has concluded that our internal control over financial reporting is effective as of December 31, 2008. See Item 15. Control and Procedures. If we fail to maintain effective internal control over financial reporting in the future, it could result in the loss of investor confidence in the reliability of our financial statements and negatively impact the trading price of our ADSs. Furthermore, we have incurred and anticipate that we will continue to incur considerable costs, management time and other resources in an effort to comply with Section 404 and other requirements of the Sarbanes-Oxley Act.

***Trina or Trina China may be required by the PRC tax authorities to withhold capital gains tax arising out of our restructuring in May 2006.***

In connection with our restructuring in May 2006, certain former shareholders of Trina China transferred their equity interests in Trina China to Trina for a nominal consideration. As a result of the nominal consideration paid in these related party transactions, such consideration may be subject to pricing reassessment by the PRC tax authorities, leading to a recognition of capital gains by the transferring shareholders which would be subject to PRC tax. PRC tax law provides a safe harbor exemption from such capital gains tax in the case of an intra-group restructuring. While our restructuring does not fall squarely within the requirements for the safe harbor, we believe that the PRC tax authorities may deem the restructuring to meet substantially all of the requirements for the safe harbor for tax-free treatment. The PRC tax authorities could, however, deem these transferring shareholders to have realized capital gains as a result of the restructuring.

Under PRC tax law, if a transferor is a foreign person without a presence in China, the transferee is obligated to withhold tax on any of the transferors gains arising from the transaction. As all of these transferring shareholders are deemed to be foreign persons without a presence in China, Trina China may be required to withhold tax on capital gains deemed to have been received by these former shareholders. These former shareholders have agreed to indemnify us against any withholding obligations or liabilities due to or imposed by the PRC tax authorities that may arise out of the restructuring. The PRC tax authorities could impose such withholding obligation on Trina or Trina China or impose fines or penalties on Trina or Trina China for its failure to make such withholding. If such withholding obligation is imposed and we are not indemnified by these transferring shareholders, our potential tax exposure would be approximately $2.8 million, excluding any fines or penalties. The amount of such fines or penalties is difficult to estimate as the determination of whether any such fines or penalties would be imposed and the amount of such fines or penalties are at the discretion of the PRC tax authorities.

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

Our principal shareholders have substantial influence over our business, including decisions regarding mergers, consolidations and the sale of all or substantially all of our assets, election of directors and other significant corporate actions. This concentration of ownership may discourage, delay or prevent a change in control of our company, which could deprive our shareholders of an opportunity to receive a premium for their shares as part of a sale of our company and might reduce the price of our ADSs. These actions may be taken even if they are opposed by our other shareholders. Furthermore, our articles of association contain a quorum requirement of at least one-third of our total outstanding shares present in person or by proxy. Two or more shareholders with an aggregate shareholding of more than one-third could constitute a quorum and approve actions which may not be in the best interests of our other shareholders.

***Fluctuations in exchange rates could adversely affect our business.***

The value of the Renminbi against the U.S. dollar, Euro and other currencies is affected by, among other things, changes in China s political and economic conditions and China s foreign exchange policies. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi to the U.S. dollar. Under the new policy, the Renminbi was permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. This change in policy caused the Renminbi to appreciate approximately 21.5% against the U.S. dollar over the following three years. Since reaching a high against the U.S. dollar in July 2008, however, the Renminbi has traded within a narrow band against the U.S. dollar, remaining within 1% of its July 2008 high but never exceeding it. As a consequence, the Renminbi has fluctuated sharply since July 2008 against other freely traded currencies, in tandem with the U.S. dollar. For example, the Renminbi appreciated approximately 27% against the Euro between July 2008 and November 2008. It is difficult to predict how long the current situation may last and when and how it may change again.

Most of our sales are denominated in U.S. dollars and Euros, with the remainder in Renminbi, while a substantial portion of our costs and expenses is denominated in U.S. dollars, with the remainder in Renminbi. Fluctuations in exchange rates, particularly among the U.S. dollar, Renminbi and Euro, may affect our net profit margins and could result in fluctuations in foreign currency exchange and operating gains and losses. We incurred a foreign exchange loss of approximately $11.8 million in 2008. 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, as we rely entirely on dividends paid to us by our operating subsidiaries in China, any significant revaluation of the Renminbi may have a material adverse effect on our revenues and financial condition, and the value of, and any dividends payable on, our common shares. For example, to the extent that we need to convert U.S. dollars into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we receive from the conversion. Conversely, if we decide to convert our Renminbi into U.S. dollars for the purpose of making payments for dividends on our common shares or for other business purposes, appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amount available to us. As a large proportion of our revenues are paid to us in Euros, fluctuation between the Euro and the RMB may also have a material effect on our results of operations.

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In October and December 2008, we entered into a series of foreign currency forward contracts with two commercial banks to hedge our exposure to foreign currency exchange risk. As of December 31, 2008, we had foreign currency forward contracts with a total contract value of approximately 24.0 million ($33.9 million). We do not use foreign currency forward contracts to hedge all of our foreign currency denominated commitments. As with all hedging instruments, there are risks associated with the use of foreign currency forward contracts. While the use of such foreign currency forward contracts provides us with protection from certain fluctuations in foreign currency exchange, we potentially forgo the benefits that might result from favorable fluctuations in foreign currency exchange. Any default by the counterparties to these transactions could adversely affect our financial condition and results of operations. Furthermore, these financial hedging transactions may not provide adequate protection against future foreign currency exchange rate fluctuations and, consequently, such fluctuations could adversely affect our financial condition and results of operations.

**Risks Related to Doing Business in China**

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

All of our business operations are conducted in China and some of our sales are made in China. Accordingly, our business, financial condition, results of operations and prospects are affected significantly by economic, political and legal developments in China. The Chinese economy differs from the economies of most developed countries in many respects, including:

- the amount of government involvement;
- the level of development;
- the growth rate;
- the control of foreign exchange; and
- the allocation of resources.

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

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

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

We conduct substantially all of our manufacturing operations through our wholly-owned subsidiary, Trina China, a limited liability company established in China. Trina China is generally subject to laws and regulations applicable to foreign investment in China and, in particular, laws applicable to wholly foreign-owned enterprises. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since 1979, PRC legislation and regulations have significantly enhanced the protections afforded to various forms of foreign investments in China. However, since these laws and regulations are relatively new and the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involves uncertainties. 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, the preemption of local regulations by national laws, or the overturn of local government decisions by the superior government. These uncertainties may limit legal protections available to us. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

***Our ability to make distributions and other payments to our shareholders depends to a significant extent upon the distribution of earnings and other payments made by Trina China.***

We conduct substantially all of our operations through Trina China. Our ability to make distributions or other payments to our shareholders depends on payments from Trina China, whose ability to make such payments is subject to PRC regulations. Regulations in the PRC currently permit payment of dividends only out of accumulated profits as determined in accordance with accounting standards and regulations in China. According to the relevant PRC laws and regulations applicable to Trina China and its articles of association, Trina China is required to set aside at least 10% of its after-tax profit based on PRC accounting standards each year to its general reserves until the accumulative amount of these reserves reaches 50% of its registered capital. These reserves are not distributable as cash dividends. As of December 31, 2008, these general reserves amounted to $14.2 million, accounting for 7.5% of the registered capital of Trina China. In addition, under the new EIT Law that became effective in January 2008, dividends from Trina China to us are subject to a 10% withholding tax. See Our business benefits from certain PRC government tax incentives, and the expiration of, or changes to, these incentives could have a material adverse effect on our results of operations and Item 4. Information on the Company Regulation Tax. Furthermore, if Trina China incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us.

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

Certain portions of our revenues and expenses are denominated in Renminbi. If our revenues denominated in Renminbi increase or expenses denominated in Renminbi decrease in the future, we may need to convert a portion of our revenues into other currencies to meet our foreign currency obligations, including, among others, payment of dividends declared, if any, in respect of our ordinary shares or ADSs. Under China s existing foreign exchange regulations, Trina China is able to pay dividends in foreign currencies without prior approval from the State Administration of Foreign Exchange, or SAFE, by complying with certain procedural requirements. However, the PRC government could take further measures in the future to restrict access to foreign currencies for current account transactions.

Foreign exchange transactions by Trina China under capital accounts continue to be subject to significant foreign exchange controls and require the approval of, or registration with, PRC governmental authorities. In particular, if Trina China borrows foreign currency loans from us or other foreign lenders, these loans must be registered with the SAFE, and if we finance Trina China by means of additional capital contributions, these capital contributions must be approved by certain government authorities including the Ministry of Commerce or its local counterparts. These limitations could affect the ability of Trina China to obtain foreign exchange through debt or equity financing.

***Our business benefits from certain PRC government tax incentives, and expiration of, or changes to, these incentives.***

The PRC government has provided various incentives to foreign invested enterprises, although these incentives are subject to the new Enterprise Income Tax Law as discussed below. Because Trina China is a foreign invested enterprise engaged in manufacturing businesses and located in Changzhou, which is within a coastal economic zone, it was entitled to a preferential enterprise income tax rate of 24%. In addition, Trina China was qualified as an advanced technological enterprise and, as a result, enjoyed a preferential enterprise income tax rate of 12% for the years 2004 to 2006. As the tax benefit for an advanced technological enterprise expired in 2006, the tax rate of Trina China increased to 27% (24% enterprise income tax plus 3% local income tax) in 2007. Trina China made several additional capital investments during 2006, 2007 and 2008. Income from incremental investment to the registered capital of a foreign invested enterprise was entitled to a two-year exemption and a 50% reduction of the applicable income tax rate for the succeeding three years. Trina China s registered capital was increased from $7.28 million in 2005 to $40.0 million in 2006 and to $120 million in 2007. Accordingly, for the year 2007, an income tax rate of 12% was applied to 18.2% of Trina China s taxable profit and 81.8% of its taxable profit was exempted from income taxes. However, the additional capital investments made in 2008 were not entitled to additional tax holidays. Due to varying applicable tax rates in each quarter of 2008 caused by the various additional capital investments, the tax authority agreed that we could use a blended EIT rate for 2008.

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The Enterprise Income Tax Law and its Implementation Regulations, or the new EIT Law, which became effective January 1, 2008, imposes a uniform tax rate of 25% on all PRC enterprises, including foreign-invested enterprises, and eliminates or modifies most of the tax exemptions, reductions and preferential treatments available under the previous tax laws and regulations. Under the new EIT law, enterprises that were established before March 16, 2007 and already enjoy preferential tax treatments will (i) in the case of preferential tax rates, continue to enjoy the tax rates which will be gradually increased to the new tax rates within five years from January 1, 2008 or (ii) in the case of preferential tax exemption or reduction for a specified term, continue to enjoy the preferential tax holiday until the expiration of such term. In addition, certain enterprises may still benefit from a preferential tax rate of 15% under the new EIT Law if they qualify as high and new technology enterprises strongly supported by the State, subject to certain general factors described therein. In September 2008, Trina China obtained the High and New Technology Enterprise Certificate with a valid term of three years starting from 2008. Therefore, Trina China is entitled to a preferential income tax rate of 15% in 2008, 2009 and 2010, as long as it maintains its qualification as a high and new technology enterprise under the new EIT Law. If Trina China fails to maintain the high and new technology enterprise qualification, its applicable EIT rate may increase to up to 25%, which could have a material adverse effect on our results of operations. In addition, in April 2009, we received a notice from the State Tax Bureau of Changzhou Hi-tech Development Zone notifying us that the exemption and 50% tax reduction for Trina China s taxable profit representing the proportion of increase in registered capital expired on December 31, 2007. As a result, we expect to make an additional income tax payment of $6.5 million in 2009. We cannot assure you that we will be able to maintain our current effective tax rate in the future. Any discontinuation of preferential tax treatment or any increase of the enterprise income tax rate applicable to Trina China could have a material adverse effect on our financial condition and results of operations.

***The dividends we receive from our PRC subsidiaries and our global income may be subject to PRC tax under the new EIT law, which would have a material adverse effect on our results of operations; our foreign ADS holders may be subject to a PRC withholding tax upon the dividends payable by us and upon gains realized on the sale of our ADSs, if we are classified as a PRC resident enterprise.***

Under the new EIT law, dividends, interests, rents and royalties payable by a foreign-invested enterprise in the PRC to its foreign investor who is a non-resident enterprise, as well as gains on transfers of shares of a foreign-invested enterprise in the PRC by such a foreign investor, will be subject to a 10% withholding tax, unless such non-resident enterprise s jurisdiction of incorporation has a tax treaty with the PRC that provides for a reduced rate of withholding tax. The Cayman Islands, where Trina is incorporated, does not have such a tax treaty with the PRC. Therefore, if Trina is considered a non-resident enterprise for purposes of the new EIT law, this new 10% withholding tax imposed on dividends paid to Trina by its PRC subsidiaries would reduce Trina s net income and have an adverse effect on Trina s operating results.

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Under the new EIT law, an enterprise established outside the PRC with its de facto management body within the PRC is considered a resident enterprise and will be subject to the enterprise income tax at the rate of 25% on its worldwide income. The de facto management body is defined as the organizational body that effectively exercises overall management and control over production and business operations, personnel, finance and accounting, and properties of the enterprise. It remains unclear how the PRC tax authorities will interpret such a broad definition. Substantially all of Trina s management members are based in the PRC. If the PRC tax authorities subsequently determine that Trina should be classified as a resident enterprise, then Trina s worldwide income will be subject to income tax at a uniform rate of 25%, which may have a material adverse effect on Trina s financial condition and results of operations. Notwithstanding the foregoing provision, the new EIT law also provides that, if a resident enterprise directly invests in another resident enterprise, the dividends received by the investing resident enterprise from the invested enterprise are exempted from income tax, subject to certain conditions. Therefore, if Trina is classified as a resident enterprise, the dividends received from its PRC subsidiary may be exempted from income tax. However, it remains unclear how the PRC tax authorities will interpret the PRC tax resident treatment of an offshore company, like Trina, having ownership interest in a PRC enterprise.

Moreover, under the new EIT law, a withholding tax at the rate of 10% is applicable to dividends payable to investors that are non-resident enterprises, which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such interest or dividends have their sources within the PRC unless such non-resident enterprises can claim treaty protection. As such, these non-resident enterprises would enjoy a reduced withholding tax from treaty. Similarly, any gain realized on the transfer of ADSs or shares by such investors is also subject to a 10% withholding tax if such gain is regarded as income derived from sources within the PRC. If Trina is considered a PRC resident enterprise, it is unclear whether the dividends Trina pays with respect to its ordinary shares or ADSs, or the gain you may realize from the transfer of Trina s ordinary shares or ADSs, would be treated as income derived from sources within the PRC and be subject to PRC withholding tax.

***The approval of the Chinese Securities Regulatory Commission might have been required in connection with our initial public offering, and, if required, we could be subject to sanction, fines and other penalties.***

On August 8, 2006, six PRC regulatory agencies, including the Chinese Securities Regulatory Commission, or CSRC, promulgated the Regulation on Mergers and Acquisitions of Domestic Companies by Foreign Investors, which became effective on September 8, 2006. This new regulation, among other things, requires offshore special purpose vehicles, formed for overseas listing purposes through acquisitions of PRC domestic companies and controlled by PRC individuals, to obtain the approval of the CSRC prior to publicly listing their securities on an overseas stock exchange. On September 21, 2006, the CSRC published a notice specifying the documents and materials that are required to be submitted for obtaining CSRC approval. Based on the advice we received from Fangda Partners, our PRC counsel, we did not seek the CSRC approval in connection with our initial public offering as we believe that this regulation does not apply to us and that CSRC approval is not required because (1) Trina is not a special purpose vehicle formed for the purpose of acquiring a PRC domestic company because Trina China was a foreign-invested enterprise before it was acquired by Trina, and, accordingly, Trina China did not fall within the definition of a PRC domestic company as set forth in the new regulation; and (2) such acquisition was completed before the new regulation became effective.

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The interpretation and application of the New M&A Rule remains unclear, and we cannot assure you that our initial public offering did not require approval from the CSRC. If the CSRC or other PRC regulatory body subsequently determines that the CSRC s approval was required for our initial public offering, we may face sanctions by the CSRC or other PRC regulatory agencies. In that case, these regulatory agencies may impose fines and penalties on our operations in the PRC, limit our operating privileges in the PRC, restrict or prohibit payment or remittance of dividends by Trina 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 regulations also established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex, including requirements in some instances that the Ministry of Commerce, or MOFCOM, be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. As we may grow our business in part by acquiring complementary businesses in the future, complying with the requirements of the new regulations to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from the MOFCOM, may delay or inhibit our ability to complete such transactions. Any such delay or inability to obtain applicable approvals to complete our potential future acquisitions could affect our ability to expand our business or maintain our market share.

***Recent regulations relating to offshore investment activities by PRC residents may limit our ability to acquire PRC companies and could adversely affect our business, financial condition and results of operations. The regulations also establish more complex procedures for acquisitions by foreign investors, which could make it more difficult to pursue growth through acquisitions.***

In October 2005, SAFE promulgated a regulation known as Circular No. 75 that states that if PRC residents use assets or equity interests in their PRC entities as capital contributions to establish offshore companies or inject assets or equity interests of their PRC entities into offshore companies to raise capital overseas, they must register with local SAFE branches with respect to their overseas investments in offshore companies. They must also file amendments to their registrations if their offshore companies experience material events involving capital variation, such as changes in share capital, share transfers, mergers and acquisitions, spin-off transactions, long-term equity or debt investments or uses of assets in China to guarantee offshore obligations. Under this regulation, failure to comply with the registration procedures set forth in such regulation may result in restrictions being imposed on the foreign exchange activities of the relevant PRC entity, including the payment of dividends and other distributions to its offshore parent, as well as restrictions on the capital inflow from the offshore entity to the PRC entity. While we believe our shareholders have complied with existing SAFE registration procedures, any future failure by any of our shareholders who is a PRC resident, or controlled by a PRC resident, to comply with relevant requirements under this regulation could subject our company to fines or sanctions imposed by the PRC government, including restrictions on Trina China s ability to pay dividends or make distributions to us and our ability to increase our investment in or to provide loans to Trina China.

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On December 25, 2006, the People s Bank of China promulgated the Measures for Administration of Individual Foreign Exchange. On January 5, 2007, the SAFE promulgated Implementation Rules for those measures and on March 28, 2007, the SAFE further promulgated the Operating Procedures on Administration of Foreign Exchange regarding PRC Individuals Participation in Employee Share Ownership Plans and Employee Stock Option Plans of Overseas Listed Companies (collectively, referred to as the Individual Foreign Exchange Rules ). According to the Individual Foreign Exchange Rules, PRC citizens who are granted shares or share options by a company listed on an overseas stock market according to its employee share option or share incentive plan are required to register with the SAFE or its local counterparts by following certain procedures. We and our employees who are PRC citizens and individual beneficiary owners, or have been granted restricted shares or share options, may be subject to the Individual Foreign Exchange Rules. The failure of our PRC individual beneficiary owners and the restricted holders to complete their SAFE registrations pursuant to the SAFE Jiangsu Branch s requirement or the Individual Foreign Exchange Rules may subject these PRC citizens to fines and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiaries, limit our PRC subsidiaries ability to distribute dividends to us or otherwise materially adversely affect our business.

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

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

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

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

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**Risks Related to Our Ordinary Shares and ADSs**

***The market price for our ADSs has been and is likely to continue to be highly volatile.***

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

- announcements of technological or competitive developments;
- regulatory developments in our target markets affecting us, our customers or our competitors;
- announcements of studies and reports relating to the conversion efficiencies of our products or those of our competitors;
- actual or anticipated fluctuations in our quarterly operating results;
- changes in financial estimates by securities research analysts;
- changes in the economic performance or market valuations of other solar power technology companies;
- addition or departure of our executive officers and key research personnel;
- announcements regarding patent litigation or the issuance of patents to us or our competitors;
- conditions affecting general economic performance in the United States;
- fluctuations in the exchange rates between the U.S. dollar, the Euro and Renminbi;
- release or expiry of lock-up or other transfer restrictions on our outstanding ordinary shares; and
- sales or perceived sales of additional 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. For example, financial markets have experienced extreme disruption in recent months, including, among other things, extreme volatility in securities prices. In the event of a continuing market downturn, the market price of our ADSs may decline further.

***Holders of our ADSs do not have the same voting rights as the holders of our ordinary shares and may not receive voting materials in time to be able to exercise their right to vote.***

Holders of our ADSs are not treated as shareholders. Instead, the depositary will be treated as the holder of the shares underlying the ADSs. Holders of our ADSs, however, may exercise some of the shareholders rights through the depositary and have the right to withdraw the shares underlying their ADSs from the deposit facility.

Except as described in this annual report and provided in the deposit agreement, holders of our ADSs will not be able to exercise voting rights attaching to the shares evidenced by our ADSs on an individual basis. Holders of our ADSs may instruct the depositary to exercise the voting rights attaching to the shares represented by the ADSs. If no instructions are received by the depositary on or before a date established by the depositary, the depositary shall deem the holders to have instructed it to give a discretionary proxy to a person designated by us to exercise their voting rights. Holders of our ADSs may not receive voting materials in time to instruct the depositary to vote, and holders of our ADSs, or persons who hold their ADSs through brokers, dealers or other third parties, might not have the opportunity to exercise a right to vote.

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***We have adopted a shareholders rights plan, which, together with the other anti-takeover provisions of our articles of association, could discourage a third party from acquiring us, which could limit our shareholders opportunity to sell their shares, including ordinary shares represented by our ADSs, at a premium.***

In November 2006, we adopted our amended and restated articles of association, which became effective immediately upon completion of our initial public offering in December 2006. Our current articles of association contain provisions that limit the ability of others to acquire control of our company or cause us to engage in change-of-control transactions. In November 2008, our board of directors adopted a shareholders rights plan. Under this rights plan, one right was distributed with respect to each of our ordinary shares outstanding at the closing of business on December 1, 2008. These rights entitle the holders to purchase ordinary shares from us at half of the market price at the time of purchase in the event that a person or group obtains ownership of 15% or more of our ordinary shares (including by acquisition of the ADSs representing an ownership interest in the ordinary shares) or enters into an acquisition transaction without the approval of our board of directors.

This rights plan and the other anti-takeover provisions of our articles of association could have the effect of depriving our shareholders of an opportunity to sell their shares at a premium over prevailing market prices by discouraging third parties from seeking to obtain control of our company in a tender offer or similar transaction. Our existing authorized ordinary shares confer on the holders of our ordinary shares equal rights, privileges and restrictions. Our board of directors may, without further action by our shareholders, issue additional ordinary shares, or issue shares of a preferred class and attach to such shares special rights, privileges or restrictions, which may be different from those associated with our ordinary shares, up to the amount of the authorized capital and the number of authorized shares of our company. Preferred shares could also be issued with terms calculated to delay or prevent a change in control of our company or make removal of management more difficult. If our board of directors decides to issue ordinary shares or preferred shares, the price of our ADSs and the notes may fall and the voting and other rights of the holders of our ordinary shares and ADSs may be materially and adversely affected.

***Holders of our ADSs may not be able to participate in rights offerings that are made available to our shareholders, and may not receive cash dividends if it is impractical to make them available to them.***

We may from time to time distribute rights to our shareholders, including rights to acquire our securities. Under the deposit agreement, the depositary bank will not make rights available to holders of our ADSs unless the distribution to ADS holders of both the rights and any related securities are either registered under the Securities Act of 1933, as amended, or 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, holders of our ADSs may be unable to participate in our rights offerings and may experience dilution in their holdings.

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In addition, the depositary of our ADSs has agreed to pay to holders of our ADSs 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. Holders of our ADSs will receive these distributions in proportion to the number of ordinary shares their ADSs represent. However, the depositary may, at its discretion, decide that it is inequitable or impractical to make a distribution available to any holders of ADSs. For example, the depositary may determine that it is not practicable to distribute certain property through the mail, or that the value of certain distributions may be less than the cost of mailing them. In these cases, the depositary may decide not to distribute such property and holders of our ADSs will not receive such distribution.

***Holders of our ADSs may be subject to limitations on transfer of their ADSs.***

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

***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, our shareholders may have less protection for their shareholder rights than they would under U.S. law.***

Our corporate affairs are governed by our memorandum and articles of association, the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and the common law of the Cayman Islands. The rights of shareholders to take action against the directors, actions by minority shareholders and the fiduciary responsibilities of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as that from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedent in some jurisdictions in the United States. In particular, the Cayman Islands has a less developed body of securities laws than the United States. In addition, some U.S. states, such as Delaware, have more fully developed and judicially interpreted bodies of corporate law than the Cayman Islands. As a result of all of the above, 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. The limitations described above will also apply to the depositary, which is treated as the holder of the shares underlying our ADSs.

***You may have difficulty enforcing judgments obtained against us.***

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

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## Item 4. Information on the Company

A. History and Development of the Company

Our legal and commercial name is Trina Solar Limited. Our predecessor company, Changzhou Trina Solar Energy Co., Ltd., or Trina China, was incorporated in December 1997. In anticipation of our initial public offering, we incorporated Trina in the Cayman Islands as a listing vehicle on March 14, 2006. Trina acquired all of the equity interests in Trina China through a series of transactions that have been accounted for as a recapitalization and Trina China became our wholly-owned subsidiary. We conduct substantially all of our operations through Trina China. In December 2006, we completed our initial public offering of our ADSs and listed our ADSs on the NYSE. In June 2007, we completed a follow-on public offering of our ADSs. In July 2008, we completed public offerings of $138 million aggregate principal amount of convertible senior notes due 2013 and 4,073,194 ADSs for a related ADS borrow facility.

Our principal executive offices are located at No. 2 Tian He Road, Electronics Park, New District, Changzhou, Jiangsu 213031, People s Republic of China. Our telephone number at this address is (+86) 519 8548-2008 and our fax number is (+86) 519 8517-6025. Our registered office in the Cayman Islands is located at the offices of Codan Trust Company (Cayman) Limited, 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 offices set forth above. Our website is www.trinasolar.com. The information contained on our website does not form part of this annual report. Our agent for service of process in the United States is CT Corporation System located at 111 Eighth Avenue, New York, New York 10011.

B. Business Overview

**Overview**

We are an integrated solar-power products manufacturer based in China. Since we began our solar-power products business in 2004, we have integrated the manufacturing of ingots, wafers and solar cells for use in our PV module production. Our PV modules provide reliable and environmentally-friendly electric power for residential, commercial, industrial and other applications worldwide.

We produce standard monocrystalline PV modules ranging from 165 watts (W) to 230 W in power output and multicrystalline PV modules ranging from 210 W to 230 W in power output. Our PV modules are built to general specifications as well as to our customers and end-users specifications. We sell and market our products worldwide, including in a number of European countries, such as Germany, Spain and Italy, where government incentives have accelerated the adoption of solar power. We are also targeting sales in emerging solar power markets such as the Benelux market, China, Czech Republic, France, South Korea and the United States. We sell our products to distributors, wholesalers and PV system integrators, including Enipower Spa, Gestamp Solar S.L. and IBC Solar AG.

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In the past, we addressed the industry-wide shortage of polysilicon by establishing supply relationships with several global and domestic silicon distributors, silicon manufacturers, semiconductor manufacturers and silicon processing companies. As a result, we have developed strong relationships with several suppliers. In addition, our experience and know-how in manufacturing monocrystalline based products have enabled us to use a portion of low-cost, reclaimable silicon raw materials in the production of ingots, as compared to other manufacturing methods generally used in the industry. We also expanded our platform in November 2007 to include the production of multicrystalline ingots, wafers and solar cells for use in our PV module production. In 2008, we used a higher proportion of virgin polysilicon than in the past several years as polysilicon became widely available in the market and we were able to have access to high quality and a stable supply of polysilicon. In the fourth quarter of 2008, reclaimable silicon materials accounted for no more than 25% of our total silicon requirements, compared to approximately 80% in the fourth quarter of 2007. We purchase polysilicon and reclaimable silicon materials from our network of over 20 suppliers. We also capitalize on our low-cost manufacturing capability in China to produce quality products at competitive costs.

As of December 31, 2008, we had an annual module manufacturing capacity of approximately 350 megawatts (MW). We expect to increase our total annual production capacity from ingots to PV modules by up to 200 MW to a total of up to 550 MW by the end of 2009. The specific increase will be based on market visibility in both customer demand and the commercial lending environment to finance PV system installations in our respective sales markets. We are implementing a strategy to focus on preserving cash, which includes reducing costs and reviewing and taking a prudent approach towards our capital expansion plan. Accordingly, we cannot assure you that we will not revise our capacity expansion plan after we finalize our review.

We began our research and development efforts in solar products in 1999. In 2002, we began our system integration business, in late 2004, we began our current PV module business, and in April 2007, we began our production of solar cells. In 2006, 2007 and 2008, we had net revenues of $114.5 million, $301.8 million and $831.9 million, respectively, and net income of $13.2 million, $35.4 million and $61.4 million, respectively, from our continuing operations.

**Products**

We design, develop, manufacture and sell PV modules. PV modules are arrays of interconnected solar cells encased in a weatherproof frame. We produce standard solar monocrystalline modules ranging from 165 W to 230 W in power output and multicrystalline modules ranging from 210 W to 230 W in power output, built to general specifications for use in a wide range of residential, commercial, industrial and other solar power generation systems. The variation in power output is based on the conversion efficiency of the cells used in our PV modules, as well as the types of cells. We assemble PV modules either from monocrystalline or multicrystalline cells. We also design and produce PV modules based on our customers specifications. Our PV modules are sealed, weatherproof and able to withstand high levels of ultraviolet radiation and moisture. We sell our modules under our own brand.

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**Manufacturing**

We manufacture ingots, wafers, cells and modules. As of December 31, 2008, our facilities include ingot, wafer, cell and module production lines with annual manufacturing capacity of approximately 350 MW for each segment in our value chain. We expect to increase our total annual production capacity from ingots to PV modules by up to 200 MW in 2009. The specific increase will be based on market visibility in both customer demand and the commercial lending environment to finance PV system installations in our respective sales markets. We are implementing a strategy to focus on preserving cash, which includes reducing costs and reviewing and taking a prudent approach towards our capital expansion plan. Accordingly, we cannot assure you that we will not revise our capacity expansion plan after we finalize our review. The following table sets forth our manufacturing capacity and production output in MW equivalent of module production as a result of our ramp-up for each of our facilities.

| Manufacturing Facility | Manufacturing Commencement Date | Annual Manufacturing Capacity as of December 31, 2008 | Production Output for the Year Ended December 31, 2008 | Estimated Maximum Annual Manufacturing Capacity as of December 31, 2009 |
|---|---|---|---|---|
| Silicon ingots | August 2005 | 350 MW [1] | 166 MW [2] | 550 MW |
| Silicon wafers | February 2006 | 350 MW [1] | 194 MW [2] | 550 MW |
| Solar cells | April 2007 | 350 MW [1] | 209 MW [2] | 550 MW |
| PV modules | November 2004 | 350 MW [1] | 211 MW | 550 MW |

(1) These are approximate figures due to discrepancies of the manufacturing capacity for each stage of our solar power value chain.

(2) Includes modules produced but not shipped as of December 31, 2008.

*Silicon feedstock*. We purchase polysilicon and reclaimable silicon raw materials from various suppliers, including silicon distributors, silicon manufacturers, semiconductor manufacturers and silicon processing companies. We test and categorize reclaimable silicon raw materials based on their technical properties. These reclaimable silicon raw materials then undergo mechanical grinding and chemical cleaning before they are mixed using our proprietary formula. Our ability to mix the materials in the right proportion is

critical to the production of high-quality silicon ingots. In the fourth quarter of 2008, we had an average silicon usage of approximately 6.3 grams per watt, compared to approximately 8.0 grams per watt in the fourth quarter of 2007.

*Ingots*. We began manufacturing monocrystalline ingots in August 2005 with pulling machines. As of December 31, 2008, we had 110 pulling machines for manufacturing monocrystalline ingots, which can yield 110 MW of modules annually based on current manufacturing processes, and 45 directional solidification system (DSS) furnaces for the manufacturing of multicrystalline ingots, which can yield 240 MW of modules annually based on current manufacturing processes.

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To produce monocrystalline silicon ingots, silicon raw materials are first melted in a quartz crucible in the pulling furnace. Then, a thin crystal seed is dipped into the melted material to determine the crystal orientation. The seed is rotated and then slowly extracted from the melted material which solidifies on the seed to form a single crystal.

We began commercial production of multicrystalline ingots in November 2007. To produce multicrystalline ingots, molten silicon is changed into a block through a casting process in a DSS furnace. Crystallization starts by gradually cooling the crucibles in order to create multicrystalline ingot blocks. The resulting ingot blocks consist of multiple smaller crystals as opposed to the single crystal of a monocrystalline ingot.

*Wafers*. Currently, we slice monocrystalline wafers to a 170 micron or 180 micron thickness and multicrystalline wafers to a 180 micron thickness, while maintaining a low breakage rate. We began manufacturing wafers in February 2006. After the ingots are inspected, monocrystalline ingots are squared by squaring machines. Through high-precision cutting techniques, the squared ingots are then sliced into wafers by wire saws using steel wires and silicon carbon powder. To produce multicrystalline wafers, multicrystalline ingots are first cut into pre-determined sizes. After a testing process, the multicrystalline ingots are cropped and the usable parts of the ingots are sliced into wafers by wire saws by the same high-precision cutting techniques as used for slicing monocrystalline wafers. After being inserted into frames, the wafers go through a cleansing process to remove debris from the previous processes, and are then dried. Wafers are inspected for contaminants then packed and transferred to our solar cell production facilities. Our annual wafer manufacturing capacity as of December 31, 2008 was approximately 350 MW of modules based on current manufacturing processes.

*Solar cells.* We currently produce our own solar cells for use in our PV modules. We have historically purchased solar cells from third-party solar cell manufacturers. After we installed our ingot and wafer production lines, we began manufacturing ingots and wafers in-house and outsourced the fabrication of solar cells to solar cell manufacturers. To reduce our dependence on third-party solar cell manufacturers and to increase our efficiencies both in solar cell and PV module manufacturing, we began the production of monocrystalline cells in April 2007 and achieved a conversion efficiency of up to 17.5% as of December 31, 2008. In November 2007, we began producing multicrystalline cells and achieved a conversion efficiency of up to 16.3% as of December 31, 2008. In 2008, we were able to meet our solar cell needs with our in-house production capabilities. We currently have 14 production lines with an annual manufacturing capacity of approximately 350 MW.

To manufacture solar cells, the crystalline silicon wafer is used as the base substrate. After cleaning and texturing the surface, emitter is formed through a diffusion process. The front and back sides of the wafer are then isolated using the plasma etching technique, the oxide formed during the diffusion process is removed and thus an electrical field is formed. We then apply an anti-reflective coating to the surface of the cell using plasma enhanced chemical vapors to enhance the absorption of sunlight. The front and back sides of the cell are screen printed with metallic inks and the cell then undergoes a fire treatment in order to preserve its mechanical and electrical properties. The cell is tested and classified according to its parameters.

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*PV modules*. We began module manufacturing in November 2004. We increased our annual manufacturing capacity of modules from approximately 6 MW per year as of November 2004 to approximately 350 MW per year as of December 31, 2008. We currently have 26 production lines.

To assemble PV modules, we interconnect multiple solar cells by taping and stringing the cells into a desired electrical configuration. The interconnected cells are laid out, laminated in a vacuum, cured by heating and then packaged in a protective light-weight aluminum frame. Through this labor-intensive process, our PV modules are sealed and become weatherproof and are able to withstand high levels of ultraviolet radiation and moisture.

PV module assembly remains a labor intensive process. We leverage China s lower labor costs by using a greater degree of labor in our manufacturing process when it proves to be more efficient and cost-effective than using automated equipment. We are in close proximity to Chinese solar equipment manufacturers that offer many of the solar manufacturing equipment we require at competitive prices compared to most similar machinery offered by international solar equipment manufacturers.

Depending on prevailing market prices of silicon raw materials, from time to time we purchase ingots and wafers from manufacturers to take advantage of favorable market prices relative to other silicon raw materials. We also purchase wafers to supplement any shortfalls we have with respect to our production capacity or to take advantage of favorable market conditions. As a result, we have developed relationships with various international and domestic suppliers of ingots and wafers.

**Silicon Raw Material Supplies**

Our business depends on our ability to obtain silicon raw materials, including polysilicon, reclaimable silicon raw materials and, from time to time, ingots. We procure polysilicon from international manufacturers as well as international and domestic distributors, and purchase reclaimable silicon raw materials from over 20 suppliers, including semiconductor manufacturers and silicon processing companies. In addition to our headquarters, we have four offices located in Asia and Europe to conduct procurement activities. We believe our procurement team s geographical proximity to the supply sources helps us better communicate with the suppliers and respond to them more efficiently. We believe our efforts to procure silicon raw materials from various sources will enable us to better control the silicon supply chain, increase manufacturing efficiency, and reduce margin pressure.

According to Solarbuzz, the average long-term supply contract price of polysilicon increased from approximately $45 to $50 per kilogram delivered in 2006 to $60 to $65 in 2007 and further increased to $60 to $75 per kilogram in 2008. In addition, according to Solarbuzz, spot prices for solar grade polysilicon were in the range of $230 to $375 per kilogram for most of the first half of 2008, rose to a peak of $400 to $450 per kilogram by mid-2008, and decreased rapidly to $150 to $300 per kilogram in the fourth quarter of 2008. Due to the industry-wide shortage of polysilicon experienced during the past few years, we have purchased polysilicon using short-term, medium-term and long-term contracts. From the fourth quarter of 2008, the price of polysilicon decreased due to the excess supply of polysilicon resulting from the slowed growth of the global solar power market. Due to excess supply, we are seeking to re-negotiate some of our existing, higher priced medium-term and long-term contracts.

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We have executed agreements with suppliers to obtain our silicon raw material requirements to support our estimated production output in 2009. In addition, we are in discussions with our suppliers to secure our expected silicon raw material requirements needed for our production output in 2010. We intend to leverage the global reach of our procurement personnel to secure our silicon requirements.

We have entered into medium-term and long-term supply contracts to procure silicon feedstock of different grades with Chinese and international suppliers, which provide us with the ability to meet our future requirements. These medium-term and long-term suppliers include OCI Company Ltd. (formerly DC Chemical Co., Ltd.), Jiangsu Zhongneng Polysilicon Technology Development Co., Ltd. (a subsidiary of GCL Silicon Technology Holdings Ltd.), or Jiangsu Zhongneng, and Wacker Chemie AG. Our medium-term and long-term contracts have delivery terms beginning in 2008, 2009 or 2010 and a fixed price or a price to be determined on a quarterly or annual basis. Several of our long-term contracts contain price adjustment clauses that offer a market-linked price formula that would apply if the market price is lower than the originally agreed price in any given year. These contracts also require us to make an advance payment of a certain negotiated amount. We are currently renegotiating some of our higher priced medium-term and long-term contracts.

To secure sufficient feedstock to support our current and planned sales growth, in March 2008, we entered into a long-term polysilicon supply agreement with Jiangsu Zhongneng, which was supplemented by a supplemental agreement entered into in August 2008. Under this agreement and its supplemental agreement, Jiangsu Zhongneng is required to supply to us an aggregate of 1,726 metric tons of polysilicon, with 226 metric tons delivered in 2008 and 1,500 metric tons to be delivered in 2009. Jiangsu Zhongneng is also required to supply us with an aggregate of 15,200 metric tons of polysilicon and 912.0 million wafers in the period starting from 2010 to 2015. The prices of the polysilicon and wafers are predetermined subject to periodic adjustments. Jiangsu Zhongneng operates a polysilicon production facility in the Jiangsu Province, China. The wafer purchases will allow us to supplement any shortfalls we have with respect to our production capacity and to take advantage of favorable market prices.

**Quality Assurance**

Our quality control was set up according to the quality system requirements of ISO 9001:2000. Our quality control consists of three components: incoming inspections through which we ensure the quality of the raw materials that we source from third parties, in-process quality control of our manufacturing processes, and output quality control of finished products through inspection and by conducting reliability and other tests.

We have received international certifications for our quality assurance programs, including ISO 9001:2000, which we believe demonstrates our technological capabilities as well as instill customer confidence. The following table sets forth the major certifications we have received and major test standards our products have met as of the date of this annual report.

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| Certification Test Date | Certification or Test Standard | Relevant Products |
|---|---|---|
| December 2007 | ISO 9001:2000 quality system certification | Manufacturing and sales of silicon, ingots, casting, silicon wafers, solar cells and PV modules |
| April 2008 | Golden Sun product certification | PV modules sold in China |
| August 2008 | UL 1703 certification | PV modules sold in the United States |
| September and October 2008 | ASU-PTL product certification | PV modules sold in Europe |
| December 2008 | ISO14001:2004 environmental management system | Manufacturing and sales of silicon, ingots, casting, silicon wafers, solar cells and PV modules |
| December 2008 | VDE product certification | PV modules sold in Europe |
| October 2007, November 2007, December 2007 and December 2008 | CE certification | PV modules sold in Europe |
| February 2009 | South Korean module certificate | PV modules sold in South Korea |
| March 2008, May 2008, October 2008 and February 2009 | ICIM product certification | PV modules sold in Italy |
| August 2006, June 2007, July 2007, February 2009 and April 2009 | TÜV product certification | PV modules sold in Europe |

**Customers and Markets**

We currently sell our PV modules primarily to distributors, wholesalers and PV system integrators. Our focus on which type of clients depends largely on the demand in the specific markets. Distributors and wholesalers tend to be large volume purchasers. PV system integrators typically design and sell integrated systems that include our branded PV modules along with other system components. Some of the PV system integrators also resell our modules to other system integrators. Our major customers for 2008 included Enipower Spa, Gestamp Solar S.L. and IBC Solar AG.

A small number of customers have historically accounted for a majority of our net sales. The top five of our customers collectively accounted for approximately 48.9%, 33.5% and 41.9% of our net revenues in 2006, 2007 and 2008, respectively. The top customer, IBC Solar AG, contributed approximately 9.8% of our net revenues in 2008.

We currently sell most of our PV modules to customers located in Europe. Solar manufacturers like us have capitalized on government and regulatory policies for the promotion of solar power in many jurisdictions. In order to continue growing our sales and to reduce our exposure to any particular market segment, we intend to broaden our geographic presence and customer base. While Germany continues to be a major market for us, we have significantly expanded our sales of PV modules to several solar power markets, including Spain, Italy, Belgium and Greece. In 2007 and 2008, we signed several agreements with well-recognized companies in Spain, Germany, Italy and Belgium. These sales are conducted in line with our goals of increasing our market presence in Europe outside of Germany and building our brand as one of the top global solar brands. In 2008, the Spanish market contributed to the accelerated growth in the market demand for solar products, but contributed to the shortfall in demand globally after the government policy shift in September 2008. Although the policy shift has impacted the demand in the Spanish market,

our customers in Spain also purchase large quantities of solar products for projects to be developed outside of Spain, which, we believe, will offset some of the impact. In 2008, we have also targeted our sales in emerging solar power markets such as China, Czech Republic, France, South Korea and the United States.

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

| | Year Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2006 | | 2007 | | 2008 | |
| Region | Total Net Revenues | Percent | Total Net Revenues | Percent | Total Net Revenues | Percent |
| | (in thousands, except for percentages) | | | | | |
| Europe | | | | | | |
| Germany | $ 49,052 | 42.8% | $ 94,733 | 31.4% | $ 198,529 | 23.9% |
| Spain | 43,448 | 37.9 | 120,831 | 40.0 | 270,549 | 32.5 |
| Italy | | | 54,695 | 18.1 | 149,685 | 18.0 |
| Others | 10,862 | 9.6 | 21,041 | 7.0 | 136,641 | 16.4 |
| Europe Total | 103,362 | 90.3 | 291,300 | 96.5 | 755,404 | 90.8 |
| China | 10,632 | 9.3 | 6,373 | 2.1 | 30,390 | 3.7 |
| Others | 506 | 0.4 | 4,146 | 1.4 | 46,107 | 5.5 |
| Total | $ 114,500 | 100.0% | $ 301,819 | 100.0% | $ 831,901 | 100.0% |

We conduct our PV module sales typically through short-term contracts with terms of one-year or less, or long-term sales or framework contracts with terms of three to five years. Our short-term contracts provide for an agreed sales volume at a fixed price. Under our long-term sales or framework contracts, we are obligated to sell our products at a price to be negotiated three to six months prior to delivery. Such contracts provide for a fixed sales volume or a fixed range of sales volume. Compared to short-term contracts, we believe our long-term sales contracts not only provide us with better visibility into future revenues, but also help us enhance our relationships with our customers.

We typically require our customers to pay a certain percentage of the purchase price as an advance payment within a short period after signing their sales contracts. The percentage of advance payments varies depending on the credit status of our customer, our relationship with the customer, market demand and the terms of the particular contract. Our contracts stipulate different post-delivery payment schedules based on the credit worthiness of the customer. We have also increased our sales to customers using credit sales, generally with payments due within two to five months. To minimize credit risk of our accounts receivables, we require these customers to secure payment by letters of credit issued by banks.

Pursuant to our sales contracts, we provide customers with warranty services. In the past, our PV modules were typically sold with a two-year warranty for defects in materials and workmanship and a minimum power output warranty for up to 25 years following the date of purchase or installation. In 2008, we extended the warranty for defects in materials and workmanship from two years to five years.

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**Sales and Marketing**

We market and sell our solar power products primarily to distributors, wholesalers and PV system integrators, such as Enipower Spa, Gestamp Solar S.L. and IBC Solar AG. Our sales staff is becoming more internationally based in recent years, with several of our sales staff now located in Europe, the United States and South Korea. Support for our sales staff remain based in Changzhou, China. Our marketing programs include industry conferences, trade fairs and public relations events. Our sales and marketing group works closely with our research and development and manufacturing groups to coordinate our product development activities, product launches and ongoing demand and supply planning. In 2007, we established representative offices in Munich, Germany and Barcelona, Spain, which are dedicated to regional sales. In December 2008, we established warehouse operations in Rotterdam, a key port city in the Netherlands, which strengthens our distribution network in Europe.

**Intellectual Property**

In manufacturing our solar power products, we use know-how available in the public domain and unpatented know-how developed in-house. We rely on a combination of trade secrets and employee contractual protections to establish and protect our proprietary rights. We believe that many elements of our solar power products and manufacturing processes involve proprietary know-how, technology or data that are not coverable by patents or patent applications, including technical processes, equipment designs, algorithms and procedures. We have taken security measures to protect these elements. Substantially all of our research and development personnel have entered into confidentiality, non-competition and proprietary information agreements with us. These agreements address intellectual property protection issues and require our employees to assign to us all of their inventions, designs and technologies they develop during their terms of employment with us.

As of December 31, 2008, we had 18 issued patents and 54 patent applications pending in China. We obtained an additional four patents in 2009. Sixty-five of our issued patents and our pending patent applications relate to technology that we are currently using, including technology relating to improvements to the solar power product manufacturing process and integration of construction elements into our PV modules or solar systems. Eleven of our issued patents relate to technology that we do not use in our current production of solar power products. As we expand our product portfolio, continue our expansion into solar cell manufacturing and enter into polysilicon manufacturing in the future, we believe that the development and protection of our intellectual property will become more important to our business. We intend to continue to assess appropriate opportunities for patent protection of those aspects of our technology that we believe provide a significant competitive advantage to us.

We have registered as a trademark the logo Trina in Singapore, Switzerland, Morocco, Taiwan, Thailand, Croatia, South Korea and the Philippines. We also have registered as a trademark the logo Trinasolar in Singapore, Switzerland, Morocco, Taiwan, South Korea and Turkey. We have pending trademark registration applications for the logo Trina in the PRC, the United States, Australia, Japan, the EU and several other countries. We have pending trademark registration applications for the logo Trinasolar in the PRC, the United States, Australia, Japan, the EU and several other countries. We also filed a trademark registration application for the logo with the trademark office in the PRC in December 2007.

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**Competition**

The market for solar power products is competitive and fast evolving. We expect to face increasing competition, which may result in price reductions, reduced margins or loss of market share. We believe that the key competitive factors in the market for PV modules include:

- manufacturing efficiency;
- power efficiency and performance;
- price;
- strength of supplier relationships;
- aesthetic appearance of PV modules; and
- brand name and reputation.

We compete with other module manufacturing companies such as Sharp Electronic Corporation, Suntech Power Holdings Co., Ltd., Yingli Green Energy Holding Co., Ltd. and Mitsubishi Electric Corporation. We believe one of our key advantages over some of these competitors is our high degree of vertical integration, which was strengthened with the completion of our solar cell plant. Some of our competitors have also become vertically integrated, from silicon wafer manufacturing to solar power system integration, such as Renewable Energy Corporation ASA and SolarWorld AG. Many of our competitors have a stronger market position than ours and have greater resources and better brand recognition than we have. Further, many of our competitors are developing and are currently producing products based on new solar power technologies, such as thin-film technology, which may ultimately have costs similar to, or lower than, our projected costs.

The barriers to entry are relatively low in the PV module manufacturing business, given that manufacturing PV modules is labor intensive and requires limited technology. Because of the scarcity of polysilicon in the past few years, supply chain management and financial strength were the key barriers to entry. As the shortage of polysilicon has eased recently, these barriers are less significant and many new competitors may enter the industry and cause the industry to rapidly become over-saturated. Many mid-stream solar products manufacturers have been seeking to move downstream to strengthen their position in regional markets. They are expected to leverage on their existing sales capacity as the industry faces challenges posed by the economic downturn. In addition, we may also face new competition from semiconductor manufacturers, several of which have already announced their intention to start production of solar cells. Decreases in polysilicon prices and increases in PV module production could result in substantial downward pressure on the price of PV modules and intensify the competition we face.

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**Environmental Matters**

We believe we have obtained the environmental permits necessary to conduct our business. Our manufacturing processes generate noise, waste water, gaseous wastes and other industrial wastes. However, we have devoted efforts to reduce such wastes to acceptable levels. We have installed various types of anti-pollution equipment in our facilities to reduce, treat and, where feasible, recycle the wastes generated in our manufacturing process. We believe we are currently in compliance with all applicable environmental laws and regulations. Our operations are subject to regulation and periodic monitoring by local environmental protection authorities. If we fail to comply with present or future environmental laws and regulations, we could be subject to fines, suspension of production or a cessation of operations.

**Insurance**

We maintain property insurance policies with reputable insurance companies for covering our equipment, facilities, buildings and their improvements, and office furniture. These insurance policies cover losses due to fire, earthquake, flood and a wide range of other natural disasters. We maintain director and officer liability insurance for our directors and executive officers. We do not maintain product liability insurance. We consider our insurance coverage to be in line with other manufacturing companies of similar size in China. However, significant damage to any of our manufacturing facilities, whether as a result of fire or other causes, could have a material adverse effect on our results of operation. We paid an aggregate of approximately $1.0 million in insurance premiums in 2008. The increase in premium was largely due to an increase in the scope of our insurance coverage, including our purchase of business interruption insurance.

**Regulation**

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

***Renewable Energy Law and Other Government Directives***

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

The law also sets forth the national policy to encourage the installation and use of solar energy water-heating systems, solar energy heating and cooling systems, solar photovoltaic systems and other solar energy utilization systems. It also provides financial incentives, such as national funding, preferential loans and tax preferences for the development of renewable energy projects. In January 2006, China s National Development and Reform Commission promulgated two implementation directives of the Renewable Energy Law. These directives set forth specific measures in setting prices for electricity generated by solar and other renewal power generation systems and in sharing additional expenses occurred. The directives further allocate the administrative and supervisory authorities among different government agencies at the national and provincial levels and stipulate responsibilities of electricity grid companies and power generation companies with respect to the implementation of the Renewable Energy Law.

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

***Environmental Regulations***

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

***Restriction on Foreign Ownership***

The principal regulation governing foreign ownership of solar power businesses in the PRC is the Foreign Investment Industrial Guidance Catalogue (effective as of October 31, 2007), or the Catalogue. The Catalogue classifies industries into four categories: encouraged, permitted, restricted and prohibited. As confirmed by the government authorities, Trina China, our operating subsidiary, is engaged in an encouraged industry. Trina China is permitted under the PRC laws to be wholly owned by a foreign company. Trina China is, accordingly, also entitled to certain preferential treatment granted by the PRC government authorities, such as exemption from tariffs on equipment imported for its own use.

***Tax***

In accordance with Income Tax Law of China for Enterprises with Foreign Investment and Foreign Enterprises, or the Income Tax Law, and the related implementing rules, effective before January 1, 2008, foreign invested enterprises incorporated in the PRC are generally subject to an enterprise income tax of 30% and a local income tax of 3%. The Income Tax Law and the related implementing rules provide certain preferential favorable tax treatments to foreign invested enterprises which qualify as advanced technological enterprises or are established in certain areas in the PRC. In 2002, Trina China relocated to a high-tech zone in Changzhou, and as a high and new technology enterprise, it qualified for a preferential enterprise income tax rate of 15% in 2002 and 2003. As a foreign invested enterprise engaged in a manufacturing business, Trina China was also entitled to a two-year exemption from the enterprise income tax for its first two profitable years of operation, which were 1999 and 2000, and to a 50% reduction of its applicable income tax rate for the succeeding three years, which were from 2001 to 2003. Therefore, Trina China had a tax rate of 7.5% in each of 2002 and 2003.

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In 2004, Trina China moved out of the high-tech zone and no longer qualified for a preferential enterprise income tax rate of 15%. Trina China, a foreign invested enterprise engaged in a manufacturing business and established in Changzhou, which is within a coastal economic zone, is entitled to a preferential enterprise income tax rate of 24%. In addition, Trina China was qualified as an advanced technological enterprise and, as a result, enjoyed a preferential enterprise income tax rate of 12% for the years 2004 to 2006. As the tax benefit for an advanced technological enterprise expired in 2006, the tax rate of Trina China increased to 27% (24% enterprise income tax plus 3% local income tax) in 2007.

In February 2007, Jiangsu Province State Tax Bureau, where Trina China is registered, approved Trina China s application for tax holiday in conjunction with an increase of $32.7 million in its registered capital, from $7.28 million in August 2005 to $40.0 million in July 2006. In accordance with the approval of Jiangsu Province State Tax Bureau, Trina China is exempt from income taxes for 81.8% of its taxable profit, representing the proportion of its increase in registered capital from August 2006 to December 2007, followed by a 50% relief in its tax rate from 2008 to 2010. The 2006 income tax was calculated based on a tax rate of 12% because Jiangsu Province State Tax Bureau did not issue their approval until February 2007. Accordingly, for 2007, an income tax rate of 12% applies to 18.2% of Trina China s taxable profit, and 81.8% of its taxable profit is exempt from income taxes. The additional capital investments made in 2008 were not entitled to additional tax holidays. Due to varying applicable tax rates in each quarter of 2008 caused by the various additional capital investments, the tax authority agreed that we could use a blended EIT rate for 2008.

China s parliament, the National People s Congress, adopted the Enterprise Income Tax Law on March 16, 2007. On December 6, 2007, the PRC State Council issued the Implementation Regulations of the Enterprise Income Tax Law, both of which became effective on January 1, 2008. The Enterprise Income Tax Law and its Implementation Regulations, or the new EIT Law, imposes a uniform tax rate of 25% on all PRC enterprises, including foreign-invested enterprises, and eliminates or modifies most of the tax exemptions, reductions and preferential treatments available under the previous tax laws and regulations. Under the new EIT Law, enterprises that were established before March 16, 2007 and already enjoy preferential tax treatments will (i) in the case of preferential tax rates, continue to enjoy the tax rates which will be gradually increased to the new tax rates within five years from January 1, 2008 or (ii) in the case of preferential tax exemption or reduction for a specified term, continue to enjoy the preferential tax holiday until the expiration of such term. In addition, certain enterprises may still benefit from a preferential tax rate of 15% under the new EIT Law if they qualify as high and new technology enterprises strongly supported by the State, subject to certain general factors described therein. In September 2008, Trina China obtained the High and New Technology Enterprise Certificate with a valid term of three years starting from 2008. Therefore, Trina China is entitled to a preferential income tax rate of 15% in 2008, 2009 and 2010 as long as it maintains its qualification as a high and new technology enterprise under the new EIT Law. In addition, in April 2009, we received a notice from the State Tax Bureau of Changzhou Hi-tech Development Zone notifying us that the exemption and 50% tax reduction for Trina China s taxable profit representing the proportion of increase in registered capital expired on December 31, 2007. As a result, we expect to make an additional income tax payment of $6.5 million during the year ended December 31, 2009.

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Pursuant to the Provisional Regulation of China on Value Added Tax and its implementing rules, all entities and individuals that are engaged in the sale of goods, the provision of processing, repairs and replacement services and the importation of goods in China are generally required to pay value added tax, or VAT, at a rate of 17.0% of the gross sales proceeds received, less any deductible VAT already paid or borne by the taxpayer. Further, when exporting goods, the exporter is entitled to a portion or all of the refund of VAT that it has already paid or borne. Imported raw materials that are used for manufacturing export products and are deposited in bonded warehouses are exempt from import VAT.

**Foreign Currency Exchange**

Pursuant to the Foreign Currency Administration Rules promulgated in 1996 and amended in 1997 and 2008 and various regulations issued by SAFE, and other relevant PRC government authorities, the Renminbi is freely convertible only to the extent of current account items, such as trade-related receipts and payments, interests and dividends. An enterprise can choose to either keep or sell its foreign exchange income under the current account to financial institutions authorized to engage in foreign exchange settlement or sales business. Capital account items, such as direct equity investments, loans and repatriation of investment, require the prior approval from SAFE or its local counterpart for conversion of Renminbi into a foreign currency, such as U.S. dollars, and remittance of the foreign currency outside the PRC.

Payments for transactions that take place within the PRC must be made in Renminbi. Absent circumstances specified under Chinese laws and regulations, upon approvals from SAFE, an enterprise can choose to either keep or sell its foreign exchange income under capital account to financial institutions authorized to engage in foreign exchange settlement and sales business. On the other hand, FIEs may retain foreign exchange in accounts with designated foreign exchange banks, subject to a cap set by SAFE or its local counterpart.

**Dividend Distribution**

The principal regulations governing distribution of dividends of wholly foreign-owned enterprises include the Wholly Foreign-owned Enterprise Law (1986), as amended by the Decision on Amending the Law of the People s Republic of China on Wholly Foreign-owned Enterprise (2000), and the Implementing Rules of the Wholly Foreign-owned Enterprise Law (1990), as amended by the Decision of the State Council on Amending the Implementing Rules of the Law of the People s Republic of China on Wholly Foreign-owned Enterprise (2001).

Under these regulations, foreign invested enterprises in China may pay dividends only out of their accumulated profits, if any, determined in accordance with Chinese accounting standards and regulations. In addition, wholly foreign-owned enterprises in China are required to set aside at least 10% of their respective after-tax profits based on PRC accounting standards each year, if any, to fund its general reserves fund, until the accumulative amount of such reserves reaches 50% of its registered capital. These reserves are not distributable as cash dividends. Wholly foreign-owned enterprises are also required to allocate a portion of its after-tax profits, as determined by its board of directors, to its staff welfare and bonus funds, which may not be distributed to equity owners.

In addition, under a new PRC tax law that became effective in January 2008, dividends from Trina China to us may become subject to a 10% withholding tax. See Tax.

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C. Organizational Structure

The following table sets out the details of our subsidiaries:

| Name | Country of Incorporation | Ownership Interest |
|---|---|---|
| Top Energy International Limited | Hong Kong | 100% |
| Changzhou Trina Solar Energy Co., Ltd. | China | 100% |
| Trina Solar Korea Limited | South Korea | 100% |

In December 2007, we established Trina Solar (Lianyungang) Co., Ltd. in Lianyungang, Jiangsu Province, as a part of our plan to establish a 10,000 metric ton polysilicon production facility. In April 2008, we decided to discontinue our development plan. Trina Solar (Lianyungang) Co., Ltd. was dissolved in April 2009.

D. Property, Plant and Equipment

All of our research, development and manufacturing of ingots, wafers, cells and PV modules are conducted at our facilities in Changzhou, China, where we occupy a site area of approximately 152,526 square meters for the facilities currently owned and operated by us. We have also reserved a site area of approximately 456,502 square meters for our future production capacity expansion. In 2008, we received approvals from China s National Development and Reform Commission for investment relating to a capacity expansion project of up to 500MW in our new East Campus manufacturing zone. The facilities, to be completed by 2011, will also include a co-located technology research center. In 2008, we commenced groundwork for this project. Furthermore, we expect to increase our total annual production capacity from ingots to PV modules from the current approximately 350 MW by up to 200 MW to a total of up to 550 MW by the end of 2009. See B. Business Overview Manufacturing for more details. We believe our current and planned facilities will meet our current and foreseeable requirements.

We selectively use automation to enhance the quality and consistency of our finished products and improve efficiency in our manufacturing processes. We use manufacturing equipment purchased primarily from Chinese solar equipment suppliers. Other critical equipment is sourced worldwide. Key equipment used in our manufacturing facilities includes ingot pulling machines, DSS furnaces, high-precision wafer sawing machines, diffusion furnaces, screen print machine sets and automatic laminators. Set forth below is a list of our major equipment as of December 31, 2008:

| Manufacturing Facility | Major Equipment | No. of Units in Operation as of December 31, 2008 | Source (Country) |
|---|---|---|---|
| Silicon ingots | Ingot pulling machines | 110 | China |
| | DSS furnaces | 45 | United States |
| Silicon wafers | Wafer sawing machines | 62 | Switzerland |
| Solar cells | Diffusion furnaces | 54 | Germany |
| | Screen print machine sets | 14 | Italy |
| PV modules | Automatic laminators | 26 | China |

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In May and August 2007, we entered into agreements with Meyer Burger AG to purchase 38 and 265 wafer sawing machines, respectively, for delivery through 2010. In September 2007, we entered into an agreement with GT Solar, which was subsequently amended in March 2009, to purchase 57 DSS furnaces. Under this agreement and the subsequent amendment, 36 DSS furnaces were delivered in 2008, with the remaining furnaces to be delivered before June 30, 2011.

With respect to encumbrances, as of December 31, 2008, we pledged our equipment of a total appraised value of RMB1,402.8 million ($205.3 million) to secure repayment of our borrowings of RMB396.5 million ($58.0 million). As of December 31, 2008, we mortgaged 152,525 square meters of our facilities to secure repayment of our borrowings of RMB99.0 million ($14.5 million).

For a discussion of our capital expenditures targeted for our capacity expansion, see Item 5. Operating and Financial Review and Prospects B. Liquidity and Capital Resources Capital Expenditures.

**Item 4A. Unresolved Staff Comments**

None.

**Item 5. Operating and Financial Review and Prospects**

The following discussion of our financial condition and results of operations is based upon and should be read in conjunction with our consolidated financial statements and their related notes included in this annual report. This report contains forward-looking statements. See Item 5. Operating and Financial Review and Prospects¾G. Safe Harbor. In evaluating our business, you should carefully consider the information provided under the caption Item 3. Key Information D. Risk Factors in this annual report. We caution you that our businesses and financial performance are subject to substantial risks and uncertainties.

A. Operating Results

**Overview**

We are an integrated solar-power products manufacturer based in China. Since we began our solar-power products business in 2004, we have integrated the manufacturing of ingots, wafers and solar cells for use in our PV module production. Our PV modules provide reliable and environmentally-friendly electric power for residential, commercial, industrial and other applications worldwide.

We produce standard monocrystalline PV modules ranging from 165 W to 230 W in power output and multicrystalline PV modules ranging from 210 W to 230 W in power output. Our PV modules are built to general specifications as well as to our customers and end-users specifications. We sell and market our products worldwide, including in a number of European countries, such as Germany, Spain and Italy, where government incentives have accelerated the adoption of solar power. We are also targeting sales in emerging solar power markets such as the Benelux market, China, Czech Republic, France, South Korea and the United States. We sell our products to distributors, wholesalers and PV system integrators, including Enipower Spa, Gestamp Solar S.L. and IBC Solar AG.

Our net revenues have increased rapidly in recent years. In 2008, our net revenues were $831.9 million compared to $301.8 million in 2007. Our net revenues increased primarily due to our increased sales and manufacturing capacity as demand for our company s branded products remained strong. In addition, we recorded net income from continuing operations of $61.4 million in 2008 compared to net income of $35.4 million in 2007.

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The most significant factors that affect the financial performance and results of operations of our solar products business are:

- industry demand;
- government subsidies and economic incentives;
- availability and prices of polysilicon and reclaimable silicon raw materials;
- vertically integrated manufacturing capabilities; and
- product pricing.

***Industry Demand***

Our business and revenue growth depends on market demand for solar power. Although solar power technology has been used for several decades, the global solar power market has only grown significantly in the past several years. According to Solarbuzz, the global solar power market, as measured by annual solar power system installed capacities, grew at a CAGR of 53.0% from 1,086 MW in 2004 to 5,948 MW in 2008. According to a Solarbuzz forecast named Green World, in one of several possible scenarios, annual solar power system installed capacity may further increase to 14,792 MW in 2013, and solar power industry revenue may increase from $37.1 billion in 2008 to $53.6 billion in 2013, which we believe will be driven largely by growing market demand, rising grid prices and government initiatives.

In the fourth quarter of 2008, the global solar power industry experienced a precipitous decline in demand. During the same period, the global supply of solar products began to exceed the global demand due to excess production capacity and the global economic downturn, which resulted in the decline in the prices of solar products. The demand for solar products is affected by macroeconomic factors such as the worldwide credit crisis, the devaluation of the Euro, the supply and price of other energy products, such as oil, coal and natural gas, as well as government regulations and policies concerning the electric utility industry. We cannot assure you that demand for solar products in 2009 will exceed the demand for solar products in 2008 or that the oversupply of solar products will not continue to exist in 2009. Pleases see Item 3. Key Information D. Risk Factors for discussions of the risks related to declining industry demand for solar products.

***Government Subsidies and Economic Incentives***

We believe that the near-term growth of the market for on-grid applications depends in large part on the availability and size of government subsidies and economic incentives. Today, the cost of solar power substantially exceeds the cost of power provided by the electric utility grid in many locations, when upfront system costs are factored into cost per kilowatt. As a result, governmental bodies in many countries, most notably China, Germany, Italy, Japan, Spain, South Korea and the United States, have provided subsidies and economic incentives to reduce dependency on non-renewable sources of energy. These subsidies and economic incentives have come in the form of capital cost rebates, feed-in tariffs, tax credits and other incentives to end users, distributors, system integrators and manufacturers of solar power products.

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The demand for PV modules in our targeted or potential markets is affected significantly by these government subsidies and economic incentives. According to Solarbuzz, Spain had the largest PV market in 2008, with a market size of 2.46 GW, which accounted for 41% of global PV market demand in 2008. Germany had a market size of 1.85 GW and accounted for 31% of the global PV market demand in 2008. The rapid rise of the Spanish market was largely due to a government policy that set feed-in tariff terms at attractive rates. However, in September 2008, the Spanish government introduced a cap of 500 MW for the feed-in tariff in 2009, which has resulted in limiting the demand in the grid-connected market in Spain. The policy shift also contributed in part to the decline in global PV market demand in the fourth quarter of 2008. Although the policy shift has impacted the demand in the Spanish market, our customers in Spain also purchase large quantities of solar products for projects to be developed outside of Spain, which, we believe, will offset some of the impact.

In 2007, Germany and Spain accounted for 31.4% and 40.0% of our net revenues, respectively, and in 2008, Germany and Spain accounted for 23.9% and 32.5% of our net revenues, respectively. While we expect Germany and Spain to continue to generate significant sales revenues, we will continue to diversify our revenues by expanding our business presence in markets such as the Benelux market, China, Czech Republic, France, Italy, South Korea and the United States.

We believe that China will become one of our key focused markets. In March 2009, the Chinese government announced new rules to support PV applications in rural and remote areas, which would allow for meaningful development of a PV market in China. The Chinese government offers subsidies to assist construction of building integrated PV applications in urban and remote areas, establishment of the technical standards on the installation of PV products on buildings, as well as integration and promotion of key universal PV building technologies. According to the rules, to receive the subsidies, the installed capacity of a project shall be more than 50 KW and the conversion efficiency of monocrystalline products must be higher than 16%. Priority will be given to the usage of PV modules for Building Integrated ( BI ) PV projects and grid-type projects, as well as projects for public buildings.

***Availability and Prices of Polysilicon and Reclaimable Silicon Raw Materials***

Polysilicon is an essential raw material for our business. Our proprietary process technology allows us to use a high proportion of reclaimable silicon raw materials in the production of monocrystalline and multicrystaline silicon ingots. In 2008, we used a higher proportion of virgin polysilicon than in the past several years as polysilicon became widely available in the market and we were able to have access to high quality and a stable supply of polysilicon. In the fourth quarter of 2008, reclaimable silicon materials accounted for no more than 25% of our total silicon requirements, compared to approximately 80% in the fourth quarter of 2007. We purchase polysilicon and reclaimable silicon materials from our network of over 20 suppliers.

Increases in the price of polysilicon have in the past increased our production costs and impacted our cost of revenues and net income. According to Solarbuzz, the average long-term supply contract price of polysilicon increased from approximately $45 to $50 per kilogram delivered in 2006 to $60 to $65 in 2007 and further increased to $60 to $75 per kilogram in 2008. In addition, according to Solarbuzz, spot prices for solar grade polysilicon were in the range of $230 to $375 per kilogram for most of the first half of 2008, rose to a peak of $400 to $450 per kilogram by mid-2008 and decreased rapidly to $150 to $300 per kilogram in the fourth quarter of 2008. We believe the average price of polysilicon will continue to decrease in 2009.

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We purchase polysilicon from silicon distributors and silicon manufacturers by contract. We generally do not purchase polysilicon on the spot market. For procurement of polysilicon, we enter into short-term, medium-term and long-term contracts. Our short-term contracts have terms of no more than one year each. The contracts provide for a fixed price and fixed amount and generally require prepayment prior to shipment. Most of the contracts give us the right to reject any shipment by our suppliers that does not meet our quality standards based on grade levels, such as semiconductor grade or solar grade, of the polysilicon. The contracts also specify a time period during which we can inspect the goods to ensure their quality. Our medium-term contracts have terms ranging from one to three years, and our long-term contracts have terms ranging from five to eight years. These contracts generally have a fixed amount and fixed price subject to adjustments or variable price and require us to make an advance payment of a certain negotiated amount. Our medium-term and long-term suppliers include OCI Company Ltd. (formerly DC Chemical Co., Ltd.), Jiangsu Zhongneng, and Wacker Chemie AG. These medium-term and long-term contracts have delivery terms beginning in 2008, 2009 or 2010 and a fixed price or a price to be determined on a quarterly or annual basis. Several of our long-term contracts contain price adjustment clauses that offer a market-linked price formula that would apply if the market price is lower than the originally agreed price in any given year. These contracts also require us to make an advance payment of a certain negotiated amount. Due to excess supply of polysilicon in the market in late 2008 and early 2009, we are renegotiating some of our existing, higher priced medium-term and long-term contracts.

The costs of reclaimable silicon raw materials have historically been significantly less than the costs of polysilicon. However, due to the solar power industry s demand for reclaimable silicon raw materials, prices of these reclaimable silicon raw materials increased in most of 2008, but decreased in late 2008 in line with the decrease in the price of polysilicon. We purchase reclaimable silicon raw materials from various suppliers, including semiconductor manufacturers and silicon processing companies.

For the procurement of reclaimable silicon raw materials, we generally enter into short-term contracts with terms of no more than six months each. The contracts provide for a fixed price and fixed amount and generally require prepayment prior to shipment. Most of the contracts give us the right to reject any shipment by our suppliers that does not meet our quality standards based on usability and resistivity of the materials. The contracts also specify a time period during which we can inspect the goods to ensure their quality.

Given the current state of the industry, suppliers of polysilicon and reclaimable silicon raw materials typically require customers to make payments in advance of shipment. Our suppliers generally require us to make a prepayment at a certain percentage of the order value prior to shipping. Due to the availability of polysilicon, prepayment as a percentage of the entire contract has been reducing. However, the purchase of silicon raw materials will continue to require us to make significant working capital commitments beyond the capital generated from our cash flows from operations. We are required to manage our borrowings to support our raw material purchases.

In 2007, we planned to establish a 10,000 metric ton polysilicon production facility to provide us with qualified polysilicon feedstock. In December 2007, we established Trina Solar (Lianyungang) Co., Ltd. in Lianyungang, Jiangsu Province, in connection with this development plan. In April 2008, we decided to discontinue our development plan because we were able to secure sufficient quantities of polysilicon feedstock through medium-term and long-term contracts, and we anticipated favorable changes in the polysilicon supply environment. Trina Solar (Lianyungang) Co., Ltd. was dissolved in April 2009.

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***Vertically Integrated Manufacturing Capabilities***

We believe that our vertical integration strategy has allowed us, and will continue to allow us, to capture value throughout the solar power value chain, achieve better quality control of our products and realize synergistic cost savings. We began commercial production of solar cells in April 2007, which favorably impacted our margins and helped to offset negative factors such as a decrease in average selling price and increasing polysilicon prices. In the fourth quarter of 2007, we met approximately 75% of our needs for solar cells with our in-house production. In 2008, we were able to meet our solar cell needs with our in-house production capabilities. Currently, we have 14 production lines with an annual manufacturing capacity of approximately 350 MW.

Specifically, we believe our vertically integrated business model has allowed us to:

reduce excess costs, such as those associated with packaging and transportation, and the breakage loss that occurs during shipment between various production locations;

shorten production cycle and improve value chain coordination; and

discontinue our reliance on toll manufacturing and capture upstream or downstream profit margins.

Depending on prevailing market prices of silicon raw materials, from time to time we purchase ingots and wafers from manufacturers to take advantage of favorable market prices relative to other silicon raw materials. We also purchase wafers, from time to time, to supplement any shortfalls we have with respect to our production capacity or to take advantage of favorable market conditions. As a result, we have developed relationships with various international and domestic suppliers of ingots and wafers.

***Product Pricing***

We began selling our PV module products in November 2004. Our PV modules are priced based on the number of watts of electricity they generate as well as the market price per watt for PV modules. We price our standard PV modules based on the prevailing market prices at the time we enter into sales contracts with our customers or our customers place their purchase orders with us, taking into account the size of the contract or the purchase order, the strength and history of our relationship with each customer, and our silicon raw materials costs. In the fourth quarter of 2008, global solar power industry demand decreased precipitously due to the global economic downturn, and this decline in demand may continue in the first half or all of 2009. During the same period, the global supply of solar products began to exceed the global demand due to excess production capacity and the global economic downturn, which resulted in a decline in the price of PV modules.

The average selling price per watt of our PV modules decreased from $3.98 in 2006 to $3.80 in 2007 and increased to $3.92 in 2008. The increase in the average selling price of our PV modules in 2008 was due to an increase in demand of our PV modules in the first three quarters of 2008, driven largely by surging market demand, particularly in the Spanish market, which was offset by a decrease in the average selling price of our PV modules in the fourth quarter of 2008, due to the falling demand caused by the global economic downturn. Over the same period, our gross margin decreased from 26.2% in 2006 to 22.4% in 2007 and further decreased to 19.8% in 2008. If demand for solar products continues to decline, and the supply of solar products continues to grow, the average selling price of our products will be materially and adversely affected. See Item 3. Key Information D. Risk Factors Risks Related to Our Company and Our Industry We may be adversely affected by volatile market and industry trends, in particular, the demand for solar products may decline, which may reduce our revenues and earnings for more details.

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We conduct our PV module sales typically through short-term contracts with terms of one year or less or, to a lesser extent, long-term sales or framework contracts with terms of three to five years. Our short-term contracts provide for an agreed sales volume at a fixed price. Under our long-term sales or framework contracts, we are obligated to sell our products at a price to be negotiated three to six months prior to delivery. Such contracts provide for a fixed sales volume or a fixed range of sales volume. Compared to short-term contracts, we believe our long-term sales contracts not only provide us with better visibility into future revenues, but also help us enhance our relationships with our customers. We typically require our customers to pay a certain percentage of the purchase price as an advance payment within a short period after signing their sales contracts. The percentage of advance payments varies depending on the credit status of the customer, our relationship with the customer, market demand and the terms of the particular contract. Our contracts stipulate different post-delivery payment schedules based on the credit worthiness of the customer. We have also increased our sales to customers using credit sales, generally with payments due within two to five months. To minimize credit risk of our accounts receivables, we require these customers to secure payment by letters of credit issued by banks.

**Overview of Financial Results**

We evaluate our business using a variety of key financial measures.

***Net Revenues***

Our net revenues are net of business tax, value-added tax and returns and exchanges, as applicable. We began to generate net revenues primarily from the sales of PV modules in November 2004. We generated revenues from other products and services such as system integration prior to 2006, but such revenues are not significant after 2006. Factors affecting our net revenues include average selling price per watt, market demand for our PV modules, unit volume shipped and our production capacity expansion.

In 2006, 2007 and 2008, sales to our top five customers accounted for approximately 48.9%, 33.5% and 41.9% of our net revenues, respectively, and sales to our largest customer accounted for 14.4%, 14.8% and 9.8% of our net revenues, respectively.

We currently sell most of our PV modules to customers located in Europe, in particular Germany, Italy and Spain. For an industry which end market is significantly impacted by government incentives and policies, Germany and Spain were the larges solar products markets in the past several years and accounted for the biggest concentrations of our sales. In 2008, the Spanish market contributed to the accelerated growth in the market demand for solar products, but contributed to the shortfall in demand globally after its policy shift in September 2008. Although the policy shift has impacted the demand in the Spanish market, our customers in Spain also purchase large quantities of solar products for projects to be developed outside of Spain, which, we believe, will offset some of the impact. In 2007 and 2008, we had expanded our sales into Italy and achieved one of the largest market shares in Italy. In 2007 and 2008, we also expanded our business presence in emerging solar power markets such as the Benelux market, China, Czech Republic, France, South Korea and the United States. We expect to continue to expand our customer base geographically in 2009.

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

| | Year Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2006 | | 2007 | | 2008 | |
| Region | Total Net Revenues | Percent | Total Net Revenues | Percent | Total Net Revenues | Percent |
| | (in thousands, except for percentages) | | | | | |
| Europe | | | | | | |
| Germany | $ 49,052 | 42.8% | $ 94,733 | 31.4% | $ 198,529 | 23.9% |
| Spain | 43,448 | 37.9 | 120,831 | 40.0 | 270,549 | 32.5 |
| Italy | | | 54,695 | 18.1 | 149,685 | 18.0 |
| Others | 10,862 | 9.6 | 21,041 | 7.0 | 136,641 | 16.4 |
| Europe Total | $ 103,362 | 90.3 | $ 291,300 | 96.5 | $ 755,404 | 90.8 |
| China | 10,632 | 9.3 | 6,373 | 2.1 | 30,390 | 3.7 |
| Others | 506 | 0.4 | 4,146 | 1.4 | 46,107 | 5.5 |
| Total | $ 114,500 | 100.0% | $ 301,819 | 100.0% | $ 831,901 | 100.0% |

***Cost of Revenues***

Our cost of revenues consists primarily of:

*Silicon raw materials*. Silicon raw materials comprise the majority of our cost of revenues. We purchase polysilicon and reclaimable silicon raw materials from various suppliers, including silicon distributors, silicon manufacturers, semiconductor manufacturers and silicon processing companies.

*Other direct materials*. Such materials include direct materials for the production of PV modules such as plastic, metallic pastes, tempered glass, laminate material, connecting systems and aluminum frames.

*Toll manufacturing*. Prior to 2008, we entered into toll manufacturing arrangements by providing wafers to toll manufacturers for processing and receiving solar cells from them in return. The toll manufacturing cost is capitalized as inventory, and recorded as a part of our cost of revenues when our finished PV modules are sold. In 2008, we were able to meet our solar cell needs with our in-house production capabilities and we have discontinued our reliance on toll manufacturers for processing solar cells. From time to time, we purchase wafers to supplement any shortfalls as we rapidly increase our production capacity.

*Overhead*. Overhead costs include equipment maintenance and utilities such as electricity and water used in manufacturing.

*Direct labor*. Direct labor costs include salaries and benefits for our manufacturing personnel.

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*Depreciation of facilities and equipment*. Depreciation of manufacturing facilities and related improvements is provided on a straight-line basis over the estimated useful life of 10 to 20 years and commences from the date the facility is ready for its intended use. Depreciation of manufacturing equipment is provided on a straight-line basis over the estimated useful life of five to ten years, commencing from the date that the equipment is placed into productive use.

Our cost of revenues is affected by our ability to control raw material costs, to achieve economies of scale in our operations, and to efficiently manage our supply chain, including our successful execution of our vertical integration strategy and our judicious use of toll manufacturers to fill potential shortfalls in production capability along the supply chain.

***Gross Margin***

Our gross margin is affected by changes in our net revenues and cost of revenues. Our gross margins decreased from 22.4% in 2007 to 19.8% in 2008, mainly due to an increase in silicon raw material prices in the first three quarters of 2008, partially offset by an increase in the average selling price of our PV modules, and a decline in the average selling price in the fourth quarter of 2008 due to weakened demand caused by the global economic and financial climate. In the fourth quarter of 2008, our gross margin was positively impacted by significant reductions in silicon raw material costs due to improved market supply conditions. In 2008, we had a non-cash inventory provision of $21.5 million based on a revaluation of our silicon inventory as a result of the decline of market prices in the quarter, $17.0 million of which was made in the fourth quarter of 2008. We may continue to face margin compression in the sales of PV modules if the average selling price of our PV modules continues to decline and we are unable to lower our cost of revenues due to our existing, higher priced medium-term and long-term contract. As our PV module business expands, we believe additional economies of scale and successful execution of our vertical integration strategy will help to improve our margins to offset negative market trends.

***Operating Expenses***

Our operating expenses include selling expenses, general and administrative expenses and research and development expenses.

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*Selling Expenses*

Selling expenses consist primarily of provisions for product warranties, freight, employee salaries, pensions, share-based compensation expenses and benefits, travel and other sales and marketing expenses. In the past, our PV modules were typically sold with a two-year warranty for defects in material and workmanship and a minimum power output warranty of up to 25 years following the date of purchase or installation. In 2008, we extended the warranty for defects in materials and workmanship from two years to five years. We accrue the estimated cost of warranty based on 1% of the revenues generated from PV modules, consistent with the average industry level. Our selling expenses as a percentage of net revenues increased from 2.2% in 2006 to 3.7% in 2007 due to the expansion of our marketing program and sales force in overseas markets, and decreased to 2.4% in 2008 due to expense control measures taken by us. We expect our selling expenses to increase in the near term consistent with the growth of our revenues as we increase our sales efforts, hire additional sales personnel, target new markets, establish representative offices and initiate additional marketing programs to build our brand.

*General and Administrative Expenses*

General and administrative expenses consist primarily of salaries and benefits for our administrative personnel, compliance related consulting and professional fees and travel expenses. Our general and administrative expenses have increased since 2004, primarily due to increases in the number of our administrative employees as well as their salaries and benefits and share-based compensation expenses. Our general and administrative expenses as a percentage of net revenues decreased from 7.6% in 2006 to 5.9% in 2007 and decreased further to 5.0% in 2008 due to expense control measures taken by us. We expect our general and administrative expenses to be stable in 2009, as we continue to carefully control costs in our business. We will continue to hire additional personnel on an as needed basis and incur expenses to support our operations as a public company, including compliance-related costs.

*Research and Development Expenses*

Research and development expenses consist primarily of costs of raw materials used in our research and development activities, salaries and benefits for research and development personnel, share-based compensation and prototype and equipment costs relating to the design, development, testing and enhancement of our products and manufacturing process. Between 2006 and 2007, our research and development expenses increased significantly due to investment in solar cell technology in preparation of the ramp up of our solar cell production in April 2007. In 2008, our research efforts focused on four main product areas, namely ingots, wafers, solar cells and solar modules. In particular, we focused on maximizing silicon usage, development of thinner wafers (to reduce silicon use per watt), development of BIPV modules and improvement of cell efficiency. We also invested in advanced hot-zone design and process development to improve casting yield and lower casting energy consumption. Furthermore, we invested in the advanced casting and cell processing technologies to produce PV modules using UMG materials.

We will continue to expand and promote innovation in our process technologies of manufacturing ingots, wafers, cells and PV modules. In particular, we plan to focus on improving cell efficiency and developing special application modules, such as newly designed framing systems and automobile related applications. Accordingly, we expect our research and development expenses to increase as we hire additional research and development personnel and advance our research and development projects

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*Share-based Compensation Expenses*

We adopted our share incentive plan in July 2006 and a total of 43,595,470 restricted shares and 12,642,079 share options were outstanding as of December 31, 2008. For a description of the restricted shares and share options granted, including the exercise prices and vesting periods thereof, see Item 6. Directors, Senior Management and Employees B. Compensation of Directors and Executive Officers Share Incentive Plan. Under Statement of Financial Accounting Standards No. 123(R), Share-Based Payment, we are required to recognize share-based compensation as compensation expense in our 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 services to us in exchange for the equity award. For restricted shares granted to our employees, we record share-based compensation expense for the excess of the fair value of the restricted shares at the date of the grant over the purchase price that a grantee must pay to acquire the shares during the period in which the shares may be purchased. We have categorized these share-based compensation expenses in our (i) cost of revenues; (ii) selling expenses; (iii) general and administrative expenses; and (iv) research and development expenses, depending on the job functions of the grantees of our restricted shares and share options.

The following table sets forth the allocation of our share-based compensation expenses both in absolute amount and as a percentage of total share-based compensation expenses.

| | For the Year Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2006 | | 2007 | | 2008 | |
| | (in thousands, except for percentages) | | | | | |
| Cost of revenues | $ 415[(1)] | 15.2% | $ 35 | 2.1% | $ 111 | 2.8% |
| Selling expenses | 323[(1)] | 11.8 | 394 | 22.6 | 512 | 12.7 |
| General and administrative expenses | 389[(1)] | 14.3 | 1,165 | 66.9 | 3,297 | 81.9 |
| Research and development | 1,600[(1)] | 58.7 | 146 | 8.4 | 105 | 2.6 |
| Total share-based compensation expenses | $ 2,727 | 100.0% | $ 1,740 | 100% | $ 4,025 | 100% |

(1) In 2006, we recognized a one-time share-based compensation expense in connection with the transfer of beneficial interests in our company from a shareholder and a founder of our company to our administrative personnel.

**Discontinued Operations**

Prior to June 30, 2006, we were engaged in the aluminum siding business, which included the production, marketing and sale of aluminum exterior wall products used for cladding the exteriors of buildings and houses. On June 28, 2006, our board of directors resolved to discontinue our aluminum siding business and committed to a plan to settle the related liabilities and realize the related assets through the sale of scrap. Our aluminum siding operations ceased on June 30, 2006, and all of the employees from our aluminum siding business were transferred to our PV module business. We had net gains from our aluminum siding business of $91,010 and $367,916 in 2005 and 2007, respectively, and a net loss of $753,277 in 2006. The gain from our aluminum siding business in 2007 was due to the collection of accounts receivable that we had previously written off as uncollectible. In accordance with Financial Accounting Standards, or FAS, No. 144, *Accounting for the Impairment or Disposal of Long-lived Assets*, the financial position and results of operations from our aluminum siding business are reflected as discontinued operations in our consolidated financial statements included elsewhere in this annual report. In December 2006, we entered into a contract to sell the manufacturing equipment and buildings with the underlying land use rights, previously used in our aluminum siding business, for a total price of RMB5.8 million ($850,128) to Mr. Weifeng Wu and Mr. Weizhong Wu, brothers-in-law of Mr. Jifan Gao, our chairman and chief executive officer. The price was determined based on the higher of two formal offers, one of which came from a third party unrelated to us, and was approved by our audit committee and all of our independent directors.

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**Taxation**

We recognize deferred tax assets and liabilities for temporary differences between financial statement and income tax bases of assets and liabilities. Valuation allowances are provided against deferred tax assets when management cannot conclude that it is more likely than not that some portion or all of the deferred tax asset will be realized.

The PRC enacted a new tax law that became effective in January 2008. See Item 4. Information on the Company Regulation Tax. Before the effectiveness of this new law, a foreign invested enterprise in China was typically subject to an enterprise income tax of 30% and a local income tax of 3%. The Income Tax Law and the related implementing rules provide certain preferential favorable tax treatments to foreign invested enterprises which qualify as advanced technological enterprises or are established in certain areas in the PRC.

In 2004, we were granted a three-year extension in the 50% relief from the PRC enterprise income tax rate of 24%. As a result, Trina China was subject to a preferential enterprise income tax rate of 12% in 2006. In accordance with the tax legislations applicable to export-oriented enterprises, Trina China is entitled to a 50% relief from PRC enterprise income tax for the years in which export sales revenue exceeds 70% of total sales revenue. In 2007, Trina China was granted the 50% relief from the PRC enterprise income tax rate of 24%.

In February 2007, the State Tax Bureau of Changzhou High-Tech Industry Development Zone, or the STB, where Trina China is registered, approved Trina China s application for tax holiday in conjunction with an increase of $32.7 million in its registered capital, from $7.3 million in August 2005 to $40.0 million in July 2006 and to $120.0 million in 2007. In accordance with the approval of the STB, Trina China is exempt from income taxes for 81.8% of its taxable profit, representing the proportion of its increase in registered capital from August 2006 to December 2007, followed by a 50% relief in its tax rate from 2008 to 2010. The 2006 income tax was calculated based on a tax rate of 12% because the STB did not issue its approval until February 2007. Accordingly, for 2007, an income tax rate of 12% applies to 18.2% of Trina China s taxable profit, and 81.8% of its taxable profit is exempt from income taxes. The additional capital investments made in 2008 were not entitled to additional tax holidays. Due to varying applicable tax rates in each quarter of 2008 caused by the various additional capital investments, the tax authority agreed that we could use a blended EIT rate for 2008.

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The new EIT Law, which became effective on January 1, 2008, imposes a uniform tax rate of 25% on all PRC enterprises, including foreign-invested enterprises, and eliminates or modifies most of the tax exemptions, reductions and preferential treatments available under the previous tax laws and regulations. Under the new EIT Law, enterprises that were established before March 16, 2007 and already enjoy preferential tax treatments will (i) in the case of preferential tax rates, continue to enjoy the tax rates which will be gradually increased to the new tax rates within five years from January 1, 2008 or (ii) in the case of preferential tax exemption or reduction for a specified term, continue to enjoy the preferential tax holiday until the expiration of such term. In addition, certain enterprises may still benefit from a preferential tax rate of 15% under the new EIT Law if they qualify as high and new technology enterprises strongly supported by the State, subject to certain general factors described therein. In September 2008, Trina China obtained the High and New Technology Enterprise Certificate with a valid term of three years starting from 2008. Therefore, Trina China is entitled to a preferential income tax rate of 15% in 2008, 2009 and 2010 as long as it maintains its qualification as a high and new technology enterprise under the new EIT Law. In addition, in April 2009, we received a notice from the State Tax Bureau of Changzhou Hi-tech Development Zone notifying us that the exemption and 50% tax reduction for Trina China s taxable profit representing the proportion of increase in registered capital expired on December 31, 2007. As a result, we expect to make an additional income tax payment of $6.5 million during the year ended December 31, 2009.

**Critical Accounting Policies**

We prepare financial statements in accordance with U.S. GAAP which requires us to make judgments, estimates and assumptions that affect (i) the reported amounts of our assets and liabilities, (ii) the disclosure of our contingent assets and liabilities at the end of each fiscal period and (iii) the reported amounts of revenues and expenses during each fiscal period. We continually evaluate these estimates based on our own historical experience, knowledge and assessment of current business and other conditions, our expectations regarding the 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 our financial statements, you should consider (i) our selection of critical accounting policies, (ii) the judgment 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 judgment and estimates used in the preparation of our financial statements.

***Revenue Recognition***

We recognize revenues for product sales when persuasive evidence of an arrangement exists, delivery of the product has occurred and title and risk of loss has transferred to the customer, the sales price is fixed or determinable, and the collectability of the resulting receivable is reasonably assured. Our sales agreements typically contain our customary product warranties but do not contain any post-shipment obligations nor any return or credit provisions. We recognize sales of our solar modules based on the terms of the specific sales contract. Generally, we recognize sales when we have delivered our products to our customers designated point of shipment, which may include commercial docks or commercial shipping vessels.

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***Warranty Cost***

It is customary in our business and industry to warrant or guarantee the performance of our solar module products at certain levels of power output for extended periods. In the past, our solar modules were typically sold with a two-year warranty for defects in material and workmanship and a minimum power output warranty of up to 25 years following the date of delivery or installation. In 2008, we extended the warranty for materials and workmanship from two years to five years. If a solar module is defective, we will either repair or replace the module at our discretion. We maintain warranty reserves (recorded as accrued warranty costs) to cover potential liability that could arise from our warranties. Our accrued warranty cost reflects our best estimate of such liabilities. Due to our limited warranty claims to date, we accrue the estimated costs of warranties based on an assessment of our competitors and average industry level. The provision of the warranty accrues at the time of sale and is recognized as a component of selling expenses. Actual warranty costs are accumulated and charged against the accrued warranty liability. To the extent that actual warranty costs differ from the estimates, we will prospectively revise our accrual rate.

***Impairment of Long-lived Assets and Definite-lived Intangibles***

We evaluate our long-lived assets and definite-lived intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When these events occur, we measure impairment by comparing the carrying amount of the assets to future undiscounted net cash flows expected to result from the use of the assets and their eventual disposition. If the sum of the expected undiscounted cash flow is less than the carrying amount of the assets, we will recognize an impairment loss based on the fair value of the assets. The determination of fair value of the intangible and long lived assets acquired involves certain judgments and estimates. These judgments can include, but are not limited to, the cash flows that an asset is expected to generate in the future. Future cash flows can be affected by factors such as changes in global economies, business plans and forecast, regulatory developments, technological improvements, and operating results. Any impairment write-downs would be treated as permanent reductions in the carrying amounts of the assets and a charge to operations would be recognized.

***Allowance for Doubtful Accounts***

We conduct credit evaluations of customers and generally do not require collateral or other security from them. We establish an allowance for doubtful accounts primarily based upon the age of the receivables and factors surrounding the credit risk of specific customers. We generally do not require collateral or other security interests from our customers when we grant them credit. However, we maintain a reserve for potential credit losses and such losses have historically been within our expectations. We raise an allowance for doubtful accounts primarily based on the age of the receivables or prepayments and other factors like the length of time receivables are passing due, previous loss history and the counterparty s current ability to fulfill its obligation.

With respect to advances to suppliers, our suppliers are primarily suppliers of silicon raw materials. We perform ongoing credit evaluations of our suppliers financial conditions. We generally do not require collateral or security against advances to suppliers.

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***Share-based Compensation***

We have granted restricted shares and share options to our directors, officers and employees. Share-based payment compensation is based on grant-date fair value and is recognized in our consolidated financial statements over the requisite service period, which is generally the vesting period. We grant our restricted shares at their fair value which generally represents the fair value of an unrestricted share less a discount calculated based on the length of time the share is restricted. For share options, determining the value of our share-based compensation expense in future periods requires the input of highly subjective assumptions, including the expected life of the options, the price volatility of our underlying shares, the risk free interest rate, the expected dividend rate, as well as estimated forfeitures of the options. We estimate our forfeitures based on past employee retention rates, our expectations of future retention rates, and we will prospectively revise our forfeiture rates based on actual history. Our compensation charges may change based on changes to our actual forfeitures.

***Inventories***

Inventories are stated at the lower of cost or market. Cost is determined by the weighted average method. Cost comprises direct materials and where applicable, direct labor costs, toll manufacturing costs and those overheads that have been incurred in bringing the inventories to their present location and condition. We regularly review the cost of inventory against its estimated fair market value and will record a lower of cost or market write-down for inventories that have a cost in excess of estimated market value. We also write off silicon materials that may not meet our required specifications for inclusion in our manufacturing process. These materials are periodically sold for scrap.

***Income Taxes***

Deferred income taxes are recognized for temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements, net operating loss carry forwards and credits by applying enacted statutory tax rates applicable to future years. Deferred tax assets are reduced by a valuation allowance when, in our opinion, it is more likely than not that some portion or all of the deferred tax assets will not be realized. In both 2007 and 2008 our deferred tax assets were reduced by a valuation allowance. Current income taxes are provided for in accordance with the laws of the relevant taxing authorities. The components of the deferred tax assets and liabilities are individually classified as current and non-current based on the characteristics of the underlying assets and liabilities.

***Derivative Financial Instruments***

*Foreign Currency Embedded Derivative in Supply Agreement*

One of our long-term silicon supply contracts provided that the purchase price of the silicon to be acquired was denominated in U.S. dollars, which was not the functional currency of either of the contracting parties when we entered into such contract. Accordingly, the contract contained an embedded foreign currency forward contract, which was required to be bifurcated and accounted for at fair value in accordance with the provisions of FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Activities. Changes in fair value are recorded in the consolidated statements of operations.

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Because of the monetary controls imposed by the PRC, the determination of the fair value of a long-term foreign currency derivative requires the input of highly subjective assumptions, including estimates of forward foreign exchange rates between the U.S. dollar and Renminbi.

In calculating the fair value of the embedded derivatives, we (i) estimated the monthly purchases, and corresponding payments, based on historical usage rates, (ii) applied the estimated exchange forward rates between the U.S. dollar and Renminbi associated with each of the estimated monthly payment dates from (i) above, and (iii) applied an appropriate discount rate to the amounts obtained in (ii) above. We estimated the exchange forward rates based on the following:

(1) Exchange forward rates for month one to 12 are available on the China on-shore market. As such, for month one to 12, we obtained the exchange forward rates from the China on-shore market.

(2) Exchange forward rates for month 13 to 24 were computed by taking the 15th, 18th and 24th month s exchange forward rates available from the China on-shore market and applying linear interpolation to derive the other monthly forward rates.

(3) Exchange forward rates for month 25 to 84 were estimated by applying linear interpolation to the two- and seven-year exchange forward rates, available from the China on-shore market.

(4) Exchange forward rates for periods in excess of seven years were not available from the China on-shore market. As such, for the periods beyond 84 months, we forecasted the monthly exchange rates based on an assumption that the Renminbi will appreciate at a fixed monthly rate, equivalent to the annual change in the exchange rate projected by the International Monetary Fund.

The discount rate applied is derived based on China s on-shore swap rates.

In 2007, we recorded a gain on the change in fair value of the embedded derivative of $0.9 million which was included in the line item Gain (loss) on change in fair value of derivative in the consolidated statements of operations. Trina China s functional currency changed from Renminbi to U.S. dollars effective January 1, 2008. As a result, we have not incurred any gain or loss on the change in fair value of the embedded derivative since January 1, 2008.

*Derivative Assets Related to Foreign Currency Forward Contracts*

Our primary objective for holding derivative financial instruments is to manage currency risk. We record derivative instruments as assets or liabilities, measured at fair value. The recognition of gains or losses resulting from changes in fair values of those derivative instruments is based on the use of each derivative instrument and whether it qualifies for hedge accounting.

In October and December 2008, we entered into several foreign currency forward contracts with two commercial banks to protect against volatility of future cash flows caused by the changes in foreign exchange rates associated with the outstanding accounts receivable. The foreign exchange currency forward contracts do not qualify for hedge accounting and, as a result, the changes in fair value of the derivatives are recognized in the statement of operations. In 2008, we recorded a change in fair value of derivative assets related to the forward foreign currency exchange contracts of $1.1 million, which was included in the line item Gain (loss) on change in fair value of derivative in the consolidated statements of operations.

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We implemented FAS 157, Fair Value Measurements on January 1, 2008, which established a framework consisting of three classification standards for measuring fair value in accordance with generally accepted accounting principles. Since our derivative assets are not traded on an exchange, we generally value them using valuation models. Interest rate yield curves and foreign exchange rates are significant inputs into these models. These inputs are observable in active markets over the terms of the instruments we hold, and accordingly, we classify the valuation technique under level 2 of the classification standards. In valuing the derivative financial instruments, we mainly used the Monte Carlo pricing method as a valuation model, which is a standard methodology that simulates various sources of uncertainty that affect the value of the instrument and then determines an average value over the range of resultant outcomes. The sources we used included external market data loaded from external sources like Reuters or external brokers, such as spot, forward and interest rates and market implied volatility. We also considered the effect of our own credit standing and that of our counterparties in the valuation of our derivative financial instruments. The implementation of the fair value measurement guidance of FAS 157 did not result in any material change to the carrying values of our derivative financial instruments on our opening balance sheet on January 1, 2008.

**Results of Operations**

The following table sets forth a summary, for the periods indicated, of our consolidated results of operations and each item expressed as a percentage of our total net revenues. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

| | Year Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2006 | | 2007 | | 2008 | |
| | (in thousands, except for percentages) | | | | | |
| Net revenues | $ 114,500 | 100.0% | $ 301,819 | 100.0% | $ 831,901 | 100.0% |
| Cost of revenues | 84,450 | 73.8 | 234,191 | 77.6 | 667,459 | 80.2 |
| Gross profit | 30,050 | 26.2 | 67,628 | 22.4 | 164,442 | 19.8 |
| Operating expenses: | | | | | | |
| Selling expenses | 2,571 | 2.2 | 11,019 | 3.7 | 20,302 | 2.4 |
| General and administrative expenses | 8,656 | 7.5 | 17,817 | 5.9 | 41,114 | 5.0 |
| Research and development expenses | 1,903 | 1.7 | 2,805 | 0.9 | 3,039 | 0.4 |
| Total operating expenses | $ 13,130 | 11.5 | $ 31,641 | 10.5 | $ 64,455 | 7.8 |
| Income from continuing operations | 16,920 | 14.8 | 35,987 | 11.9 | 99,987 | 12.0 |
| Foreign exchange loss | | | 1,999 | 0.6 | 11,802 | 1.5 |
| Interest expense | 2,137 | 1.8 | 7,551 | 2.5 | 23,937 | 2.9 |
| Interest income | 261 | 0.2 | 4,810 | 1.6 | 2,944 | 0.4 |
| Gain (loss) on change in fair value of derivative | | | 854 | 0.3 | (1,067) | (0.1) |
| Other (expense) income | (82) | (0.1) | 1,554 | 0.5 | (156) | (0.0) |
| Income before income taxes | 14,962 | 13.1 | 33,655 | 11.2 | 65,969 | 7.9 |
| Income tax (expense) benefit | (1,788) | (1.6) | 1,707 | 0.5 | (4,609) | (0.5) |
| | 13,174 | 11.5 | 35,362 | 11.7 | 61,360 | 7.4 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Net income from continuing operations | | | | | | |
| Net income (loss) from discontinued operations | (753) | (0.7) | 368 | 0.1 | | |
| Net income | $ 12,421 | 10.8% | $ 35,730 | 11.8% | $ 61,360 | 7.4% |

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

*Net Revenues.* Our total net revenues increased by $530.1 million, or 175.6%, from $301.8 million in 2007 to $831.9 million in 2008. Our net revenues increased due to an increase in the volume of the solar modules we sold from 75.9 MW in 2007 to 201.0 MW in 2008, and was particularly due to increased sales in markets such as Spain and Italy. The increase was facilitated by the expansion of our manufacturing capacity. Our average selling price increased from $3.80 per watt in 2007 to $3.92 per watt in 2008. The increase in the average selling price of our PV modules in 2008 was due to an increase in demand of our PV modules in the first three quarters of 2008, driven largely by surging market demand, particularly in the Spanish market, which was offset by a decrease in the average selling price of our PV modules in the fourth quarter of 2008, due to the falling demand caused by the global economic downturn.

*Cost of Revenues.* Our cost of revenues increased by $433.3 million, or 185.0%, from $234.2 million in 2007 to $667.5 million in 2008. Our cost of revenues increased primarily due to increases in expenditures in raw materials as a result of the rapid expansion of our solar module business. The increase in our cost of revenues was also impacted by the rising prices of silicon raw materials in the first three quarters of 2008 due to the industry-wide shortage of polysilicon, partially offset by the reduction in cost as a result of the reduction of non-silicon manufacturing cost for our multicrystalline modules though a combination of technology and manufacturing process improvements. In the last quarter of 2008, our cost of revenues decreased primarily due to significant reduction in silicon raw material costs as a result of improved market supply conditions. In 2008, we had a non-cash inventory provision of $21.5 million based on a revaluation of our silicon inventory as a result of market price declines. As a percentage of our total net revenues, our cost of revenues increased from 77.6% to 80.2% during the same periods.

*Gross Profit.* As a result of the foregoing, our gross profit in 2008 increased by $96.8 million to $164.4 million, from $67.6 million in 2007. Our gross margin decreased from 22.4% to 19.8% during the same period.

*Operating Expenses.* Our operating expenses increased by $32.9 million, or 103.7%, from $31.6 million in 2007 to $64.5 million in 2008. The increase in operating expenses was due to increases in selling expenses, general and administrative expenses and research and development expenses. As a percentage of total net revenues, operating expenses decreased from 10.5% in 2007 to 7.8% in 2008. Share-based compensation expenses allocated to our selling expenses, general and administrative expenses and research and development expenses in 2008 were $0.5 million, $3.3 million and $0.1 million, respectively, based on the department where such employees worked at the time of the grant.

*Selling Expenses.* Our selling expenses increased by $9.3 million, or 84.3%, from $11.0 million in 2007 to $20.3 million in 2008, due primarily to an increase in warranty provision for solar modules as a result of significant increases in the sale of solar modules, as well as out-bound freight costs. Other selling expenses increased due to costs, such as increased marketing efforts and overseas expansion, associated with growing our solar module business. Selling expenses as a percentage of net revenues decreased from 3.7% to 2.4%.

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*General and Administrative Expenses*. Our general and administrative expenses increased by $23.3 million, or 130.8%, from $17.8 million in 2007 to $41.1 million in 2008. The increase in general and administrative expenses was primarily due to increased salaries and benefits, compliance related consulting and professional fees, as well as share-based compensation expenses for restricted share grants to our personnel. General and administrative expenses as a percentage of net revenues decreased from 5.9% to 5.0%.

*Research and Development Expenses*. Our research and development expenses increased by $0.2 million, or 8.3%, from $2.8 million to $3.0 million between 2007 and 2008, primarily due to increased headcount of our research and development personnel and investments in research and development projects as described in Overview of Financial Results Selling Expenses Research and Development Expenses. Research and development expenses as a percentage of net revenues decreased from 0.9% to 0.4%.

*Exchange Gain and Loss*. We incurred a foreign exchange loss of $11.8 million in 2008, compared to a loss of $2.0 million in 2007. Before January 1, 2008, the functional currency of our PRC operating subsidiaries was the RMB. Appreciation of the RMB in 2007 against other currencies used in transactions during 2007 resulted in our recording of an exchange loss. As some of our sales contracts were denominated in Euros, the depreciation of the Euro against the US dollar, as well as appreciation of the RMB against the US dollar in 2008 resulted in our recording of a large exchange loss in 2008.

*Interest Expenses, Net.* Our interest expenses, net, was $2.7 million in 2007, compared to $21.0 million in 2008. Our interest expenses, net, increased mainly due to an increase in short-term borrowings and interest from our convertible senior notes, offset by the interest generated from our operating cash and retained proceeds from our convertible senior notes offering in July 2008.

*Gain (Loss) on the Change in Fair Value of Derivative*. In 2008, we had a loss on the change in fair value of derivative of $1.1 million, compared to a gain of $0.9 million in 2007. In 2008, we recorded loss due to the change in fair value of our forward foreign currency exchange contracts entered into in the fourth quarter of 2008. In 2007, we recorded a gain due to the change in the fair value of an embedded foreign currency derivative in one of our long-term silicon supply contracts. See Critical Accounting Policies Derivative Financial Instruments for more details.

*Income Tax Expenses.* Our income tax expenses increased by $6.3 million, from income tax benefit of $1.7 million in 2007 to income tax expense of $4.6 million in 2008. Our income tax expenses increased primarily due to the implementation of the new effective tax laws in 2008. Our effective tax rates in 2007 and 2008 were (5.0)% and 7.0%, respectively.

*Net Income from Continuing Operations.* Net income from our continuing operations increased between 2007 and 2008, from $35.4 million to $61.4 million. However, the net margin from our continuing operations decreased from 11.7% in 2007 to 7.4% in 2008.

*Net Income from Discontinued Operations*. We had net income of $367,916 and nil from our discontinued aluminum siding business in 2007 and 2008, respectively, as we wound down such business.

*Net Income.* As a result of the foregoing, our net income increased significantly, from $35.7 million in 2007 to $61.4 million in 2008, representing an increase of $25.7 million. However, our net margin decreased from 11.8% in 2007 to 7.4% in 2008.

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***Year Ended December 31, 2007 Compared to Year Ended December 31, 2006***

*Net Revenues.* Our total net revenues increased by $187.3 million, or 163.6%, from $114.5 million in 2006 to $301.8 million in 2007. Our net revenues increased due to an increase in the volume of the solar modules we sold. The volume of the solar modules we sold increased from 27.4 MW in 2006 to 75.9 MW in 2007 due to an increase in sales, particularly in markets such as Spain and Italy, as well the expansion of our manufacturing capacity. However, our average selling price decreased from $3.98 per watt in 2006 to $3.80 per watt in 2007, due to slower demand for solar modules in the first half of 2007 relative to the faster global solar module production capacity expansion.

*Cost of Revenues.* Our cost of revenues increased by $149.7 million, or 177.2%, from $84.5 million in 2006 to $234.2 million in 2007. Our cost of revenues increased primarily due to increases in expenditures in raw materials as a result of the rapid expansion of our solar module business. The increase in our cost of revenues was also impacted by the rising prices of silicon raw materials due to the industry-wide shortage of polysilicon, partially offset by the reduction in cost as a result of our vertical integration, such as ramping up our cell production lines in April 2007. Moreover, we experienced an increase in depreciation costs due to the expanding of ingot, wafer and cell manufacturing equipment in 2007. As a percentage of our total net revenues, our cost of revenues increased from 73.8% to 77.6% during the same period.

*Gross Profit.* As a result of the foregoing, our gross profit in 2007 increased by $37.6 million to $67.6 million, from $30.0 million in 2006. Our gross margin decreased from 26.2% to 22.4% during the same period.

*Operating Expenses.* Our operating expenses increased by $18.5 million, from $13.1 million in 2006 to $31.6 million in 2007. The increase in operating expenses was due to increases in selling expenses, general and administrative expenses and research and development expenses. As a percentage of total net revenues, operating expenses decreased from 11.5% in 2006 to 10.5% in 2007. Share-based compensation expenses allocated to our selling expenses, general and administrative expenses and research and development expenses in 2007 were $0.4 million, $1.2 million and $0.1 million, respectively, based on the department where such employees worked at the time of the grant.

*Selling Expenses.* Our selling expenses increased by $8.4 million, or 328.6%, from $2.6 million in 2006 to $11.0 million in 2007, due primarily to an increase in warranty provision for solar modules as a result of significant increases in the volume of solar modules, as well as out-bound freight costs. Other selling expenses increased due to costs, such as increased marketing efforts and overseas expansion, associated with growing our solar module business. Selling expenses as a percentage of net revenues also increased from 2.2% to 3.7%.

*General and Administrative Expenses*. Our general and administrative expenses increased by $9.1 million, or 105.8%, from $8.7 million in 2006 to $17.8 million in 2007. The increase in general and administrative expenses was due to increased salaries and benefits, compliance related consulting and professional fees, as well as share-based compensation expenses for restricted share grants to our personnel. Other general and administrative expenses increased due to the expansion of our solar module business. General and administrative expenses as a percentage of net revenues decreased from 7.6% to 5.9%.

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*Research and Development Expenses*. Research and development expenses increased by $0.9 million, or 47.4%, from $1.9 million to $2.8 million between 2006 and 2007, primarily due to our investment in solar cell technology in preparation for ramping up our solar cell production in April 2007, as well as our investment in the development of multicrystalline technology as we expanded our product offerings in November 2007. The increase was also due to the incurrence of share-based compensation expenses for restricted share grants to our personnel. Research and development expenses as a percentage of net revenues decreased from 1.7% to 0.9%.

*Exchange Gain and Loss*. We incurred exchange losses of $2.0 million in 2007, compared to no gain or loss in 2006. Because the functional currency of our PRC operating subsidiaries was the RMB, transactions that were denominated in currencies other than in RMB were recorded in RMB at the prevailing exchange rates when the transactions occurred. We translated monetary assets and liabilities denominated in other currencies into RMB at the exchange rates in effect at each balance sheet date. We recorded these exchange gains and losses in the statements of operations. Appreciation of the RMB in 2007 against those currencies used in transactions during 2007 resulted in our recording of an exchange loss.

*Interest Expenses, Net.* Our interest expenses, net, was $1.9 million in 2006, compared to $2.7 million in 2007. Our interest expenses increased mainly due to increased short-term borrowings.

*Gain on the Change in Fair Value of Derivative*. In 2007, we had a gain on the change in fair value of derivative of $0.9 million, reflecting the change in the fair value of an embedded foreign currency derivative in one of our long-term silicon supply contracts. See Critical Accounting Policies Derivative Financial Instruments for more details.

*Income Tax Expenses.* Our income tax expenses decreased by $3.5 million, from income tax expense of $1.8 million in 2006 to income tax benefit of $1.7 million in 2007. Our income tax expenses decreased primarily due to benefit of tax holiday due to export sales and a tax credit of $2.9 million in 2007 for purchasing certain domestically-produced equipment.

*Net Income from Continuing Operations.* Net income from our continuing operations increased significantly between 2006 and 2007, from $13.2 million to $35.4 million. Net margin from our continuing operations increased from 11.5% in 2006 to 11.7% in 2007.

*Net Income from Discontinued Operations*. We had a net loss of $753,277 and net income of $367,916 from our discontinued aluminum sidings business in 2006 and 2007, respectively, as we wound down such business.

*Net Income.* As a result of the foregoing, our net income increased significantly, from $12.4 million in 2006 to $35.7 million in 2007, representing an increase of $23.3 million. Our net margin increased from 10.8% in 2006 to 11.8% in 2007.

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B. Liquidity and Capital Resources

We have financed our operations primarily through short-term and long-term borrowings, proceeds from public offerings, including our convertible senior notes offering in July 2008, and, to a lesser extent, cash generated from operations. We believe that our current cash, cash equivalents, short-term and long-term borrowings and anticipated cash flow from operations will be sufficient to meet our anticipated cash needs, including our cash needs for working capital and capital expenditures, for at least the next 12 months. We may, however, require additional cash due to changing business conditions or other future developments, including any investments or acquisitions we may decide to pursue. If our existing cash is insufficient to meet our requirements, we may seek to sell additional equity or debt securities or borrow from banks. However, the current financial downturn affecting the financial markets and banking system may significantly restrict our ability to obtain financing in the capital markets or from financial institutions. We cannot assure you that financing will be available in the amounts we need or on terms acceptable to us, if at all. The sale of additional equity securities, including convertible debt securities, would dilute our earnings per share. The incurrence of debt would divert cash for working capital and capital expenditures to service debt obligations and could result in operating and financial covenants that restrict our operations and our ability to pay dividends to our shareholders.

As of December 31, 2006, 2007 and 2008, we had $93.4 million, $59.7 million and $132.2 million, respectively, in cash and cash equivalents and $76.5 million, $171.8 million and $263.2 million, respectively, in outstanding borrowings. Our cash and cash equivalents primarily consist of cash on hand and demand deposits with original maturities of three months or less that are placed with banks and other financial institutions. We had total bank facilities of $87.1 million, $256.0 million and $483.9 million with various banks, of which $76.5 million, $171.8 million and $282.5 million were drawn down and $10.6 million, $84.2 million and $201.4 million were available as of December 31, 2006, 2007 and 2008, respectively. As of December 31, 2008, we had $138 million in principal amount of 4% convertible senior notes outstanding. For details on our borrowings, please see Borrowings.

We have significant working capital commitments because suppliers of polysilicon and reclaimable silicon raw materials require us to make prepayments in advance of shipment. Our prepayments to suppliers are recorded either as advances to suppliers, if they are expected to be utilized within 12 months as of each balance sheet date, or as long-term silicon procurement advances, if they represent the portion expected to be utilized after 12 months. As of December 31, 2008, we had long-term silicon procurement advances of $130.4 million, compared to $53.7 million as of December 31, 2007, due to the requirements stipulated in our long-term silicon supply contracts. We also had advances to suppliers of $42.2 million in 2008, a decrease of $0.8 million from 2007, primarily due to a reduction of prepayment requirements as result of improved supply conditions. We generally make prepayments without receiving collateral. As a result, our claims for such prepayments would rank only as an unsecured claim, which exposes us to the credit risks of these suppliers in the event of their insolvency or bankruptcy. Going forward, we expect our advances to suppliers to be stable as the polysilicon supply market further improves, offset by greater volume purchases as we expand our manufacturing capacity and use a higher percentage of virgin polysilicon.

We also have significant capital expenditures as we as expand our existing capacity in each segment of our value chain. See Capital Expenditures. We plan to fund part of the capital expenditures for such expansion with the proceeds we received from the convertible senior note offering completed in July 2008, additional borrowings from third parties, including banks, and, if any, cash from operations.

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We expect that our accounts receivable and inventories, two of the principal components of our current assets, will continue to increase as our net revenues increase. We require prepayments from some customers, depending on the credit status of the customers, market demand and the term of the contracts, but have been required to accept reduced prepayments from customers and may continue to see reductions in the amounts of prepayment we are able to obtain. We also allow some of our customers to pay all or a major portion of the purchase price by letters of credit. Until the letters of credit are drawn in accordance with their terms, the amount earned is recorded as accounts receivable. Because of the prepayment and the letters of credit payment requirements that we impose on our customers, our allowance for doubtful accounts has not been significant with respect to our solar module business.

**Cash Flows and Working Capital**

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

| | Year Ended December 31, | | |
|---|---|---|---|
| | **2006** | **2007** | **2008** |
| | **(in thousands)** | | |
| Net cash used in operating activities | $ (54,000) | $ (59,477) | $ (32,082) |
| Net cash used in investing activities | (46,556) | (225,284) | (118,523) |
| Net cash provided by financing activities | 190,968 | 249,899 | 222,950 |
| Effect of exchange rate changes | 1,744 | 1,178 | 183 |
| Net increase (decrease) in cash and cash equivalents | 92,156 | (33,684) | 72,528 |
| Cash and cash equivalents at the beginning of the year | 1,224 | 93,380 | 59,696 |
| Cash and cash equivalents at the end of the year | $ 93,380 | $ 59,696 | $ 132,224 |

***Operating Activities***

Net cash used in operating activities amounted to $32.1 million in 2008, compared to $59.5 million in 2007. The net cash used in operating activities in 2008 was primarily a result of an increase of long-term silicon procurement advances, an increase in inventories as our business and capacity expanded, and an increase in accounts receivable as we increased our sales. These items were partially offset by net income, deferred long-term government subsidies, an increase in accrued warranty costs, an increase in accrued expenses due to increases in interest expense from bank borrowings and convertible senior notes and professional expenses, and an increase in accounts payable due to longer payment terms.

The net cash used in operating activities in 2007 was primarily due to an increase in accounts receivable as we increased our sales, and increases in advances to suppliers and inventories due to increases in volumes of silicon raw material purchased, partially offset by an increase in the cash provided by the sale of our products and an increase in accounts payable due to increases in the purchases of consumables and other non-polysilicon raw materials and increased payment periods in connection with those purchases.

Net cash used in operating activities in 2006 was $54.0 million. The net cash used in operating activities in 2006 was mainly a result of a significant increase in advances to suppliers and inventories primarily due to increases in volumes of silicon raw materials purchased, partially offset by a positive net income and an increase in accounts payable.

***Investing Activities***

Net cash used in investing activities amounted to $118.5 million in 2008, compared to $225.3 million in 2007. The net cash used in investing activities in 2008 was primarily a result of an increase in property, plant and equipment expenditures, comprised mainly of purchases of cell, multicrystalline ingot and wafer production equipment and an increase in payments for land-use rights, partially offset by a decrease in restricted cash.

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The net cash used in investing activities in 2007 was primarily a result of production capacity expansion, comprised mainly of purchases of cell, multicrystalline ingot and wafer production equipment.

Net cash used in investing activities was $46.6 million in 2006, primarily as a result of an increase in property, plant and equipment expenditures, comprised mainly of purchases of wafer sawing machines related to the beginning of our production of silicon wafers in February 2006, and the continuing expansion of our other manufacturing facilities. Net cash used in investing activities in 2006 also included an increase in restricted cash, which includes cash pledged to banks to secure our notes payable and letter of credit facilities.

***Financing Activities***

Net cash provided by financing activities amounted to $223.0 million in 2008, which consisted primarily of net proceeds received from our public offering of convertible senior notes completed in July 2008 and proceeds from our short-term bank borrowings, offset by repayment of our short-term bank borrowings. Net cash provided by financing activities amounted to $249.9 million in 2007, which consisted primarily of net proceeds received from our follow-on public offering completed in June 2007 and proceeds from our short-term bank borrowings, offset by repayment of our short-term bank borrowings. Net cash provided by financing activities amounted to $191.0 million in 2006, which consisted primarily of net proceeds received from our initial public offering and proceeds from our short-term bank borrowings, offset by repayment of our short-term bank borrowings.

***Restrictions on Cash Dividends***

For a discussion on the ability of our subsidiaries to transfer funds to our company, and the impact this has on our ability to meet our cash obligations, see Item 3. Key Information D. Risk Factors We rely on dividends paid by our subsidiary for our cash needs, and Item 3. Key Information D. Risk Factors The dividends we receive from our PRC subsidiary and our global income may be subject to PRC tax under the new EIT law, which would have a material adverse effect on our results of operations; our foreign ADS holders may be subject to a PRC withholding tax upon the dividends payable by us and upon gains realized on the sale of our ADSs, if we are classified as a PRC resident enterprise.

**Borrowings**

We had short-term and long-term borrowings due within one year of $71.4 million, $163.6 million and $248.6 million as of December 31, 2006, 2007 and 2008. Our short-term borrowings outstanding as of December 31, 2006, 2007 and 2008 bore an average interest rate of 6.10%, 6.76% and 7.11%, respectively. In connection with most of our short-term borrowings, we have either sought guarantees by third parties or granted security interests over significant amounts of our assets. With respect to encumbrances, as of December 31, 2008, we pledged our equipment of a total appraised value of RMB1,402.8 million ($205.3 million) to secure repayment of our borrowings of RMB396.5 million ($58.0 million). As of December 31, 2008, we mortgaged 152,525 square meters of our facilities to secure repayment of our borrowings of RMB99.0 million ($14.5 million). In the first quarter of 2009, we entered into additional short-term loan contracts in an aggregate amount of $57.0 million, most of which are either secured by mortgage of real property and equipment or guaranteed by a third party.

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We had $5.1 million, $8.2 million and $14.6 million of long-term borrowings as of December 31, 2006, 2007 and 2008, respectively. The term loans as of December 31, 2006 were guaranteed by Changzhou Fulai Property Development Co., Ltd. and were repaid in advance in August 2007 in order to better structure our loan facilities. Each of the repaid term loans bore an interest rate of 6.91% per annum. In 2007, we obtained two long-term loans from the Agricultural Bank of China, which totaled RMB60.0 million ($8.2 million) and will expire on September 22, 2010 and October 31, 2010, respectively, and are secured by a pledge of production equipment of Trina China. In 2007 and 2008, the average interest rate for these term loans was 7.097% and 7.118% per annum, respectively. In 2008, we obtained a long-term loan from the Agricultural Bank of China, which totaled RMB40.0 million ($5.9 million) and will expire in January 2011 and is secured by a pledge of certain plants of Trina China. In 2008, the average interest rate for this term loan was 7.182% per annum.

We have historically been able to repay our total borrowings as they became due mostly from cash from operations and proceeds from short-term and long-term borrowings. We may also seek additional debt or equity financing to repay the remaining portion of our borrowings. As we continue to ramp up our current and planned operations in order to complete our vertical integration and expansion strategies, we also expect to generate cash from our expanded operations to repay a portion of our borrowings.

In July 2008, we completed an offering of $138 million of 4% convertible senior notes. The debt issuance costs are being amortized over the life of the convertible senior notes using the interest method. The notes are convertible at any time prior to maturity, unless previously redeemed, at the option of the holders into our ADSs at a conversion price of $33.88 per ADS, subject to certain adjustments. We used the net proceeds received from the offering to expand our manufacturing lines for the production of silicon ingots, wafers, solar cells and solar modules, to purchase raw materials and other general corporate purposes. In connection with the senior convertible senior notes offering, we also offered 4,073,194 ADSs in an ADS borrowing facility. The ADS borrower will be required to return the borrowed ADSs by the scheduled maturity date of the notes in July 2013.

**Capital Expenditures**

We had capital expenditures of $41.4 million, $127.3 million and $187.1 million in 2006, 2007 and 2008, respectively. Our capital expenditures were used primarily to purchase equipment for the production of ingots, wafers, cells and modules. We expect our capital expenditures to increase in the future as we expand our solar module business. We estimate that our capital expenditures in 2009 will be approximately $189 million for manufacturing capacity expansion. As of December 31, 2008, we had an annual module manufacturing capacity of approximately 350 MW. We expect to increase our total annual production capacity from ingots to PV modules by up to 200 MW to a total of up to 550 MW by the end of 2009. The specific increase will be based on market visibility in both customer demand and the commercial lending environment to finance PV system installations in our respective sales markets. We are implementing a strategy to focus on preserving cash, which includes reducing costs and reviewing and taking a prudent approach to our capital expansion plan. Accordingly, we cannot assure you that we will not revise our capacity expansion plan after we finalize our review.

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**Recent Accounting Pronouncements**

In December 2007, the FASB issued FAS No. 141 (revised in 2007), Business Combinations ( FAS 141R ) to improve reporting and to create greater consistency in the accounting and financial reporting of business combinations. The standard requires the acquiring entity in a business combination to recognize all (and only) the assets acquired and liabilities assumed in the transaction; establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed; and requires the acquirer to disclose to investors and other users all of the information they need to evaluate and understand the nature and financial effect of the business combination. FAS 141R applies prospectively to 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, 2008, with the exception of the accounting for valuation allowances on deferred taxes and acquired tax contingencies. FAS 141R also amends FAS 109, Accounting for Income Taxes , such that adjustments made to valuation allowances on deferred taxes and acquired tax contingencies associated with acquisitions that closed prior to the effective date of FAS 141R would also apply the provisions of FAS 141R. An entity may not apply it before that date. The adoption of FAS 141R will change our accounting treatment for business combinations on a prospective basis beginning on January 1, 2009.

On April 1, 2009, the FASB issued FSP FAS 141(R)-1, Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies ( FSP FAS 141(R)-1 ), which amends the guidance in FASB Statement No. 141(R), Business Combinations, to establish a model for preacquisition contingencies that is similar to the one entities used under Statement 141. Under the FSP , an acquirer is required to recognize at fair value an asset acquired or a liability assumed in a business combination that arises from a contingency if the acquisition-date fair value of that asset or liability can be determined during the measurement period. If the acquisition-date fair value cannot be determined, then the acquirer follows the recognition criteria in Statement 5 and Interpretation 14 to determine whether the contingency should be recognized as of the acquisition date or after it. The FSP is effective for business combinations whose acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The adoption of FSP FAS 141(R)-1 will change our accounting treatment for business combinations on a prospective basis beginning on January 1, 2009.

In December 2007, the FASB released FAS No. 160, Non-controlling Interests in Consolidated Financial Statements an amendment of ARB No. 51 ( FAS 160 ). FAS 160 applies to all entities that prepare consolidated financial statements, except not-for-profit organizations, but will affect only those entities that have an outstanding non-controlling interest in one or more subsidiaries or that deconsolidate a subsidiary. FAS 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008 (that is, January 1, 2009, for entities with calendar year-ends). Earlier adoption is prohibited. We do not expect that the adoption of FAS 160 will have an impact on our consolidated financial statements.

In February 2008, the FASB issued FASB Staff Position No. FAS 157-2, Effective Date of FASB Statement No. 157 ( FSP 157-2 ). FSP 157-2 delays the effective date of SFAS 157 for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis, until fiscal years beginning after November 15, 2008. As a result of FSP 157-2, we will adopt FAS 157 for nonfinancial assets and nonfinancial liabilities beginning with the first interim period of our fiscal year 2009. We do not expect that the adoption of FAS 157 for our nonfinancial assets and nonfinancial liabilities will have a material impact on our financial position, results of operations or cash flows.

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In October 2008, the FASB issued FSP FAS 157-3, Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active ( FSP 157-3 ). FSP 157-3 clarifies the application of SFAS 157 in a market that is not active, and addresses application issues such as the use of internal assumptions when relevant observable data does not exist, the use of observable market information when the market is not active, and the use of market quotes when assessing the relevance of observable and unobservable data. FSP 157-3 is effective for all periods presented in accordance with FAS 157. We do not expect the adoption of FSP 157-3 to have a material impact on our consolidated financial statements or the fair values of our financial assets and liabilities.

On April 9, 2009, the FASB issued FSP FAS 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly ( FSP 157-4 ). FSP 157-4 provides additional guidance for estimating fair value in accordance with FASB 157 when the volume and level of activity for the asset or liability have significantly decreased. This FSP also includes guidance on identifying circumstances that indicate a transaction is not orderly. We do not expect the adoption of FSP 157-4 to have a material impact on our consolidated financial statements or the fair values of our financial assets and liabilities.

In March 2008, the FASB issued FAS No. 161, Disclosures About Derivative Instruments and Hedging Activities, an amendment of FASB Statement No.133 ( FAS 161 ). The new standard requires enhanced disclosures to help investors better understand the effect of an entity s derivative instruments and related hedging activities on its financial position, financial performance, and cash flows. FAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. FAS 161 does not change the accounting treatment for derivative instruments but will impact our disclosures related to derivative instruments and hedging activities effective January 1, 2009.

In April 2008, the FASB issued FASB Staff Position No. 142-3, Determining the Useful Life of Intangible Assets ( FSP 142-3 ). FSP 142-3 amends the factors to be considered in determining the useful life of intangible assets. Its intent is to improve the consistency between the useful life of an intangible asset and the period of expected cash flows used to measure such asset s fair value. FSP 142-3 is effective for fiscal years beginning after December 15, 2008. We do not expect that the adoption of FSP 142-3 will have a material impact on our consolidated financial statements.

In May 2008, the FASB issued FSP Accounting Principles Board (APB) Opinion 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement) ( FSP APB 14-1 ). FSP APB 14-1 requires recognition of both the liability and equity components of convertible debt instruments with cash settlement features. The debt component is required to be recognized at the fair value of a similar instrument that does not have an associated equity component. The equity component is recognized as the difference between the proceeds from the issuance of the note and the fair value of the liability. FSP APB 14-1 also requires an accretion of the resulting debt discount over the expected life of the debt. Retrospective application to all periods presented is required. This standard is effective for our company beginning in the first quarter of fiscal year 2009. Since the convertible senior notes issued in July 2008 may not be settled in cash upon conversion, FSP APB 14-1 will not have a material impact on our accounting treatment of the convertible senior notes.

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At its June 25, 2008 meeting, the FASB ratified the consensus reached in EITF Issue No. 07-5, Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity s Own Stock ( EITF 07-5 ). EITF 07-5 is effective for fiscal years and interim periods beginning after December 15, 2008. This Issue s fixed-for-fixed, plus fair value inputs model is largely consistent with current interpretations of the phrase indexed to an entity s own stock. However, in certain circumstances, Issue 07-5 may result in changes to those accounting conclusions and may have impact on issuers of equity-linked financial instruments (e.g., options or forward contracts) or instruments containing embedded features (e.g., embedded conversion options in a convertible instrument) that have (1) exercise or settlement contingency provisions, (2) a strike price that is subject to adjustment, or (3) a strike price that is denominated in a currency other than the entity s functional currency. We do not expect that the adoption of EITF 07-5 will have a material impact on our consolidated financial statements.

In April 2009, the FASB issued FASB Staff Position No. 115-2 and 124-2, Recognition and Presentation of Other-Than-Temporary Impairments ( FSP FAS 115-2 and FAS 124-2 ). The FSP amends the other-than-temporary impairment guidance in U.S. GAAP for debt securities to make the guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments on debt and equity securities in the financial statements. This FSP does not amend existing recognition and measurement guidance related to other-than-temporary impairments of equity securities. The FSP shall be effective for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. Earlier adoption for periods ending before March 15, 2009, is not permitted. We do not expect the adoption of FSP FAS 115-2 and FAS 124-2 to have a material impact on our consolidated financial statements.

C. Research and Development

We focus our research and development efforts towards improving our ingot, wafer, solar cell and solar module manufacturing capabilities. We seek to reduce manufacturing costs and improve the performance of our products. As of December 31, 2008, we had a total of 117 employees involved in our research and development activities. Among them, 37 employees are under our technology development department and are dedicated to research and development. We also have a team of 80 employees under our engineering department and responsible for manufacturing technology development and further process fine-tuning.

Our research and development department is divided into teams responsible for research of each stage of the solar power value chain, such as ingot, wafer, solar cell and solar module production and system integration. We also have a technology committee, which meets regularly to review current development progress and identify new research and development areas. Our technology committee is spearheaded by our senior management and is comprised of both our employees and external solar energy experts.

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Our research efforts are currently focused on four main product areas, namely ingots, wafers, solar cells and solar modules. We seek to maximize our silicon usage, as well as use a proportion of reclaimable silicon raw materials, in the production of ingots. We focus on the development of advanced hot-zone design and process development to improve casting yield and lower casting energy consumption and also seek to increase the size of the ingots we produce. In the fourth quarter of 2008, our average silicon usage was approximately 6.3 grams per watt, compared to approximately 8.0 grams per watt in the fourth quarter of 2007.

We are working towards the production, on a trial basis, of silicon wafers with a width of 156 millimeters, from 125 millimeters currently, sliced from larger ingots. Currently, we slice monocrystalline wafers to a 170 micron or 180 micron thickness, and multicrystalline wafers to a 180 micron thickness.

For the assembly of modules, our research and development team works closely with our manufacturing team and customers to improve our solar module and system designs, including the development of BIPV products, which integrate construction elements with our modules for use in system integration projects that require our modules to be built for certain applications, such as roof tiles and glass panels We also plan to focus on the development of special application modules, such as newly designed framing systems, and automobile related applications. We hope to further improve the power output of our PV modules, as well as to reduce the number of solar cells within a module.

As we expand into solar cell manufacturing, we are developing the process technology to make full use of the conversion efficiency advantages of monocrystalline silicon over other solar power technologies, while simultaneously reducing the manufacturing costs. We achieved conversion efficiencies of up to 17.5% in monocrystalline solar cells and 16.3% in multicrystalline solar cells in 2008, and plan to increase the efficiencies to up to 18.5% in monocrystalline solar cells and up to 17.5% in multicrystalline solar cells by the end of 2009. We have a team of nine employees dedicated to the development and implementation of this process technology. We also plan to make additional efforts to realize the technical and cost synergies of having in-house vertically integrated manufacturing capabilities.

In each of the three years ended December 31, 2006, 2007 and 2008, our research and development expenditures were $1.9 million, $2.8 million and $3.0 million, representing 1.7%, 0.9% and 0.4% of our total revenues for 2006, 2007 and 2008, respectively. We will continue to expand and promote innovation in our process technologies of manufacturing ingots, wafers, cells and PV modules. Accordingly, we expect our research and development expenses to increase as we hire additional research and development personnel and advance our research and development projects.

D. Trend Information

Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events for the period from January 1, 2008 to December 31, 2008 that are reasonably likely to have a material adverse effect on our net revenues, income, profitability, liquidity or capital resources, or that caused the disclosed financial information to be not necessarily indicative of future operating results or financial conditions.

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E. Off-Balance Sheet Commitments and Arrangements

Other than our purchase obligations for raw materials and equipment, we have not entered into any financial guarantees or other commitments to guarantee the payment obligations of third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as shareholders equity, or that are not reflected in our 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.

F. Contractual Obligations and Commercial Commitments

The following table sets forth our contractual obligations and commercial commitments as of December 31, 2008:

| | Payment Due by Period | | | | |
|---|---|---|---|---|---|
| | Total | Less than 1 Year | 1-3 Years | 3-5 Years | More than 5 Years |
| | | | (in thousands) | | |
| Long-term borrowings[1] | $ 16,565 | $ 1,043 | $ 15,522 | | |
| Purchase obligations[2] | 7,337,270 | 670,387 | 2,844,374 | $ 2,649,176 | $ 1,173,333 |
| Convertible senior notes[3] | 147,252 | 5,520 | 141,732 | | |
| Other long-term liabilities reflected on our balance sheet[4] | 23,466 | | 10,993 | | 12,473 |
| Total | $ 7,524,553 | $ 675,950 | $ 3,012,621 | $ 2,649,176 | $ 1,185,806 |

(1) Includes interests that are derived using an average rate of 7.13% per annum for long-term borrowings.

(2) Consists of raw material and equipment purchase commitments and operating lease commitments.

(3) Includes interests that are derived using the coupon rate of 4% per

annum for convertible senior notes. The convertible senior notes will mature on July 15, 2013 and the holders may require us to early redeem the convertible senior notes on July 15, 2011.

(4) Consists of accrued warranty costs for solar modules.

In addition to the contractual obligations and commercial commitments set forth above, we entered into short-term borrowings in the aggregate amount of $57.0 million in the first quarter of 2009. As of March 31, 2009, $305.5 million in short-term borrowings and $14.6 million in long-term borrowings were outstanding.

Since December 31, 2008, we have entered into substantial commitments for future purchases of raw materials, including reclaimable silicon raw materials and polysilicon. See Item 5. Operating and Financial Review and Prospectus¾A. Operating Results¾Overview¾Availability and Price of Reclaimable Silicon Raw Materials and Polysilicon and Item 4. Information on the Company¾Business Overview¾Silicon Raw Material Supplies for more information about our future commitments to purchase raw materials.

G. Safe Harbor

This annual report on Form 20-F contains forward-looking statements that relate to future events, including our future operating results and conditions, our prospects and our future financial performance and condition, all of which are largely based on our current expectations and projections. The forward-looking statements are contained principally in the sections entitled Item 3. Key Information D. Risk Factors, Item 4. Information on the Company and Item 5. Operating and Financial Review and Prospects. These statements are made under the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995.

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You can identify these forward-looking statements by terminology such as may, will, expect, anticipate, future, plan, believe, estimate, is/are likely to or other and similar expressions. Forward-looking statements involve inherer risks and uncertainties. A number of factors could cause actual results to differ materially from those contained in any forward-looking statement, including but not limited to the following: expectations regarding the worldwide demand for electricity and the market for solar energy; the company s beliefs regarding the effects of environmental regulation, the lack of infrastructure reliability and long-term fossil fuel supply constraints; the importance of environmentally friendly power generation; expectations regarding governmental support for the deployment of solar energy; expectations regarding the scaling of the company s manufacturing capacity; expectations with respect to the company s ability to secure raw materials in the future; future business development, results of operations and financial condition; and competition from other manufacturers of PV products and conventional energy suppliers.

This annual report on Form 20-F also contains data related to the PV market worldwide and in China taken from third party reports. The PV market may not grow at the rates projected by the market data, or at all. The failure of the market to grow at the projected rates may have a material adverse effect on our business and the market price of our ADSs. In addition, the rapidly changing nature of the PV 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 annual report on Form 20-F relate only to events or information as of the date on which the statements are made in this annual report on Form 20-F. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events. You should read this annual report on Form 20-F completely and with the understanding that our actual future results may be materially different from what we expect.

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**Item 6. Directors, Senior Management and Employees**

A. Directors and Senior Management

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

| Directors and Executive Officers | Age | Position/Title |
|---|---|---|
| Jifan Gao | 44 | Chairman and Chief Executive Officer |
| Sean Hsiyuan Tzou | 52 | Director and Chief Operating Officer |
| Liping Qiu | 44 | Director |
| Jerome Corcoran | 59 | Independent Director |
| Junfeng Li | 53 | Independent Director |
| Peter Mak | 47 | Independent Director |
| Qian Zhao | 40 | Independent Director |
| Terry Wang | 49 | Chief Financial Officer |
| Suping Chen | 44 | Vice President of Manufacturing, East Campus |
| Arturo Herrero | 37 | Vice President of Sales and Marketing |
| Qiang Huang | 37 | Vice President of Technology |
| Chunyan Wu | 40 | Vice President of System Integration |
| Chen Chung Yu | 44 | Vice President of Manufacturing |
| Yu Zhu | 34 | Vice President of Procurement and Business Development |
| Diming Qiu | 68 | Head of Technology Committee |

***Directors***

*Mr. Jifan Gao* founded our company in 1998. He has been our chairman and chief executive officer since January 1998. From August 2001 to October 2006, Mr. Gao served as the chairman of Changzhou Tianhe Investment Co., Ltd., a Chinese company that invests in new energy technologies, and he served as the chairman of Changzhou Tianhe New Energy Institute Co., Ltd., a Chinese company that is engaged in R&D and consulting services for new energy technologies, from May 2003 to October 2006. Mr. Gao also served as the vice chairman of Changzhou Minsheng Financing Guarantee Co., Ltd, a Chinese company that provides guarantee, investment and consulting services, from June 2004 to October 2006. Prior to founding our company, Mr. Gao was the founder and the head of Wujin Xiehe Fine Chemical Factory, a Chinese company that manufactures detergents for metal surfaces, from 1992 through 1997. From 1989 to 1992, Mr. Gao was one of the co-founders and the head of Guangdong Shunde Fuyou Detergent Factory. Mr. Gao also serves as the vice chairman of the Solar Power Construction Committee of the China Renewable Energy Society and as the standing vice chairman of the New Energy Chamber of Commerce of the All-China Federation of Industry and Commerce. Mr. Gao has published and presented several articles and papers in solar power related magazines and conferences. Mr. Gao received his master s degree in physical chemistry from Jilin University in 1988 and his bachelor s degree in chemistry from Nanjing University in 1985. Mr. Gao s wife is Ms. Chunyan Wu, our vice president of system integration.

*Mr. Sean Hsiyuan Tzou* has been a director of our company since August 28, 2008 and has been our chief operating officer since March 2007. Prior to joining us, Mr. Tzou was the Corporate Vice President in charge of Asia-Pacific Services in Solectron Corporation, a leading electronic manufacturing services company headquartered in the United States. Mr. Tzou has more than 20 years of experience in product development, strategic planning, supply chain management and operations management both in China and the United States. Mr. Tzou received his bachelor s degree in science of industrial engineering from Tunghai University in 1978 and received his master s degree in science of industrial engineering from University of Texas at Arlington in 1983.

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*Mr. Liping Qiu* has been a director of our company since May 2006. He is a founding partner and director of Milestone Capital, a China-focused private equity investment company, and the general partner of Milestone China Opportunities Fund I and II, L.P., Cayman Islands limited partnerships that invest primarily in high-growth Chinese companies, since 2002. Mr. Qiu is a director of Beijing Dehaier Medical Technology, a portfolio company of Milestone Capital that engages in medical equipment manufacturing and service. In 2001, Mr. Qiu was Bear Stearns s Beijing Office Representative, responsible for investment banking operations in China. From 1997 to 2000, Mr. Qiu was an analyst at Merrill Lynch s direct investment group and corporate finance group, and from 1998 to 2000 he served as the chief financial officer of Tianrun Crankshaft Co., Ltd., an independent Chinese crankshaft manufacturer. Mr. Qiu received his bachelor s degree and master s degree in engineering from the National University of Defense Technology of China in 1984 and 1986, respectively.

***Independent Directors***

*Mr. Jerome Corcoran* has been an independent director of our company since December 18, 2006. From 1995 to 1998, Mr. Corcoran was a managing director at Merrill Lynch s China Private Equity Group in Beijing, China. From 1989 to 1994, Mr. Corcoran had served as a managing director and the head of international investment banking of Merrill Lynch in New York and London. Mr. Corcoran retired from his investment banking career in 1998 and has been managing his personal wealth since his retirement. Mr. Corcoran received his bachelor s degree in political philosophy from Loyola University in 1971 and his MBA degree from St John s University in 1974.

*Mr. Junfeng Li* has been an independent director of our company since November 2007. Mr. Junfeng Li is the vice chair of China s Renewable Energy Society and the deputy director general of the Energy Research Institute (ERI) of the National Development and Reform Commission in Beijing. He also serves as the chair of ERI s Academic Committee, and as a coordinator of the Renewable Energy and Energy Efficiency Partnership in East Asia. During China s 10th Five-Year Plan (2001-05), Mr. Li facilitated implementation of a national technology development program for wind and solar and chaired the government s Sustainable Energy Task Force. Mr. Li was also the lead author for China s 2005 Renewable Energy Law, and has worked on renewable energy project development with the World Bank, Global Environment Facility, and the United Nations Development Programme. Mr. Li received his bachelor s degree in electronic engineering from Shandong University of Science and Technology in 1982.

*Mr. Peter Mak* has been an independent director and audit committee chairman of our company since December 18, 2006. Mr. Mak is the managing director of Venfund Investment, a boutique investment banking firm specializing in cross-border mergers and acquisitions, corporate restructuring and international financial advisory services for clients in China, which he co-founded in late 2001. Prior to that, Mr. Mak spent 17 years at Arthur Andersen Worldwide. He was a partner at Arthur Andersen Worldwide and the managing partner of Arthur Andersen Southern China. Mr. Mak also serves as an independent director and audit committee chairman of China GrenTech Corp. Ltd. and China Security & Surveillance Technology, Inc., both listed in the United States; Dragon Pharmaceutical Inc. and Network CN Inc., both OTC Bulletin Board-quoted companies; Gemdale Industries Inc., listed in China; and Huabao International Holdings Ltd., China Dongxiang (Group) Co., Ltd. and Pou Sheng International (Holdings) Limited, all listed in Hong Kong. Mr. Mak is also a non-executive director of Bright World Precision Machinery Ltd., listed in Singapore, and Vinda International Holdings Ltd., listed in Hong Kong. Mr. Mak is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He received his accounting degree from the Hong Kong Polytechnic University in 1985.

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*Mr. Qian Zhao* has been an independent director of our company since May 18, 2007. Mr. Zhao is a founding partner of CXC China Sustainable Growth Fund, a private equity fund that makes investments in China-based companies. He is also a managing director of CXC Captial, Inc. which is the management company of CXC China Sustainable Growth Fund. Mr. Zhao co-founded Haiwen & Partners, a preeminent China corporate finance law firm in Beijing, and was a senior partner of the law firm. He worked in Sullivan & Cromwell LLP s New York office from 1996 to 2000, and Skadden, Arps, Slate, Meagher & Flom LLP and Affiliates Beijing office from 2000 to 2003. He is admitted to practice law in both China and New York. Mr. Zhao received his J.D. degree from New York University School of Law in 1997 and his LL.B from University of International Business & Economics, Beijing in 1990.

***Executive Officers***

*Mr. Terry Wang* has been our chief financial officer since June 2008. He served as our senior vice president of finance from January 2008 to June 2008. Prior to joining us, Mr. Wang served as the executive vice president of finance of Spreadtrum Communications, Inc., a fabless semiconductor company listed on NASDAQ, from 2004 to 2007. Before that, Mr. Wang was on various senior financial management positions in public and private companies in Silicon Valley, the United States from 1998 to 2004, including as a controller at Chippac, Inc. from 1998 to 2001. Mr. Wang received his MBA degree in finance from the University of Wisconsin at Madison in 1994 and received his master s degree in economics and bachelor s degree in business administration from Fudan University in 1985 and 1982, respectively. Mr. Wang is a Certified Management Accountant (CMA) and Certified in Financial Management (CFM).

*Mr. Arturo Herrero* has been our vice president of sales and marketing since August 2007 and has been with our company since September 2006. From 2002 to 2006, Mr. Herrero was the global procurement manager for BP Solar, first as a global procurement manager for solar power systems and then as a global procurement manager for strategic raw materials. From 2000 to 2002, he was a marketing and sales manager at BP Oil. Before that, he was the logistics director advisor of Amcor Flexible, a company that is engaged in flexible packaging, from 1998 through 2000, and he was a planning manager at Nabisco from 1996 to 1998. Mr. Herrero received his degree in economics and business administration from the University of Pompeu Fabra in Spain in 1996, his degree in electrical engineering from Polytechnics University of Catalonia in Spain in 1996 and his master s degree in marketing in 2001 from Instituto Superior de Marketing in Spain.

*Dr. Suping Chen* has been our vice president of manufacturing of East Campus since October 2008. Prior to joining us, Dr. Chen was in a privately owned business, which provided management consulting services in the manufacturing industry for more than two years. From September 2005 to October 2006, Dr. Suping Chen worked as the operations director in Filtronic (Suzhou) Telecommunications Products Co., Ltd. Prior to that, Dr. Suping Chen worked as business development manager, senior product manager and operations director in Seagate Technology International (Wuxi) Co., Ltd. for seven years. Dr. Chen received his Ph.D degree in Industrial Automation from Zhejiang University in China in 1994, his master and bachelor degrees in Measurement Technology and Instrumentation from Zhejiang University in China in 1990 and 1987, respectively.

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*Dr. Qiang Huang* has been our vice president of technology since October 2008. Dr. Huang served as our director of manufacturing engineering from May 2007 to July 2008. Prior to joining us, he served as senior manager of device integration of ST Microelectronics in Singapore from September 2006 to April 2007. From July 2004 to September 2006, he served as the thin-film module manager in X-Fab Sarawak (previously known as 1-Silicon ) in Malaysia. From April 2001 to January 2004, he served as a senior engineer, and then the acting engineering manager in System-on-Silicon Manufacturing Co. Ltd., a joint venture between Taiwan Semiconductor Manufacturing Company Limited (TSMC) and Philips. Dr. Huang has more than eight years of commercial operations experience in semiconductor engineering development and engineering problem solving. Dr. Huang received a Ph.D degree in physics specializing in thin-film technology from National University of Singapore in Singapore in 2001, a master s degree in electronics materials and devices from Huazhong University of Science and Technology (HUST) in China in 1998 and a bachelor s degree in physics from Xinyang Normal University in China in 1994.

*Ms. Chunyan Wu* has served as our vice president of system integration since August 2007 and has been in charge of our sales and marketing and business development since January 1998. Ms. Wu had been a director of our company before she resigned in December 2006. Ms. Wu is one of our original founders and has been with our company since it was founded. She has over five years of experience in several aspects of our business, including the development of solar power stations in Tibet and the development of our PV module business in the European markets. Ms. Wu also served as manager for our procurement department and vice president of sales and marketing prior to assuming her current role as our vice president of system integration. Ms. Wu is the wife of Mr. Jifan Gao, our chairman and chief executive officer.

*Mr. Chen Chung Yu* has been our vice president of manufacturing since May 2007. Prior to joining us, he was the managing director of Wuxi Lite-On Technology Ltd., an LED company in China, from June 2006 to May 2007. From April 2005 to June 2006, he served as a director of manufacturing at 1st Silicon Sdn. Bhd, a semiconductor wafer foundry company in Malaysia. From September 1991 to March 2005, he worked at Macronix International Ltd., a semiconductor integrated device manufacturer in Taiwan as a department manager in the operation/business management center. Mr. Yu received his master s degree in industrial engineering and management from National Chiao Tung University in Taiwan in 2003 and his bachelor s degree in chemical engineering from Tunghai University in Taiwan in 1989.

*Mr. Yu Zhu* has been our vice president of business development since September 2008 and has been our vice president of procurement since May 2006. From September 2005 to May 2006, he served as the head of our U.S. representative office. Prior to joining us, Mr. Zhu was the founder and the president of Country Road US Co. Ltd., a wireless internet communications company in Nanjing, China, from 2002 to 2005. From 1998 to 2002, he worked at IBM as the global training leader and as a software engineer. Mr. Zhu received his bachelor s degree in engineering from the University of Virginia in 1997.

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*Mr. Diming Qiu* has been the head of our technology committee since January 2006 and has been with our company since June 2002. Prior to joining us, Mr. Qiu was the principal engineer and the deputy manager of Yunnan Semiconductor Device Factory, a Chinese company that engages in the manufacturing of semiconductor and solar power products. In the 1980s, he was involved in the construction of the first vertically-integrated solar power product production line in China. In 2004, Mr. Qiu was in charge of research on the integration of solar power components with construction elements, which was sponsored by the PRC s Ministry of Science and Technology. Mr. Qiu received his bachelor s degree in physics from Sichuan University in 1965.

B. Compensation of Directors and Executive Officers

**Compensation of Directors and Executive Officers**

For the year ended December 31, 2008, the aggregate cash compensation that we paid to directors and executive officers was $2.2 million. No executive officer is entitled to any severance benefits upon termination of his or her employment with us. Our directors and executive officers have also been paid pursuant to the share incentive plan in the form of restricted shares and share options.

**Share Incentive Plan**

In July 2006, our board of directors adopted a share incentive plan to link the personal interests of our board members, employees and consultants to those of our shareholders by providing them with an incentive to generate superior returns for our shareholders, as well as to provide us with the flexibility to motivate, attract and retain the services of these individuals upon whose judgment, interest and special effort the successful conduct of our operations is dependent. Our share incentive plan was amended by our board of directors in February 2007 to improve the number of shares reserved for issuance under the share incentive plan from 52,631,579 shares to 102,718,350 shares. Such amendment was approved by our shareholders on June 27, 2007. In May 2008, the share incentive plan was further amended by our board of directors to improve the number of shares reserved for issuance under the share incentive plan from 102,718,350 shares to 202,718,350 shares. Such amendment was approved by our shareholders on August 29, 2008.

The following paragraphs describe the principal terms of our share incentive plan.

*Administration.* Our share incentive plan is administered by our compensation committee or, in its absence, by our board of directors. Our compensation committee will determine the provisions, terms and conditions of our awards, including, but not limited to, vesting schedule, repurchase provisions, forfeiture provisions, form of payment upon settlement of the award, payment contingencies and satisfaction of any performance criteria. The compensation committee may delegate to a committee of one or more members of our board of directors the authority to make grants or amend prior awards to employees, consultants and directors.

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

*Options.* Options provide for the right to purchase our ordinary shares at a specified price, and usually will become exercisable at the discretion of our compensation committee in one or more installments after the grant date. The option exercise price may be paid in cash, by check, our ordinary shares which have been held by the option holder for such time as may be required to avoid adverse accounting treatment, other property with value equal to the exercise price, through a broker assisted cash-less exercise or such other methods as our compensation committee may approve from time to time.

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*Restricted Shares.* A restricted share award is the grant of our ordinary shares at a price determined by our compensation committee. A restricted share is nontransferable, unless otherwise determined by our compensation committee at the time of award and may be repurchased by us upon termination of employment or service during a restricted period. Our compensation committee shall also determine in the award agreement whether the participant will be entitled to vote the restricted shares or receive dividends on such shares.

*Restricted Share Units.* Restricted share units represent the right to receive our ordinary shares at a specified date in the future, subject to forfeiture of such right. If the restricted share unit has not been forfeited, then on the date specified in the award agreement we shall deliver to the holder unrestricted ordinary shares, which will be freely transferable.

*Termination of Plan.* Unless terminated earlier, our share incentive plan will expire in 2016. Our board of directors has the authority to amend or terminate our share incentive plan subject to shareholder approval to the extent necessary to comply with applicable law. However, no such action may impair the rights of any recipient of the awards unless agreed by the recipient and the share incentive plan administrator.

**Restricted Shares**

As of April 21, 2009, our directors, officers, employees and consultants hold an aggregate of 40,665,721 restricted shares in our company. The following paragraphs describe the principal terms of our restricted shares.

*Restricted Share Award Agreement*. Restricted shares issued under our share incentive plan will be evidenced by a restricted share award agreement that contains, among other things, provisions concerning the purchase price for the shares, if any, vesting and repurchase by us upon termination of employment or consulting arrangement, as determined by our compensation committee.

*Vesting Schedule*. Restricted shares granted under our share incentive plan vest over a five-year period following a specified grant date, with the exception of restricted shares granted to our independent directors, which vest over a three-year period. Subject to certain exceptions, our restricted share vest on a yearly basis. For restricted shares granted prior to April 11, 2008, typically, twenty percent of the restricted shares shall vest at the first anniversary of the grant date and the remaining eighty percent shall vest at the second, third, fourth and fifth anniversary of the grant date. For restricted shares granted on or after April 11, 2008, 15%, 15%, 20%, 25% and 25% of the restricted shares shall vest at the first, second, third, fourth and fifth anniversary of the grant date, respectively. These vesting schedules are subject to the grantee continuing to be an employee on each vesting date. Restricted shares also fully vest upon termination of service due to death or disability.

*Transfer Restrictions*. Until vested, the restricted shares are not transferable and may not be sold, pledged or otherwise transferred.

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*Dividend and Voting Rights*. The restricted shares will not be entitled to dividends paid on the ordinary shares until such restricted shares are vested. A holder will not be entitled to vote restricted shares until such restricted shares are vested.

*Repurchase of Restricted Shares*. Following the holder s termination of service with us, except if such termination is a result of death or disability, the restricted shares that are unvested will be repurchased by us for an amount equal to the price paid, if anything, for such shares. Such repurchase must be accomplished within 180 days after the termination of service.

*Third-Party Acquisition*. If a third party acquires us through the purchase of all or substantially all of our assets, a merger or other business combination, all outstanding awards will be assumed or equivalent awards substituted by the successor corporation or parent or subsidiary of successor corporation. In the event that the successor corporation refuses to assume or substitute for awards, all awards will become fully vested and exercisable immediately so long as the recipient remains an employee, consultant or director on the effective date of the acquisition.

The following table summarizes, as of April 21, 2009, the outstanding restricted shares held by our directors and executive officers and other individuals as a group pursuant to the share incentive plan.

| Directors and Executive Officers | Restricted Shares Held | Purchase Price ($ per share) | Date of Grant | End of Vesting Period |
|---|---|---|---|---|
| Jifan Gao | * | 0.00001 | April 11, 2008 | April 11, 2013 |
| Sean Hsiyuan Tzou | * | 0.00001 | August 15, 2007/ April 11, 2008 | August 15, 2012/ April 11, 2013 |
| Jerome Corcoran | * | 0.00001 | January 1, 2007/ October 1, 2007 | January 1, 2010 |
| Junfeng Li | * | 0.00001 | November 9, 2007 | November 9, 2010 |
| Peter Mak | * | 0.00001 | January 1, 2007/ October 1, 2007 | January 1, 2010 |
| Liping Qiu | * | 0.00001 | July 24, 2006/ July 7, 2008 | July 24, 2009/ July 7, 2011 |
| Qian Zhao | * | 0.00001 | October 1, 2007 | May 18, 2010 |
| Terry Wang | * | 0.00001 | January 28, 2008 | January 28, 2013 |
| Suping Chen | * | 0.00001 | November 1, 2008 | November 1, 2013 |
| Arturo Herrero | * | 0.00001 | July 24, 2006/ October 1, 2007/ | July 24, 2011/ October 1, 2012/ |

| | | | | |
|---|---|---|---|---|
| | | | April 11, 2008 | April 11, 2013 |
| Qiang Huang | * | 0.00001 | November 1, 2008 | November 1, 2013 |
| Chunyan Wu | * | 0.00001 | July 24, 2006/ April 11, 2008 | July 24, 2011/ April 11, 2013 |
| Chen Chung Yu | * | 0.00001 | August 15, 2007/ April 11, 2008 | August 15, 2012/ April 11, 2013 |
| Yu Zhu | * | 0.00001 | July 24, 2006/ April 11, 2008 | July 24, 2011/ April 11, 2013 |
| Diming Qiu | * | 0.00001 | July 24, 2006/ April 11, 2008 | July 24, 2011/ April 11, 2013 |
| Directors and executive officers as a group | 21,433,550 | | | |

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| Directors and Executive Officers | Restricted Shares Held | Purchase Price ($ per share) | Date of Grant | End of Vesting Period |
|---|---|---|---|---|
| Other individuals as a group | 8,294,625/ | 0.00001 | July 24, 2006/ | July 24, 2011/ |
| | 60,000 | | January 1, 2007/ | January 1, 2012/ |
| | 800,000/ | | August 15, 2007/ | August 15, 2012/ |
| | 800,000/ | | September 30, 2007/ | September 30, 2012/ |
| | 2,480,000/ | | October 1, 2007/ | October 1, 2012/ |
| | 1,920,000/ | | January 1, 2008/ | January 1, 2013/ |
| | 956,147/ | | March 2, 2008/ | March 2, 2013/ |
| | 255,000/ | | March 18, 2008/ | March 18, 2013/ |
| | 560,000/ | | April 1, 2008/ | April 1, 2013/ |
| | 1,706,399/ | | April 11, 2008/ | April 11, 2013/ |
| | 200,000/ | | May 23, 2008/ | May 23, 2013/ |
| | 200,000/ | | September 1, 2008/ | September 1, 2013/ |
| | 500,000/ | | December 1, 2008/ | December 1, 2013/ |
| | 500,000 | | April 1 ,2009 | April 1 ,2014 |

* Upon vesting of all restricted shares, would beneficially own 1% or less of our ordinary shares.

**Share Options**

As of April 21, 2009, our directors, officers, employees and consultants hold an aggregate of 12,531,479 options in our Company. The following paragraphs describe the principal terms of our options.

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

*Vesting Schedule.* Options granted under our share incentive plan generally vest over a three-year period following a specified grant date. Our options vest on a yearly basis. One-third of the options granted vest and become exercisable at the first, second and third anniversary of the grant date, subject to the optionee continuing to be an employee on each vesting date.

*Option Exercise.* The term of options granted under our share incentive plan may not exceed the third anniversary of each respective vesting date.

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

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The following table summarizes, as of April 21, 2009, the outstanding options that we granted to our directors and executive officers and to other individuals as a group under our share incentive plan.

| Directors and Executive Officers | Ordinary Shares Underlying Outstanding Options | Exercise Price ($ per share) | Date of Grant | Final Expiration Date |
|---|---|---|---|---|
| Jifan Gao | * | 32.55 | April 11, 2008 | April 11, 2013 |
| Sean Hsiyuan Tzou | * | 32.55 | April 11, 2008 | April 11, 2013 |
| Jerome Corcoran<br>Junfeng Li<br>Peter Mak<br>Liping Qiu<br>Qian Zhao | | | January 28, | January 28, 2013 |
| Terry Wang | * | 43.42 | 2008 | |
| Suping Chen<br>Arturo Herrero | * | 32.55 | April 11, 2008 | April 11, 2013 |
| Qiang Huang<br>Chunyan Wu | * | 32.55 | April 11, 2008 | April 11, 2013 |
| Chen Chung Yu | * | 32.55 | April 11, 2008 | April 11, 2013 |
| Yu Zhu | * | 32.55 | April 11, 2008 | April 11, 2013 |
| Diming Qiu | * | 32.55 | April 11, 2008 | April 11, 2013 |
| Directors and executive officers as a group | 7,930,806 | | | |
| Other individuals as a group | 565,251/ 4,035,422 | 34.14/ 32.55 | March 2, 2008/ April 11, 2008 | March 2, 2013/ April 11, 2013 |

* Upon exercise of all share options, would beneficially own 1% or less of our ordinary shares.

C. Board Practices

**Board of Directors**

Our board of directors consists of seven directors. Our directors are elected by the holders of our ordinary shares. At each annual general meeting, one-third of our directors are subject to re-election. The directors to retire by rotation shall include (so far as necessary to ascertain the number of directors to retire by rotation) any director who wishes to retire and does not offer himself for re-election. Any other directors to retire will be those of the other directors who are longest in office since their last re-election or appointment, or by lot should they be of the same seniority. Our directors have the power to appoint a director to fill a vacancy on our board or as an addition to the existing board. Any director so appointed shall hold office only until the next following annual general meeting and shall then be eligible for re-election. In August 2008, Mr. Jianwei Shi retired from our board and Mr. Sean Hsiyuan Tzou was elected as a director during the annual general meeting. Mr. Junfeng Li and Mr. Liping Qiu were re-elected as directors by our shareholders during the annual general meeting. A director may be removed by ordinary resolution passed by our shareholders before the expiration of such director s term. A director is not required to hold any shares in

our company by way of qualification. A director may vote with respect to any contract, proposed contract or arrangement in which he is materially interested. A director may exercise all the powers of the company to borrow money, mortgage its undertakings, property and uncalled capital, and issue debentures or other securities whenever money is borrowed or pledged as security for any obligation of our company or of any third party.

**Committees of the Board of Directors**

We have three committees under the board of directors: an audit committee, a compensation committee and a corporate governance and nominating committee. We have adopted a charter for each of the three committees.

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***Audit Committee***

Our audit committee consists of Mr. Jerome Corcoran, Mr. Peter Mak and Mr. Qian Zhao. Mr. Corcoran, Mr. Mak and Mr. Zhao satisfy the independence requirements of Section 303A of the Corporate Governance Rules of the New York Stock Exchange and Rule 10A-3 under the Securities Exchange Act of 1934, as amended, or the Exchange Act. Both Mr. Jerome Corcoran and Mr. Peter Mak qualify as audit committee financial expert as defined in Item 16A of Form 20-F. The audit committee oversees our accounting and financial reporting processes and audits of the financial statements of our company. The audit committee is responsible for, among other things:

- selecting the independent auditors and pre-approving all auditing and non-auditing services permitted to be performed by the independent auditors;
- reviewing with the independent auditors any audit problems or difficulties and management s response;
- reviewing and approving all proposed related party transactions, as defined in Item 404 of Regulation S-K under the Securities Act;
- discussing the annual audited financial statements with management and the independent auditors;
- reviewing major issues as to the adequacy of our internal controls and any special audit steps adopted in light of material control deficiencies; and
- meeting separately and periodically with management and the independent auditors.

In 2008, our audit committee held meetings or passed resolutions by unanimous written consent eight times.

***Compensation Committee***

Our compensation committee consists of Mr. Jerome Corcoran, Mr. Junfeng Li and Mr. Qian Zhao. Mr. Corcoran, Mr. Li and Mr. Zhao satisfy the independence requirements of Section 303A of the Corporate Governance Rules of the New York Stock Exchange. The compensation committee assists the board in reviewing and approving the compensation structure, including all forms of compensation, relating to our directors and executive officers. Our chief executive officer may not be present at any committee meeting during which his compensation is deliberated. The compensation committee is responsible for, among other things:

- reviewing and recommending to the board the compensation of our directors; and
- reviewing periodically and approving any long-term incentive compensation or equity plans, programs or similar arrangements, annual bonuses, employee pension and welfare benefit plans.

In 2008, our compensation committee held meetings or passed resolutions by unanimous written consent three times.

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***Corporate Governance and Nominating Committee***

Our corporate governance and nominating committee consists of Mr. Jerome Corcoran, Mr. Junfeng Li and Mr. Peter Mak. Mr. Corcoran, Mr. Li and Mr. Mak satisfy the independence requirements of Section 303A of the Corporate Governance Rules of the New York Stock Exchange. The corporate governance and nominating committee assists the board of directors in selecting individuals qualified to become our directors and in determining the composition of the board and its committees. The corporate governance and nominating committee is responsible for, among other things:

- identifying and recommending qualified candidates to the board for selection of directors nominees for election or re-election to the board of directors, or for appointment to fill any vacancy;
- reviewing annually with the board of directors the current composition of the board of directors with regards to characteristics such as independence, age, skills, experience and availability of service to us;
- advising the board of directors periodically with regard to significant developments in the law and practice of corporate governance as well as our compliance with applicable laws and regulations, and making recommendations to the board of directors on all matters of corporate governance and on any remedial actions to be taken; and
- monitoring compliance with our code of business conduct and ethics, including reviewing the adequacy and effectiveness of our procedures to ensure proper compliance.

In 2008, our corporate governance and nominating committee held meetings or passed resolutions by unanimous written consent twice.

**Duties of Directors**

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

**Employment Agreements**

We have entered into employment agreements with each of our executive officers. Under these agreements, each of our executive officers is employed for a specified time period. We may terminate the employment for cause, at any time, without notice or remuneration, for certain acts of the employee, including but not limited to a conviction or plea of guilty to a felony, negligence or dishonesty to our detriment and failure to perform the agreed-to duties after a reasonable opportunity to cure the failure. An executive officer may terminate his employment at any time without notice or penalty if there is a material reduction in his authority, duties and responsibilities or if there is a material reduction in his annual salary before the next annual salary review. Furthermore, either party may terminate the employment at any time without cause upon advance written notice to the other party. If we terminate the executive officer s employment without cause, the executive officer will be entitled to a severance payment equal to a certain specified number of months of his or her then base salary, depending on the length of his or her employment with us.

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Each executive officer has agreed to hold, both during and after the employment agreement expires or is earlier terminated, in strict confidence and not to use, except as required in the performance of his duties in connection with the employment, any confidential information, technical data, trade secrets and know-how of our company or the confidential information of any third party, including our affiliated entities and our subsidiaries, received by us. The executive officers have also agreed to disclose in confidence to us all inventions, designs and trade secrets which they conceive, develop or reduce to practice and to assign all right, title and interest in them to us.

D. Employees

We had 1,366, 3,487 and 4,604 employees as of December 31, 2006, 2007 and 2008, respectively. As of December 31, 2008, we had 4,604 full-time employees, including 4,254 in manufacturing, 37 in research and development, 42 in sales and marketing and 271 in administration.

From time to time, we also employ part-time employees and independent contractors to support our research and development, manufacturing and sales and marketing activities. We plan to hire additional employees as we expand.

E. Share Ownership

The following table sets forth information with respect to the beneficial ownership of our shares as of April 21, 2009 by:

- each of our directors and executive officers; and
- each person known to us to own beneficially more than 5% of our shares.

| | **Ordinary Shares Beneficially Owned[1][2]** | **%** |
|---|---|---|
| **Directors and Executive Officers:** | | |
| Jifan Gao[3] | 247,616,008 | 8.37 |
| Sean Hsiyuan Tzou | * | * |
| Liping Qiu[4] | * | * |
| Jerome Corcoran | * | * |
| Junfeng Li | * | * |
| Peter Mak | * | * |
| Qian Zhao | * | * |
| Terry Wang | * | * |
| Suping Chen | * | * |
| Arturo Herrero | * | * |
| Qiang Huang | * | * |
| Chunyan Wu[5] | 247,616,008 | 8.37 |
| Cheng Chung Yu | * | * |
| Yu Zhu | * | * |
| Diming Qiu[6] | * | * |
| All Directors and Executive Officers as a Group[7] | 255,593,464 | 8.64 |
| **Principal Shareholders:** | | |
| Wonder World Limited[8] | 242,587,083 | 8.20 |

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* The person beneficially owns less than 1% of our outstanding ordinary shares.

(1) Beneficial ownership is determined in accordance with Rule 13d-3 of the General Rules and Regulations under the Exchange Act and includes voting or investment power with respect to the securities.

(2) The percentage of beneficial ownership is calculated by dividing the number of shares beneficially owned by such person or group by 2,958,398,059 ordinary shares, being the number of shares outstanding as of April 21, 2009.

(3) Includes 143,250 ordinary shares

converted from restricted shares, 242,587,083 ordinary shares held by Wonder World Limited, a Cayman Islands company wholly owned by The Gao Trust, of which Mr. Gao is the settler and the sole member of the management committee, 1,795,675 ordinary shares held by Ms. Chunyan Wu, and 30,900 American depositary shares, representing 3,090,000 ordinary shares, held by Jewel Springs Limited, a Cayman Islands company wholly owned by The Grace Wu Trust, of which Ms. Chunyan Wu is the settler and the sole member of the management committee. Mr. Gao s business address is No. 2 Tian He Road, Electronics Park, New District, Changzhou,

Jiangsu 213031, People s Republic of China.

(4) Represents ordinary shares held by Milestone Solar Holdings I Limited, a British Virgin Islands company. Milestone Solar Holdings I Limited is controlled by Milestone Capital Management Limited, a Cayman Islands company. Mr. Qiu, a member and director of Milestone Capital Management Limited, shares the voting and investment power over the shares held by Milestone Capital Management Limited with Ms. Yunli Lou, Mr. Hamilton Ty Tang and Mr. Simon Murray. Mr. Qiu s business address is Unit A904-905, Huixin Plaza, No. 8 Beichen Road, Beijing

100101, People s Republic of China. Mr. Qiu disclaims beneficial ownership except to the extent of his pecuniary interest therein.

(5) Includes 1,795,675 ordinary shares converted from restricted shares, 30,900 American depositary shares, representing 3,090,000 ordinary shares, held by Jewel Springs Limited, a Cayman Islands company wholly owned by The Grace Wu Trust, of which Ms. Chunyan Wu is the settler and the sole member of the management committee, 143,250 ordinary shares held by Mr. Gao, and 242,587,083 ordinary shares held by Wonder World Limited, a Cayman Islands company wholly owned by The Gao Trust, of which Mr. Gao

is the settler and the sole member of the management committee. Ms. Wu s business address is No. 2 Tian He Road, Electronics Park, New District, Changzhou, Jiangsu 213031, People s Republic of China.

(6) Represents ordinary shares held by Mr. Diming Qiu. Mr. Qiu holds 17.2% of the shares of Perseverance International Investment Limited. Mr. Qiu disclaims beneficial ownership except to the extent of his pecuniary interest therein. Mr. Qiu s business address is No. 2, Tian He Road, Electronics Park, New District, Changzhou Jiangsu 213031, People s Republic of China.

(7)

The business address of directors and officers is No. 2, Tian He Road, Electronics Park, New District, Changzhou Jiangsu 213031, People s Republic of China.

(8) Wonder World Limited is a company incorporated in the Cayman Islands and wholly owned by The Gao Trust. The management committee of The Gao Trust consists of the settlor, Mr. Jifan Gao. The trustee of The Gao Trust is Merrill Lynch Bank and Trust Company (Cayman) Limited. Mr. Gao s business address is No. 2 Tian He Road, Electronics Park, New District, Changzhou, Jiangsu 213031, People s Republic of China.

As of April 21, 2009, 2,958,398,059 of our ordinary shares were issued and outstanding. Based on a review of the register of members maintained by our Cayman Islands registrar, we believe that 2,542,955,500 ordinary shares, or approximately 86.0% of our issued and outstanding shares, were held by the record shareholders in the United States, represented by 25,429,555 ADSs held of record by The Bank of New York Mellon, the depositary of our ADS program.

None of our shareholders has different voting rights from other shareholders as of the date of this annual report. We are currently not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

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**Item 7. Major Shareholders and Related Party Transactions**

A. Major Shareholders

Please refer to Item 6. Directors, Senior Management and Employees¾E. Share Ownership.

B. Related Party Transactions

**Restructuring**

In connection with the establishment of Trina in March 2006, Trina issued 10,000 ordinary shares at par value $1.00 per share to the following entities, which are the nominees of shareholders of Trina China, based on such shareholders proportionate ownership in Trina China:

| Entity | Relationship | Number of Shares Allocated |
|---|---|---|
| Topower International Limited | controlled by Mr. Jifan Gao, our chairman | 3,248 ordinary shares |
| South Great Investment Limited | controlled by Mr. Jianwei Shi, one of our directors | 1,896 ordinary shares |
| Divine Land International Investment Limited | controlled by Mr. Canfang Liu, one of our former directors | 1,896 ordinary shares |
| Sino Base Investment Co. Ltd. | controlled by Mr. Lai Shing Yip, one of our directors | 1,896 ordinary shares |
| Perseverance International Investment Limited | controlled by Ms. Chunyan Wu, one of our executive officers and the wife of Mr. Jifan Gao, our chairman | 1,064 ordinary shares |

In April 2006, these 10,000 ordinary shares with par value of $1.00 each were sub-divided into 1 billion ordinary shares with par value of $0.00001 each. In May 2006, Trina issued 545.8 million Series A preferred shares with par value of $0.00001 each for cash proceeds of approximately $40.0 million. Trina then used $5.1 million out of the proceeds to purchase all of the outstanding equity interests in Trina China from the shareholders of Trina China as follows;

| Entity | Relationship | Consideration Paid |
|---|---|---|
| Changzhou Tianhe Investment Co., Ltd. | controlled by Mr. Jifan Gao, our chairman, and Mr. Jiqing Gao, the brother of our chairman | $2.365 million |
| Changzhou Wujin Nanfang Bearing Co., Ltd | controlled by Mr. Jianwei Shi, one of our directors | $2.76 million |
| Wai Tat (Hong Kong) Limited | controlled by Mr. Canfang Liu, one of our former directors | $1.0 |
| Sino Super Investment Limited | controlled by Mr. Lai Shing Yip, one of our directors | $1.0 |
| Sun Era Industries Limited | | $1.0 |

controlled by Ms. Chunyan Wu, one of our executive officers and the wife of Mr. Jifan Gao, our chairman

In accordance with established regulatory practice in China, the PRC shareholders, Changzhou Tianhe Investment Co., Ltd. and Changzhou Wujin Nanfang Bearing Co., Ltd., were paid not less than their investment cost in Trina China. Such amount was then contributed back to Trina China by these PRC shareholders as cash advances to finance Trina China s operations. We repaid RMB40.7 million ($5.6 million) to the former PRC shareholders in October 2006. In October and November 2006, these shareholders remitted to us as a gift an aggregate of $4.9 million. As a result, Trina will effectively have paid nominal consideration to all transferors, including both former foreign and PRC shareholders for all equity interests in Trina China.

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The foreign shareholders of Trina China have provided us with an indemnity against any withholding obligations and liabilities due to or imposed by the PRC tax authorities that may arise out of the restructuring.

Please see Item 3. Key Information D. Risk Factors Risks Related to Our Company and Our Industry Trina or Trina China may be required by the PRC tax authorities to withhold capital gains tax arising out of our restructuring in May 2006 for more details.

The effect of these transactions was that, post-restructuring and prior to our initial public offering, Trina China s former shareholders held a proportionate share of Trina s ordinary shares based on their prior proportionate equity interests in Trina China excluding Trina s Series A preferred shareholdings. Trina China became a wholly-owned subsidiary of Trina.

**Issuance and Sale of Series A Preferred Shares**

In May 2006, we sold a total of 545,808,968 Series A preferred shares in a private placement at a price of $0.0732857 per share for an aggregate of approximately $40 million. We used the proceeds from the Series A private placement primarily to fund capital investment for the expansion of our facilities in Changzhou.

Each of the Series A preferred shares was converted into one ordinary share upon completion of our initial public offering. Holders of ordinary shares issued upon conversion of our Series A preferred shares are entitled to certain registration rights, including demand registration, piggyback registration and Form F-3 or Form S-3 registration.

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

***Director and Shareholder Cash Advances***

As of December 31, 2006, 2007 and 2008, amounts due from related parties were nil, $613,925 and nil, respectively. The amounts due from related parties in 2007 include prepayments to Changzhou Youze S&T Co., Ltd., a company controlled by Mr. Weizhong Wu, the brother of Ms. Chunyan Wu, for purchase of wafers.

***Loans and Guarantees***

In June and July 2005, we entered into two long-term loans with Bank of Communications. These loans were guaranteed by Changzhou Fulai Property Development Co., Ltd., a related party controlled by Mr. Canfang Liu and Mr. Lai Shing Yip, two of our major beneficial shareholders. We fully repaid these long-term loans in August 2007.

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We had in the past entered into short-term loans with domestic banks, some of which were guaranteed by related parties, but all of which have been fully repaid. The guarantee arrangements were as follows:

In February, March and April 2006, Changzhou Fulai Property Development Co., Ltd. provided guarantees for our short-term borrowings with an aggregate amount of RMB110.0 million ($16.1 million), which were fully repaid.

In September and November 2006, Changzhou Jiuzhou Fuyuan Property Development Co., Ltd. and Changzhou Jiuzhou Plaza Property Development Co., Ltd., which are controlled by Mr. Canfang Liu, one of our beneficial shareholders, provided guarantees for our short-term facilities of RMB80.0 million ($11.7 million) and RMB60.0 million ($8.8 million), respectively. We have agreed to pay a guarantee fee of 2.0% of the loan facility amount per annum to Jiangsu Jiuzhou Investment Group Co., Ltd. based on the guarantee arrangement. These facilities have been fully repaid.

In February 2006, Changzhou Fulai Property Development Co., Ltd. entered into an agreement with Bank of Agriculture and us to guarantee up to RMB64.0 million ($9.4 million) for our short-term borrowings that expired in February 2008.

In May 2007, Jiangsu Jiuzhou Investment Group Co., Ltd. entered into an agreement with Agriculture Bank of China and us to guarantee up to RMB70 million ($10.3 million), $5.0 million and EUR4.0 million ($5.6 million) for our short-term borrowings, which expired in August 2007.

Some of our short-term loans are guaranteed by unrelated parties. A guarantee by an unrelated party is in turn guaranteed by related parties in an arrangement called counter-guarantee. In May 2006, Changzhou Hengtai Investment Guarantee Co., Ltd. provided a guarantee for our short-term borrowings of RMB30.0 million ($4.4 million). In June 2006, Changzhou Hengtai Investment Guarantee Co., Ltd. provided guarantees for our short-term borrowings of RMB50.0 million ($7.3 million) and $10.0 million ($1.5 million), which were fully repaid. In October 2006, Changzhou Hengtai Investment Guarantee Co., Ltd. provided a guarantee for our short-term borrowings of RMB50.0 million ($7.3 million). The counter-guarantee arrangement terminated in March 2007. In January 2008, Changzhou Hengtai Investment Guarantee Co., Ltd. provided a guarantee up to RMB90.0 million ($13.2 million) for our borrowings under a revolving credit facility agreement with Bank of China, which expired on August 15, 2008. Mr. Jifan Gao and Ms. Chunyan Wu jointly provided a counter-guarantee against the guarantee.

In 2007, Jiangsu Jiuzhou Investment Group Co., Ltd., a company controlled by Mr. Canfang Liu provided a guarantee for certain bank loans and a letter of credit of Trina China. A guarantee fee was charged at a rate of 2% per annum. We recorded a total amount of $530,063 of guarantee expenses related to this guarantee service in the year ended December 31, 2007. All expenses were paid prior to December 31, 2007.

In 2006, we also obtained short-term financings from Changzhou Fulai Property Development Co., Ltd. and Jiangsu Jiuzhou Investment Group Co., Ltd., a company controlled by Mr. Canfang Liu. The amounts of such short-term financings were RMB8.0 million ($1.2 million), RMB18.0 million ($2.6 million) and RMB20.0 million ($2.9 million), and the terms ranged from four days to 34 days. Interest was charged at 7.2% per annum. We recorded a total amount of RMB162,680 ($23,845) in interest expense in the year ended December 31, 2006. These financings were fully repaid prior to December 31, 2006.

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Currently, Mr. Canfang Liu and Mr. Lai Shing Yip are not our related parties. As of the date of this annual report, no loans were guaranteed or counter-guaranteed by our related parties.

***Purchase Contract***

In 2007 and 2008, Trina China entered into wafer purchase contracts for a total price of RMB905,520 and RMB79.4 million ($11.6 million), respectively, with Changzhou Youze S&T Co., Ltd. The purchase price was determined based on the current market price, and the transaction was approved by our audit committee.

***Sun Era***

In the past, we procured raw materials and made toll manufacturing purchases from certain suppliers through Sun Era Industries Limited, or Sun Era, whose sole shareholder is Ms. Chunyan Wu, the wife of our chairman. Sun Era was established as a British Virgin Islands company in October 2002 by our chairman Mr. Jifan Gao, and his wife, Ms. Wu, as an offshore special purpose vehicle. It was subsequently used solely for facilitating our sale and purchase arrangements with our overseas silicon suppliers at the suggestion of our overseas silicon suppliers. It is customary for PRC-based manufacturing companies to establish such offshore special purpose vehicles to conduct trading activities, such as finding overseas suppliers and buyers and sourcing and shipping products.

Sun Era did not engage in any business until 2005. In 2005, Trina China sold $0.8 million of silicon ingots and wafers to Sun Era for Sun Era to arrange for further processing under toll manufacturing arrangements with third party suppliers. In 2005 and 2006, Trina China purchased $0.4 million and $0.9 million, respectively, of silicon raw materials through Sun Era and purchased $0.4 million and nil, respectively, of solar cells pursuant to toll manufacturing arrangements through Sun Era. These sales and purchases were effected through customary agreements or purchase orders between Trina China and Sun Era. Sun Era has not made any profit from doing business with us. In 2005 and 2006, Sun Era had net losses of $144,518 and $110,584, respectively. In March 2007, Sun Era Industries ceased operations, and in June 2007 it was officially wound-up.

***Disposal of Assets Used in Discontinued Operation***

Prior to June 30, 2006, we were engaged in the aluminum siding business, which included the production, marketing and sale of aluminum exterior wall products used for cladding the exteriors of buildings and houses. On June 28, 2006, our board of directors resolved to discontinue our aluminum siding business and committed to a plan to settle the related liabilities and realize the related assets through the sale of scrap. Our aluminum siding operations ceased on June 30, 2006, and all of the employees from our aluminum siding business were transferred to our PV module business. In December 2006, we sold the manufacturing equipment and buildings, including the underlying land use rights of 7,633 square meters, previously used in our aluminum siding business, for a total price of RMB5.8 million ($850,128) to Mr. Weifeng Wu and Mr. Weizhong Wu, brothers-in-law of Mr. Jifan Gao, our chairman and chief executive officer.

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**Employment Agreements**

See Item 6. Directors, Senior Management and Employees Management Employment Agreements.

**Share Incentive Plan**

See Item 6. Directors, Senior Management and Employees Management Share Incentive Plan.

**Related Party Transaction Policy**

After the completion of our initial public offering on December 22, 2006, we adopted an audit committee charter and a related party transaction policy, which require that the audit committee review all related party transactions on an ongoing basis and all such transactions be approved by the committee.

C. Interests of Experts and Counsel

Not applicable.

**Item 8. Financial Information**

A. Consolidated Statements and Other Financial Information

We have appended consolidated financial statements filed as part of this annual report.

**Legal and Administrative Proceedings**

We are currently not a party to any material legal or administrative proceedings, and we are not aware of threatened material legal or administrative proceedings against us. We may from time to time become a party to various legal or administrative proceedings arising in the ordinary course of our business.

**Dividend Policy**

We have never declared or paid any 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 most, if not all, of our available funds and any future earnings to operate and expand our business.

Our board of directors has complete discretion whether to distribute dividends. Even if our board of directors decides to pay dividends, the form, frequency and amount of our dividends will depend upon our future operations and earnings, capital requirements and surplus, financial condition, contractual restrictions and other factors that our board of directors may deem relevant. If we pay an