Before making any investment decision in relation to the Offer Shares, you should carefully consider the following risk factors in addition to the other information in this prospectus. The risks described in this prospectus are not the only risks we face. If any of the possible events described below occur, our business, results of operation and financial condition could be materially and adversely affected. In that event, the trading price of our shares could decline, and you may lose part or all of your investment.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our future growth and profitability depend on the demand for solar products and the development of photovoltaic technologies.

The solar power industry is at a relatively early stage of development and has experienced rapid growth in recent years. The cost-effectiveness, performance and reliability of solar power relative to conventional and other renewable energy sources will determine the rate and extent of market acceptance for solar power. Improvements in photovoltaic technologies significantly affect the economics of solar power projects and, thus, are key to stimulating demand for solar products. Demand for solar products is also sensitive to macroeconomic factors, such as energy supply, demand and prices, as well as regulations and policies governing renewable energies and related industries. Although the solar power industry experienced record levels of growth in 2010, the significant decrease in the price of fossil fuels such as oil, coal and natural gas may have negatively affected market interest in renewable energy investments. Furthermore, certain financial markets are still recovering from the recent global recession, which has weakened market demand for capital-intensive products, including solar power systems. Ongoing economic concerns and unfavorable credit conditions in several key solar power markets such as increasing interest rates may result in a decrease in investments in new solar power projects and delays in existing solar power projects in these markets. If solar power proves unsuitable for widespread commercial adoption and application or if demand for solar products fails to develop sufficiently, we may not be able to grow our business or generate sufficient revenue to sustain our profitability.

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

We believe our future success depends, to a large extent, on our ability to increase our production output and achieve greater vertical integration, primarily through the construction of additional manufacturing facilities and the procurement of additional manufacturing equipment. We plan to increase our annual solar cell production capacity and silicon wafer production capacity to approximately 660 MW and 500 MW, respectively, by the end of 2011. In addition, we plan to commence manufacturing solar modules by the fourth quarter of 2011 and reach an annual solar module manufacturing capacity of 300 MW by the end of 2011. If we fail to achieve these objectives, we may not be able to attain the desired level of economies of scale in our operations, reduce marginal manufacturing costs to the level necessary to maintain our pricing and other competitive advantages or meet our obligations under sales agreements, some of which contain penalties of up to 2% of the value of the products we have committed but failed to deliver. Our expansion has required and will continue to require substantial capital expenditure, significant engineering efforts, timely delivery of manufacturing equipment and substantial management attention, and is subject to the following risks and uncertainties:

- negative effect on the working capital available to us;
- the need to finance our capacity expansion through bank or other borrowings, which may not be available on commercially reasonable terms or at all;

- delay or denial of government approvals, permits or documents of similar nature required in relation to our expansion;
- increase in depreciation charges associated with our new equipment and interest expenses associated with our future borrowing for planned expansion;
- cost overruns, construction delays, manufacturing equipment problems, including delays in equipment deliveries or delivery of equipment that does not meet our specifications, and other operating difficulties;
- failure to improve our operational and financial systems and risk monitoring and management system in line with our expansion;
- decrease in the prices of solar cells and solar modules;
- failure to maintain or establish relationships with our existing or prospective customers and suppliers;
- the failure of our new equipment in our solar cell, silicon wafer and solar module production to perform as expected and lower our unit cost;
- inability to secure new supply and sales contracts to match our increased production output; and
- insufficient management resources to properly oversee and manage our planned capacity expansion.

Any of these or similar risks or uncertainties could significantly delay or otherwise constrain our ability to execute our expansion as currently planned, which may in turn hinder our ability to achieve economies of scale and satisfactory utilization rates or otherwise improve our prospects and profitability.

Our revenue and results of operations are affected by the prevailing market prices of solar products.

The prices of solar products depend on, among other factors, demand and supply conditions, the prices of upstream products, including silicon feedstock, and global economic conditions. Since 2008, the prices of solar products have decreased significantly. According to Solarbuzz, the weighted average prices of monocrystalline and multicrystalline solar cells fell from a high of US$2.04 per watt during the first quarter of 2009 to a low of US$1.35 per watt in the first quarter of 2010 and reached at an average of US$1.39 per watt in the fourth quarter of 2010. We derive substantially all of our revenue from sales of solar cells. In response to changing market conditions, we have significantly reduced the average selling prices of our solar cells to less than half of our average price level in 2008.

The global supply of solar cells has increased significantly and is expected to continue to increase as solar cell manufacturers worldwide, including us, continue to expand their manufacturing capacity. Solarbuzz forecasted in March 2011 that, under its moderate forecast scenario, global solar cell production capacity will increase by 19.0% to 24.37 GW in 2011 compared to 2010. Aggressive expansion of production capacity by solar cell manufacturers may result in a potential oversupply of solar cells, inventory buildup and further declines in solar cell prices if demand for solar cells does not increase at a rate commensurate with increased production capacity. In addition, a significant increase in the supply of polysilicon worldwide coupled with weakened global macroeconomic conditions in recent years, has significantly reduced the prices for solar grade polysilicon and downstream solar products, including solar cells.

Furthermore, as we increase our production of solar cells and introduce solar modules to our product offering, we may need to price aggressively to gain market share or to remain competitive, which may further reduce our average selling prices. We cannot assure you that the prices of solar products will not further decline in the future. Any reduction in the prices of solar products may have a negative impact on our revenue and results of operations and adversely affect our expansion plan.

A significant reduction in or discontinuation of government subsidies and economic incentives for the use and development of solar products may have a material adverse effect on our results of operations and business prospects.

We believe that market demand for solar products in the near term will continue to depend on the availability of government incentives because the cost of solar power currently exceeds, and we believe will continue to exceed in near term, the cost of conventional fossil fuel energy and certain non-solar renewable energy. Various governments have used policy initiatives to encourage or accelerate the development and adoption of solar power and other renewable energy sources. Countries in Europe, most notably Germany and Spain, certain countries in Asia, including China, Japan and South Korea, as well as Australia and the United States have adopted renewable energy policies. Examples of government-sponsored financial incentives to promote solar power include capital cost rebates, feed-in tariffs, tax credits, net metering and other incentives to end-users, distributors, system integrators and manufacturers of solar products. The recent global recession has impaired the fiscal ability of some governments to maintain existing incentive programs or offer new incentive programs. Electric utilities that have significant political lobbying powers may also seek legislative changes in their markets that may adversely affect the development and commercial acceptance of solar power. Governments may reduce or eliminate existing incentive programs for political, financial or other reasons, which will be difficult for us to predict. Until the solar power industry reaches a scale to become cost-effective on a non-subsidized basis, a significant reduction in the scope or discontinuation of government incentive programs, especially in the markets where our products or our customers' products are produced or used, could reduce demand for our products and have a material adverse effect on our business, financial condition, results of operations and prospects.

We face capital liquidity risks associated with our planned expansion.

We have expanded our business operations significantly over the past few years and expect to expand aggressively for the next few years. In line with our planned expansion, we expect to incur capital expenditure of RMB1,565 million in 2011 and RMB950 million in 2012. We expect to fund such capital expenditure with the net proceeds from the Global Offering, bank borrowings and internal resources. The success of our planned expansion and operational growth will rely on our availability of additional funding for the planned expansion and our success in implementing our capital liquidity plan. If we fail to obtain additional external financing to meet our capital expenditure plans, whether on commercially reasonable terms or at all, our capital liquidity may be restrained, which would adversely affect our financial condition and result of operation.

We derive a significant portion of our revenue from a limited number of customers, and the loss of, or a significant reduction in, sales to any of these customers could materially and adversely affect our results of operations and financial condition.

We expect that our results of operations will for the foreseeable future continue to depend on sales to a relatively small number of customers. For the years ended 31 December 2008, 2009 and 2010, our top five customers accounted for 71.7%, 44.3% and 75.9% of our revenue, respectively, and sales to our largest customer accounted for 25.9%, 12.0% and 24.8% of our revenue, respectively. Our relationships with our key customers were developed over a short period of time and are generally in their early stages. We cannot assure you that we will continue to be able to rely on these customers for revenue generation, particularly in light of our rapid business expansion. We may experience reduction, delay or cancellation of orders from one or more of our significant customers, and any decline in the businesses of our customers could also reduce their purchase of our products. In addition, we sell the majority of our solar cell products to PRC-based solar module manufacturers that target primarily overseas markets. Any changes in the business strategy or target markets of our customers may have negative impact on demand for our products. Furthermore, we and our customers may become competitors as we plan to extend our product line downstream and some of these customers may consequently decide to use alternative solar cell providers. The loss of sales to any of these customers could have a material adverse effect on our business, prospects and results of operations.

We face risks associated with the negotiable price terms in the long-term sales contracts.

We have long-term sales contracts with 12 customers providing for the sale of an aggregate of approximately 380 MW of solar cells in 2011 and an additional 1,082 MW of solar cells from 2012 to 2013, all of which contain negotiable price terms. We typically determine the sales price of each delivery under our long-term sales contracts before delivery on a monthly basis and under a number of our long-term sales contracts, such price may be subject to renegotiation if the spot price of solar cells moves beyond a pre-determined price band of plus or minus 3%. Historically, the market prices of solar products have been volatile. See "— our revenue and results of operations are affected by the prevailing market prices of solar products." In the event that the spot price of solar cells moves beyond the pre-determined price band and we fail to renegotiate a new price term with a customer, the customer will not be obliged to purchase from us the agreed quantity of solar cells under the applicable sales contracts. We cannot assure you that any reduction, delay or cancellation of orders will not occur as a result of market price fluctuation and our failure to reach an agreement with customers or to enforce the terms of the sales contracts. Upon the occurrence of any of these events, our business, financial condition, results of operations and prospects may be materially and adversely affected.

In addition, as the contract prices of our long-term sales contracts may fluctuate with the prevailing market prices, the amount of revenue we recognize under these contracts in any given period will be determined based on market prices close to the delivery date and may vary significantly from period to period, which could have a material adverse effect on our results of operations.

We may not be able to derive the benefits we expect from the strategic alliance framework agreement.

In order to achieve rapid market penetration into downstream module market by taking advantage of the market position and industry expertise of Huadian New Energy Development Co., Ltd. ("Huadian"), a leading player in the renewable energy market in China, we entered into a strategic alliance framework agreement with Huadian in January 2011, which outlines the preliminary terms of strategic cooperation. Although under this framework agreement, Huadian may purchase our solar modules or other solar products on terms no less favorable than those offered to Huadian by our competitors and we have agreed to consider supplying our products to Huadian on terms no less favorable than those offered to our other customers at appropriate time in the future, neither party is obligated to make any specific purchase or be subject to any agreed-upon payment obligations until supplemental agreements have been entered into. Therefore, we may not be able to derive the benefits we expect from the strategic alliance framework agreement.

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

The key raw material in our production of solar cells is silicon wafers and conductor pastes. In 2008, 2009 and 2010, our top five suppliers, consisting of our silicon wafer suppliers and one conductor paste supplier, accounted for approximately 59.1%, 51.4% and 60.4%, respectively, of our total supply purchases. During the same periods, our largest supplier supplied 31.0%, 19.6% and 18.9%, respectively, of our total supply purchases. Although we began producing silicon wafers for our own production of solar cells in May 2011, we expect to continue to satisfy part of our wafer requirements with purchases from third-party suppliers for the foreseeable future.

We have entered into a one-year purchase contract and a three-year purchase contract with two wafer suppliers for an aggregate of approximately 119 MW of silicon wafers from 2011 to 2013. We intend to purchase our remaining silicon wafer requirement from a limited number of suppliers pursuant to short-term contracts, generally on a monthly basis. Although we have historically secured adequate supplies of silicon wafers to meet our production needs, we cannot assure you that we will continue to be able to secure sufficient silicon wafer supplies to operate our manufacturing lines at full capacity or at our desired quality grades. In addition, we cannot assure you that our suppliers will be able to deliver the agreed quantity of silicon wafers to us, or that we will be able to renew our supply contracts with these suppliers at commercially reasonable terms or at all. For example, in 2009 we recognized an impairment of RMB2.2 million on prepayments to three suppliers as they failed to perform their obligations under their silicon wafer supply contracts with us. Some of our suppliers have a limited operating history, and our purchase contracts do not provide for clear remedies in the event any of these suppliers default on their contractual obligations. In addition, to supply silicon wafers, our suppliers must purchase silicon feedstock from their suppliers. There was a historical shortage of silicon feedstock before 2008, which caused significant volatility in prices of silicon feedstock and silicon wafers, and we cannot assure you that our silicon wafer suppliers will be able to consistently obtain sufficient silicon feedstock to satisfy their contractual obligations to us.

Our inability to obtain silicon wafers on commercially reasonable terms or at all, and in particular, our inability to find suitable alternative suppliers in a timely manner, could materially and adversely affect our ability to perform our contractual obligations or meet existing and future customer demand. The occurrence of any of these could have a material adverse effect on our reputation and our ability to retain customers and market share and cause us to generate less revenue than expected, thereby materially and adversely affecting our business, financial condition and results of operations.

We are exposed to fluctuations in the prices of solar cells and silicon wafers.

We typically deliver solar cells within seven days after the price is determined and our silicon wafer suppliers typically deliver silicon wafers within seven days after we place orders. Under a number of our sales contracts, the price may be subject to renegotiation if the spot price of solar cells moves beyond a pre-determined price band. We closely monitor the movement of spot market prices of solar cells and silicon wafers, and will renegotiate the price when there is significant price fluctuation. However, we cannot guarantee that we will be successful in renegotiating the price when there is significant price fluctuation. Failure to renegotiate the prices of solar cells and silicon wafers at the time of significant price fluctuation may adversely affect our business and results of operation. We may determine the price of solar cells to be sold to our customers before we procure silicon wafers for the production of such solar cells. If the price of silicon wafers increases significantly after the selling price of our solar cells is determined, we may not be able to renegotiate the price of our solar cells and pass the increased costs to our customers. In such case, our business and results of our operation may be adversely affected. In addition, although the market price of solar cells has historically moved in correlation with that of silicon wafers, we cannot guarantee that we will always be able to pass on the increases in our cost of silicon wafers to our customers. Failure to pass on the increases in the cost of silicon wafers to our customers may adversely affect our business and results of operation.

If we are unable to obtain sufficient high quality polysilicon for our silicon wafer production in a timely manner and at commercially reasonable prices, our business could be materially and adversely affected.

We plan to manufacture silicon wafers primarily using solar-grade virgin polysilicon, and as a result, will be dependent on solar-grade virgin polysilicon supply for our manufacturing process. We must procure sufficient quantities of virgin polysilicon on a timely basis and on commercially reasonable terms. The need for timely delivery of polysilicon on commercially reasonable terms will increase as we expand our wafer production. As we commenced producing silicon wafers in May 2011, we have started to procure and expect to continue to procure virgin polysilicon from our suppliers, on the spot market.

Any disruption in the supply of polysilicon, including the failure of a major supplier to supply an adequate amount of polysilicon that meets our quality, quantity and cost requirements in a timely manner, could adversely affect our ability to maintain satisfactory utilization of our silicon wafer production facilities, limit our ability to meet our customers' demand, increase the cost of sourcing polysilicon and consequently materially and adversely affect our financial condition and results of operations.

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

In line with our strategy to achieve greater vertical integration, we commenced producing silicon wafers in May 2011 and plan to commence producing solar modules by the fourth quarter of 2011. Silicon wafer production and solar module production involve processes and technologies that are significantly different from the production of solar cells. Although we have hired mid-level management with experience in the manufacturing and marketing of silicon wafers and solar modules, only one of our senior management has experience in the silicon wafer and solar module industries. We will also need to establish relationships with polysilicon and other suppliers for our silicon wafer operation, which will be different from existing suppliers for our solar cell business. As such, we face various risks relating to the commencement of these new business operations, including our potential failure to:

- procure silicon wafer and solar module production equipment, in particular, ingot furnaces and wire saws, and supplies of consumables and other materials for the production of silicon wafers and solar modules at reasonable costs and on a timely basis;
- attract, train, motivate and retain skilled employees, including technicians and managers, for our silicon wafer and solar module production;
- produce silicon wafers and solar modules cost-effectively and maintain adequate control of our expenses in relation to the production of these products;
- achieve acceptable quality standards for our silicon wafers and solar modules;
- increase market and brand awareness for our new products;
- maintain and develop relationships with our existing or prospective customers as we prepare for the commencement of solar module production;
- keep abreast of evolving industry standards and technological developments and respond to competitive market conditions;
- obtain the necessary certificates for our new products; or
- protect our proprietary technologies relating to the production of silicon wafers and solar modules.

Furthermore, although the selling prices of solar modules are typically higher than those of solar cells, the profit margin of solar module production is generally lower. The market for solar modules is intensely competitive and many of our current and potential competitors have a longer operating history, stronger brand recognition, greater economies of scale, more established relationships with customers and suppliers, greater financial and other resources, larger customer base, better access to raw materials, more established distribution networks and better knowledge of target markets than us. We may not be able to compete successfully in the solar module market, which could hinder our ability to execute our expansion plan and to achieve greater vertical integration.

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

Failure to adapt to changing market conditions and to compete successfully with existing or new competitors may adversely and materially affect our business prospects and results of operations.

The markets for solar cells and solar modules are intensely competitive and rapidly evolving. We compete with manufacturers of solar cells such as JA Solar Holding Co., Ltd. ("JA Solar"), Motech Industries Inc. ("Motech") and Gintech Energy Corporation ("Gintech") in a continuously evolving market. Recently, some upstream polysilicon and silicon wafer manufacturers as well as downstream manufacturers have also expanded their solar cell production operations. Some of these competitors are also our customers and suppliers. In addition, as we plan to commence manufacturing and selling solar modules by the fourth quarter of 2011, we expect to compete with manufacturers of solar modules such as Suntech Power Holdings Co., Ltd. ("Suntech"), Trina Solar Ltd. ("Trina"), Canadian Solar Inc. ("Canadian Solar") and China Sunergy Co., Ltd. ("China Sunergy").

Many of our current and potential competitors have a longer operating history, stronger brand recognition, greater economies of scale, more established relationships with customers and suppliers, greater financial and other resources, larger customer base, better access to raw materials, more established distribution network and better knowledge of target markets. A number of our key competitors have announced plans for significant capacity expansions, thereby increasing the risk of price competition and an oversupply of solar products. Furthermore, many of our competitors are integrated players in the solar industry that engage in the production of polysilicon, silicon wafers, solar cells and solar modules. Their business models may give them competitive advantages as these integrated players place less reliance on upstream suppliers, downstream customers or both.

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

The solar industry generally competes with other renewable energy as well as conventional energy resources.

Demand for solar products depends in part on the availability and price of alternative energy sources. Solar power competes with other sources of renewable energy, such as wind power, hydroelectricity and geothermal energy, as well as more conventional sources of energy, such as coal, oil and natural gas. Conventional energy sources are currently more cost competitive than solar power on an unsubsidized basis. If prices of conventional sources or other renewable energy sources decrease relative to prices of solar products, we may not be able to grow our business or generate sufficient revenue to sustain our profitability. Furthermore, if manufacturers and users of other renewable energy sources receive government subsidies or other economic incentives not offered to manufacturers and users of solar power, the solar industry may be unable to compete effectively with such other renewable energy sources which could have a material adverse effect on our business, financial condition and results of operations.

Our operating history may not serve as an adequate basis to evaluate our future prospects, business performance and results of operations.

We commenced the commercial production of solar cells in March 2007 and significantly increased our production capacity of solar cells in 2010. In addition, we commenced producing silicon wafers in May 2011. We are currently constructing additional manufacturing facilities to accommodate the expansion of our solar cell and silicon wafer production capacity and our planned solar module production, which we expect to commence by the fourth quarter of 2011. Because many of our manufacturing lines have been in operation for a limited period of time and we expect to place a number of new manufacturing lines into operation in 2011, our historical operating results may not provide a meaningful basis for evaluating our future prospect, business and results of operations. In addition, the suitability of our business model and our ability to achieve satisfactory productivity and market our products at higher volumes are unproven. To manage the growth of our operations, we must, among other things, continue to respond to competitive dynamic and volatile market developments, attract, retain and motivate qualified personnel, execute our vertical integration and expansion plans; and continue to improve our manufacturing processes and product designs. Although we experienced significant growth in sales volume during the Track Record Period, we may be unable to achieve similar growth in future periods. Our ability to grow is affected by a number of factors, including our ability to manage our growth as well as other factors beyond our control such as economic conditions and government policies. Accordingly, you should not rely on our results of operations for any prior period as an indication of our future performance.

Our half year profit forecast is not indicative of and should not be interpreted as guidance for our 2011 full year results.

Our profit forecast is only for the six months ending 30 June 2011, which does not take into account any factors affecting results beyond 30 June 2011 and is not indicative of our 2011 full year results. Therefore, our profit forecast should not be interpreted as the guidance for our full-year results for 2011 and should not be relied on as an indication of our expected performance for any period beyond 30 June 2011.

We require a significant amount of cash to fund our operations and business expansion and we may not obtain additional capital in a timely manner or on commercially acceptable terms.

We require a significant amount of cash to fund our operations, including payments to suppliers for silicon wafers and other raw materials and production inputs. We will also need to raise capital for the expansion of our production capacity and other investing activities, as well as for our research and development activities in order to remain competitive. Our ability to obtain external financing to fund our operations and expansion and for other corporate purposes is subject to a number of uncertainties, including among others:

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

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

We historically had and may continue to have net current liabilities.

As of 31 December 2010 and 31 May 2011, we had net current liabilities of RMB114.1 million and RMB83.2 million, respectively, as a result of our substantial bank borrowings in 2010 and 2011 to fund our expansion. We may have ongoing net current liabilities in the future. Having significant net current liabilities could constrain our operational flexibility and adversely affect our planned expansion. If we fail to generate sufficient cash flow from our operations to meet our present and future financial needs, we may need to finance from external sources. If we fail to raise adequate capital, we may be forced to delay or abandon our development and planned expansion, and our operations and financial condition may be materially and adversely affected.

Our substantial indebtedness could adversely affect our ability to raise additional capital to fund our operations and react to changes in the economy or our industry.

We had approximately RMB154.5 million in outstanding short-term borrowings (including the current portion of long-term bank borrowings) and RMB140.0 million in outstanding long-term bank borrowings (excluding the current portion) as of 31 December 2010. Our estimated debt servicing payments in 2011 are approximately RMB125.0 million. This level of debt could have significant consequences on our operations, including:

- reducing the availability of our cash flow to fund working capital requirements, capital expenditures, strategic initiatives and other purposes as a result of our debt servicing obligations;
- limiting our flexibility in planning for, or reacting to, changes in our business, the industry in which we operate and the general economy; and
- limiting our ability to obtain additional financing and potentially increasing the cost of any such financing.

Our ability to generate sufficient cash flow from operations to make scheduled payments on our debt will depend on a range of economic, financial, competitive, business, legislative and regulatory factors, many of which are beyond our control. We cannot assure you that our business will generate adequate cash flow from operations to support our operations and service our debt obligations, or that future borrowings will be available to us under our existing or any future credit facilities or otherwise, in an amount sufficient to enable us to meet our payment obligations under our outstanding debt while continuing to fund our other liquidity needs. If we are not able to generate sufficient cash flow to service our debt obligations, we may need to refinance or restructure our debt, sell assets, reduce or delay capital investments, or seek to raise additional capital. If we are unable to implement one or more of these alternatives on commercially reasonable terms or at all, we may not be able to meet our payment and other obligations under our outstanding debt, which may have a material adverse effect on our operations and financial condition.

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

We consume electricity in our operations. Although our average electricity cost decreased during the Track Record Period, we expect the demand for electricity to increase as the economy of China continues to grow, which may cause the electricity price to increase if the supply cannot match the increased demand. Historically, we have not experienced any electricity shortages. However, various regions across China have experienced shortages or disruptions in electricity supply, especially during summer peak season or severe weather conditions. As we expand our production capacity, our consumption of electricity will correspondingly increase. We cannot assure you that we will not experience any disruption or shortages in our electricity supply in the future or there will be sufficient electricity available to us to meet our future requirements. Increases in electricity costs, shortages or disruptions in electricity supply may significantly disrupt our normal operations, cause us to incur additional costs and adversely affect our profitability.

Decreases in the prices of solar cells, silicon wafers and other raw materials for our production may result in additional provisions for inventory losses.

We typically plan our production and inventory levels based on our forecasts of customer demand, which can fluctuate materially, particularly during periods of rapid industry expansion and economic uncertainty. Due to a decrease in the prices of solar cells and silicon wafers, we recognized a write-down of inventory of approximately RMB4.5 million and RMB0.8 million during the years ended 31 December 2008 and 2009, respectively. As we expand our production scale, our inventories of solar cells, work-in-progress and raw materials may increase along with our exposure to inventory management risks. If the prices of silicon wafers and raw materials used in our manufacturing decrease, the carrying value of our existing inventory may exceed its market price in future periods, thus requiring us to make additional provisions for loss of inventory value, which may have a material adverse effect on our financial position and results of operations.

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

The solar power industry is characterized by evolving technologies and standards. These technological developments place increasing demands on the need to improve our products and manufacturing processes, such as producing solar cells with higher conversion efficiency and larger and thinner silicon wafers and solar cells while increasing their yields and reducing breakage rates. Other companies may develop processing technologies enabling them to produce solar cells that could yield higher conversion efficiencies at lower costs than our products. Some of our competitors are developing alternative and competing solar technologies such as thin-film technologies that may require significantly less silicon than solar cells and modules, or no silicon at all. Technologies developed or adopted by others may prove more advantageous than ours for commercialization of solar products and may render our products obsolete. As a result, we may need to invest significant resources in research and development to maintain our market position, keep pace with technological advances in the solar power industry and effectively compete in the future. We cannot assure you our research and development efforts in this regard will be successful, and our failure to further refine and enhance our products or to keep pace with evolving technologies and industry standards could cause our products to become uncompetitive or obsolete, which could in turn reduce our market share and cause our revenue and net profit to decline.

Existing regulations and policies and changes to these regulations and policies may present technical, regulatory and economic barriers to the purchase, use and development of solar products, which may significantly reduce demand for our products.

The market for power generation products is heavily influenced by government regulations and policies, as well as policies adopted by electric utilities companies. These regulations and policies often relate to electricity and grid connection of power generation systems. In a number of countries, these regulations and policies are being modified and may continue to evolve. 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 products, utility customers are often charged interconnection or standby fees for adding a distributed power generation system on the electric grid. In addition, utility companies commonly charge fees to larger, industrial customers for disconnecting them from the electricity transmission grid or for having the capacity to use power from the electricity transmission grid for back-up purposes. These fees could increase the cost of solar power and make it less desirable, thereby decreasing the demand for our products, harming our business, prospects, results of operations and financial condition. Existing policies that are favorable to the solar power industry may not have their intended effect on our industry due to challenges in implementation. For example, although the amended Renewable Energy Law, which aims to stimulate the adoption of renewable energy in China, became effective in April 2010, the lack of implementation details for this and other recent incentive schemes may cause demand for solar products, including our products, not to grow as rapidly as we expect, if at all.

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

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

We rely on a limited number of equipment suppliers for all our principal manufacturing equipment and spare parts, including our diffusion furnaces, firing furnaces, screen printing machines and wire saws. Our equipment suppliers include Centrotherm Photovoltaics AG ("Centrotherm"), Micro-tec Co., Ltd., Baumann GmbH, Rena GmbH and Manz Automation AG. These suppliers have supplied a substantial majority of our current manufacturing equipment, and we plan to continue to source from them a substantial portion of the principal manufacturing equipment and spare parts in connection with our expansion plan.

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

We have begun selling our products on credit terms, which may increase our working capital requirements and expose us to the credit risk of our customers.

We generally require customers to make prepayments equivalent to a certain percentage of the contract price before product delivery, a business practice that helped us manage our accounts receivable, prepay our suppliers and fund our working capital requirements. As the market becomes increasingly competitive, we expect advance payment terms to become less common in our sales contracts. Since 2009, we also have begun selling our products to some customers on credit terms of up to 30 days after delivery of our products. Therefore, we are exposed to the credit risk of these customers in the event that any of such customers becomes insolvent or bankrupt or otherwise does not make payments to us on time. In addition, eliminating advance payment arrangements and starting sales to our customers on credit terms have increased our working capital requirements, which may negatively affect our short term liquidity.

We face risks associated with the marketing and sale of our products internationally.

Since we commenced sales in 2007, we have exported a small portion of our products to overseas markets. In 2008, 2009 and 2010, we generated 1.4%, 3.2% and 7.3%, respectively, of our revenue from export sales. As our business expands, in particular as we commence our production and sale of solar modules, our direct sales to customers in the international markets are expected to increase. Other than PRC, we also plan to sell our solar modules in the global market, in particular, the European market. Marketing and sale of our products in the overseas markets may expose us to a number of risks, including:

- fluctuations in currency exchange rates;
- difficulty with staffing and managing overseas operations and increased cost associated with developing and maintaining marketing and distribution presence in various countries;
- failure to develop appropriate risk management and internal control structures tailored for overseas sales;
- difficulty and cost relating to compliance with the different commercial and legal requirements of the overseas markets in which we offer or plan to offer our products and services;
- failure to obtain or maintain certifications for our products or services in these markets;
- inability to obtain, maintain or enforce intellectual property rights;
- unanticipated changes in prevailing economic conditions and regulatory requirements;
- difficulty in employing and retaining sales personnel who are knowledgeable about, and can function effectively in, overseas markets;
- difficulty in ensuring the compliance of our distributors or customers with the sanctions imposed by the United States Office of Foreign Assets Control on various foreign states, organizations and individuals; and
- trade barriers such as export requirements, tariffs, taxes and other restrictions and expenses, which could increase the prices of our products and make us less competitive in some countries.

In particular, we are exposed to the risk that any unfavorable trade policies in foreign markets could affect the sale of our products. As our manufacturing bases and the substantial majority of our downstream customers are located in China, we and our customers may be affected by any claims of unfair trade practices that are brought against the PRC government through the imposition of tariffs, non-tariff barriers to trade or other trade remedies. On 9 September 2010, the United Steel Workers filed a petition with the United States Trade Representative, or USTR, alleging the PRC government has engaged in unfair trade policies and practices with respect to certain domestic industries, including the solar power industry. Subsequently, on 15 October 2010, USTR initiated an investigation under Section 301 of the 1974 Trade Act. On 22 December 2010, acting on a petition by the USTR, the United States government filed a complaint (the "Complaint") with the World Trade Organization about subsidies offered by the PRC government to its wind-energy manufacturers. On 7 June 2011, the USTR announced that China has ended certain wind power equipment subsidies. In addition, on 7 January 2011, U.S. President Barack Obama signed into law the Military Authorization Law, which contains a "Buy American" provision that prohibits the United States Defense Department from purchasing Chinese-made solar panels. We currently sell only a small portion of our solar cell products directly to overseas customers while most of our customers are PRC module manufactures who incorporate our solar cell products into their solar modules sold to the overseas market.

According to Solarbuzz, U.S. accounted for only 5.3% of the global installed PV generating capacity in 2010. Therefore, we believe sales to the U.S. market account for only a limited portion of our customers' global sales. Accordingly we do not expect the Complaint or the Military Authorization Law to have a material adverse effect on our business. However, there can be no assurance that any government or international trade body will not institute adverse trade policies or remedies against exports from China in the future. Any significant changes in international trade policies, practices or trade remedies, especially those instituted in our target markets or markets where our major customers are located, could increase the price of our products compared to our competitors or decrease our customers' demand for our products, which may adversely affect our business prospects and results of operations.

If we are unable to effectively manage these risks, they could impair our ability to expand our business abroad and have a material adverse effect on our business, financial condition, results of operations and prospects.

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

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

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

Our results may be affected by factors such as changes in market price of solar products, sales orders from customers, costs of raw materials, delays in equipment delivery, suppliers' failure to perform their delivery obligations and interruptions in electricity supply and other key production inputs. Our results may also be affected by the general economic conditions and the state of the credit markets both in China and elsewhere in the world, which may affect the demand for our products and availability of financing. Our revenue and profit were adversely affected by the global economic recession from the second half of 2008 to the first half of 2009. In addition, because demand for solar products tends to be weaker during the winter months partly due to adverse weather conditions in certain regions, which complicate the installation of solar power systems, our operating results may fluctuate from period to period based on the seasonality of industry demand for solar power products. Our sales in the first quarter of any year may also be affected by the occurrence of the Chinese New Year holiday during which domestic industrial activity is normally lower than that at other times. In addition, as we are in the process of becoming a vertically integrated solar product provider, our sales revenues and gross profit margin may vary as we expand the production capacity of silicon wafers, solar cells and solar modules at different paces. As a result, you may not be able to rely on period to period comparisons of our operating results as an indication of our future performance.

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

Our products may contain defects that are not detected until after they are shipped or inspected by our customers. Our solar cell sales contracts normally require our customers to conduct inspection before acceptance of delivery and to notify us within five to 14 days of delivery if such customer finds our solar cells do not meet the specifications stipulated in the sales contract. If our customer notifies us of a defect within the specified time period and provides relevant proof, we will repair those defective solar cells or replace them with qualified ones after our confirmation of such defects. We use our past experience to estimate and make provisions for returns at the time of sale. Our failure to maintain the consistency and quality throughout our production process could result in substandard quality or performance of our products, and product defects could cause significant damage to our market reputation and reduce our product sales and market share. If we deliver our products with defects, or if there is a perception that our products are of substandard quality, we may incur substantially increased costs associated with returns or replacements of our products, our credibility and market reputation could be harmed and our sales and market share may be adversely affected.

Our single largest shareholder has significant influence over our management and his interests may not be aligned with our interests or the interests of our other Shareholders.

As of the date of this prospectus, our executive Director, Mr. Tang Guoqiang, beneficially owned through Peace Link approximately 39.53%, of our outstanding Shares and upon completion of this offering, will own an aggregate of approximately 29.65% of our outstanding Shares, assuming the Over-allotment Option is not exercised. As such, he will have substantial influence over our business, including decisions regarding significant corporate transactions such as mergers, consolidations and the sale of all or substantially all of our assets, election of directors, dividend policy and other significant corporate actions. Mr. Tang Guoqiang may have interests different from ours and the interests of our other Shareholders and may take actions that are not in the best interest of our Company or our other Shareholders. His influence may discourage, delay or prevent a change in control of our Company or impede a transaction that our other Shareholders may otherwise view favorably, which could deprive other Shareholders of an opportunity to sell their Shares at a premium and might reduce the price of our Shares.

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

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

Our lack of sufficient patent protection in and outside of China may undermine our competitive position and subject us to intellectual property disputes with third parties.

We have developed various know-how and technologies related to the production of our products. Such know-how and technologies play a critical role in our product design, quality assurance and cost reduction. We are implementing a number of research and development initiatives to develop techniques and process that will improve production efficiency and product performance and quality. As of the Latest Practicable Date, we had seven patents and 17 pending patent applications in China. We plan to continue to protect our intellectual property and proprietary knowledge by applying for patents for them. However, we cannot assure you that we will be successful in obtaining patents in China in a timely manner or at all. We also use contractual arrangements with employees and trade secret protections to protect our intellectual property and proprietary rights. Nevertheless, contractual arrangements afford only limited protection and the actions we may take to protect our intellectual property and proprietary rights may not be adequate. Our failure to protect our production process, related know-how and technologies and/or our intellectual property and proprietary rights may undermine our competitive positions.

In addition, third parties may infringe or misappropriate our proprietary technologies or other intellectual property and proprietary rights. Policing unauthorized use of proprietary technology can be difficult and expensive. Litigation, which can be costly and divert management attention and other resources away from our business, may be necessary to enforce our intellectual property rights, protect our trade secrets or determine the validity and scope of our proprietary rights. However, implementation of PRC intellectual property laws has historically been lacking. We cannot assure you that the outcome of any potential litigation relating to our intellectual property and proprietary rights will be in our favor. An adverse determination in any such litigation may impair our intellectual property and proprietary rights and may harm our business, prospects and reputation.

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

Our success depends on our ability to use and develop our technology and know-how without infringing the intellectual property or other rights of third parties. We may be subject to litigation involving claims of patent infringement or violation of intellectual property or other rights of third parties. The validity and scope of claims relating to solar power technology patents involve complex scientific, legal and factual questions and analyses and therefore, may have highly uncertain outcomes. The defense and prosecution of intellectual property suits, patent infringement proceedings and related legal and administrative proceedings can be both costly and time consuming and may significantly divert our resources and the efforts of our technical and management personnel. An adverse ruling in any such litigation or proceedings could subject us to significant liability to third parties, require us to seek licenses from third parties, to pay ongoing royalties, or to redesign our products or subject us to injunctions prohibiting the manufacture and sale of our products or the use of our technologies. Protracted litigation could also result in our customers or potential customers deferring or limiting their purchase or use of our products until resolution of such litigation. In addition, we have not obtained the trademark registration of the "SF-PV" and "SF-PV" in Hong Kong, for which we applied for registration on 27 January 2011. Our pending trademark registration application may not be approved, third parties may seek to oppose or otherwise challenge these registrations. Failure to obtain such trademark registrations could limit our ability to protect our trademarks and impede our marketing efforts in Hong Kong.

Our business depends substantially on the continuing efforts of our executive officers and key technical personnel, as well as our ability to maintain a skilled labor force.

Our success depends on the continued services of our executive officers and management team. We do not maintain key person insurance on any of our executive officers and key personnel. If one or more of our executive officers and key personnel are unable or unwilling to continue in their present positions, we may not be able to replace them readily, if at all. As a result, our business may be severely disrupted and we may have to incur additional expenses in order to recruit and retain new personnel. In addition, if any of our executives joins a competitor or forms a competing company, we may lose some of our customers. Each of our executive officers and key personnel has entered into an employment agreement with us that contains confidentiality and non-competition provisions. However, if any dispute arises between our executive officers or key personnel and us, we cannot assure you, in light of uncertainties associated with the PRC legal system, that these agreements could be enforced in China where most of our executive officers and key personnel reside and hold most of their assets. See "— Risks relating to doing business in the PRC — The PRC legal system is evolving and has inherent uncertainties that could limit the legal protection available to you". Furthermore, recruiting and retaining capable personnel, particularly experienced engineers and technicians familiar with the solar power industry, and in particular our products and manufacturing processes, is vital for the maintenance of the quality of our products and improve our production methods. In line with our planned expansion, we have been actively recruiting key personnel and expect to add approximately another 775 employees in 2011. There is substantial competition for qualified technical personnel. Although we believe there are sufficient skilled workers in the labor market, we cannot assure you that we will be able to attract or retain qualified technical personnel. If we are unable to attract and retain sufficient qualified employees, key technical personnel and our executive officers, our planned expansion may be delayed and our business may be materially and adversely affected.

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

We use, store and generate volatile, toxic and otherwise dangerous chemicals and waste during our manufacturing processes, and are subject to a variety of government regulations related to the use, storage and disposal of such hazardous chemicals and waste. Any failure by us to control the use of, or to adequately restrict the discharge of, dangerous substances could subject us to potentially significant monetary damages and fines or the suspension of our business operations. In addition, we are required to conduct periodic safety evaluation of our manufacturing and storage facilities and equipment, file the results of such evaluation with competent safety supervision and administration authorities, and satisfy other applicable requirements in relation to safe production.

We are required to comply with all PRC national and local environmental protection regulations. Under such regulations, we are prohibited from commencing commercial operations of our manufacturing facilities until we have obtained the relevant approvals from PRC environmental protection authorities. Moreover, we are required to obtain construction permits before commencing construction of production facilities.

We commenced operations of certain of our production facilities before all relevant environmental approvals had been granted. In addition, under the applicable environmental protection laws, we are required to obtain a pollutant discharge permit from the local environmental authority before discharging waste water or pollutants into a water body. Because the Environmental Protection Bureau of Wujin District ("Bureau"), Changzhou City, Jiangsu Province, the PRC which is responsible for enforcing environmental laws and regulations in Xueyan Town, Changzhou City, Jiangsu Province, is experimenting with a pilot trading program of pollutant discharge rights and does not issue any pollutant discharge permit to local businesses, we had not obtained a pollutant discharge permit for our operations during the Track Record Period for our facilities located in Xueyan Town. Under applicable PRC laws, any company that commences operation before obtaining a pollutant discharge permit, constructing pollutant prevention facilities, having relevant facilities inspected or obtaining inspection certification may be subject to penalties imposed by relevant authorities, including suspension of operation and in case of failure to have environmental facilities inspected or obtain inspection certification, a fine of up to RMB500,000. We are in the process of obtaining the pollutant discharge permit for our new operating facilities located in Wujin Hi-Tech Industrial Zone (the "New Site"). We obtained a confirmation letter dated 28 December 2010 from the Bureau confirming that Shunfeng Technology is permitted to maintain its current level of operations in Xueyan Town without facing any penalties imposed by the Bureau until the completion of the relocation of our facilities from Xueyan Town to Wujin Hi-Tech Industrial Zone by no later than 31 December 2012 (the "Transition Period"), and Shunfeng Technology had not been a party to any environmental pollution incidents nor had there been any official record of it being subject to any administrative penalties. Based on such confirmation letter, King & Wood, our PRC legal advisors, have advised us that it is unlikely that Shunfeng Technology will be subject to any administrative penalties by the Bureau and that our lack of pollutant discharge permit with respect to our operations in Xueyan Town will not have a material adverse effect on our operations during the Transition Period.

We cannot assure you that we will be able to obtain all the safe production and environmental permits for our operations in a timely manner or at all or that we will not be penalized by the relevant government authorities for any non-compliance with the PRC environmental protection and safe production regulations. See "Business—Production Safety and Environmental Matters—Environment." Failure to obtain any necessary safe production and environmental permits and approvals, including the pollutant discharge permit, could result in administrative fines and suspension of operations and may materially and adversely affect our business, financial condition, and results of operations.

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

Natural disasters, acts of war, political unrest and epidemics may adversely affect our business.

Natural disasters, acts of war, political unrest, epidemics and other events which are beyond our control may lead to global or regional economic instability, which may in turn adversely affect our business, results of operations, financial condition, ability to raise capital or future growth.

Certain areas in China are particularly susceptible to floods, earthquakes, sandstorms, snowstorms and droughts. All of our manufacturing facilities are located in Changzhou City where we currently manufacture all of our solar cells and silicon wafers, store our inventories. We also conduct all of our research and development at such facilities. Our production, operations and business could be adversely affected by the effects of fire, severe weather, natural disasters and similar events or labor disputes in places where we operate our business or sell our products. Furthermore, political unrest and acts of war may cause damage or disruption to our business, facilities and markets, any of which could materially and adversely affect our production, sales, cost of sales and overall results of operations. In addition, certain Asian countries, including the PRC, have encountered epidemics, such as SARS, the avian flu and influenza A (H1N1). Past epidemic outbreaks, depending on their scale, have caused different degrees of damage to the national and local economies in China. The occurrence of natural disaster, unanticipated catastrophic event or a recurrence of an epidemic and other adverse public health development in China could result in production curtailments, shutdowns of our facilities or periods of reduced productions, which could severely disrupt our business operations, and in turn materially and adversely affect investment appetite in our Company and our Share price.

RISKS RELATING TO DOING BUSINESS IN THE PRC

Changes in the attitude of the PRC government towards the development of the solar power industry may adversely affect our current or future business, growth strategies, financial condition and results of operations.

We currently conduct our business primarily through our entities incorporated in China. The growth and performance of our business is affected by the availability of support and financial incentives from the PRC government. The solar power industry in the PRC has accumulated excess production capacity primarily due to the rapid growth in the number of solar power companies in the PRC in recent years. It is generally expected that many solar power companies will be faced with difficulties in maintaining their competitive position in the future. There are also uncertainties as the PRC government recently indicated that it will formulate new policies to restrain, limit or control the continued development of solar power enterprises, particularly those in the polysilicon industry, which may lead to consolidation in the solar power industry in the PRC. In the event that the PRC government promulgates any further policy to restrict the import of polysilicon to rectify the excess supply of domestic polysilicon, we may need to source more polysilicon in the PRC polysilicon market and modify our procurement strategy, which we may not be able to accomplish in a timely and cost-effective manner, or at all. There is no assurance that we will be able to compete effectively under such regulatory restraints. Changes in the PRC government's attitude towards the solar power industry may have adverse effects on the developments and sustainability of solar cell producers in the PRC and hinder our current or future business, growth strategies, financial condition and results of operations.

Changes in the economic, political and social conditions in the PRC and policies adopted by PRC government could adversely affect our business.

Our operating subsidiaries are based in PRC and therefore, our results of operations and financial condition will be affected to a significant extent by economic, political, legal developments and government policies in China.

Although China's economy has been transitioning from a planned economy to a more market-oriented economy for more than three decades, a substantial portion of enterprise assets in China is still owned by the PRC government. The PRC government also exercises significant control over the economic growth of China through allocating resources, controlling foreign exchange, setting monetary policy and providing preferential treatments to particular industries or companies. In recent years, the PRC government has implemented economic reform measures emphasizing the use of market forces resulting in economic development. These economic reform measures may be adjusted or modified or applied inconsistently from industry to industry, or across different regions of the country. As a result, some of these measures may benefit the overall PRC economy, but may also have a negative effect on the solar power industry or our business.

Additionally, an economic downturn in China may reduce the level of global capital spending and investments on solar products and result in decreased demand for our products. A substantial majority of our revenue during the Track Record Period was attributable to sales within the PRC. As such, our future success is substantially dependent on economic conditions in China. Any significant downturn in market conditions, particularly in the PRC and global renewable energy market, may adversely affect our business prospects and results of operations.

Government control over the conversion of foreign exchange may affect our financial condition and results of operations.

The RMB is not currently a freely convertible currency. Pursuant to existing foreign exchange regulations in the PRC, we are allowed to carry out current account foreign exchange transactions (including dividend payments) without submitting the certifying documents of such transactions to SAFE for approval in advance as long as they are processed by banks designated to trade foreign exchange. However, foreign exchange transactions for capital account purposes may require the prior approval or registration with SAFE. In particular, if our PRC subsidiary borrows foreign currency loans from us or other foreign lenders, these loans must be registered with the SAFE, and if we finance our PRC subsidiary 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 adversely impact our capital expenditure plans, business operations and consequently our results of operations and financial condition.

We face foreign exchange and conversion risks, and fluctuation in the value of the RMB may have a material and adverse effect on our business and your investment.

As our operations are primarily conducted in China and a substantial majority of our revenue is denominated in RMB, fluctuations in the RMB exchange rate against other currencies did not have a material impact on our results of operations during the Track Record Period. However, we anticipate our exposure to fluctuations in foreign exchange will increase as we implement our business expansion plan, in part, through product sales and equipment procurement that are denominated in currencies other than the RMB, including Euros and U.S. dollars. The value of the RMB has steadily appreciated since the PRC government changed its policy of pegging the value of RMB to the U.S. dollar in 2005. If the PRC government decides to adopt an even more flexible currency policy in the future, the RMB may further appreciate, which may cause our export prices to increase and reduce our global competitiveness. In addition, the appreciation of RMB may have a similar adverse effect on the business of solar module manufacturers based in China, which are our primary solar cell customers and who export a substantial portion of their products to overseas markets, which could in turn adversely affect demand for our solar cells. On the other hand, if the exchange rate of the RMB against other related currencies were to depreciate, the price of our imported equipment, parts and components when converted into RMB may increase, which may have a material and adverse effect on us. In addition, if we decide to convert our RMB amounts into foreign currency for the purposes of making payments for dividends on our Shares, a depreciation of RMB could reduce the amounts of the foreign currency equivalent amounts of the RMB we convert.

Moreover, we will need to convert part of the proceeds denominated in foreign currencies from the Global Offering into RMB. The appreciation of the RMB against the Hong Kong dollar could reduce the amount of RMB that would be available for our use upon conversion of such proceeds to RMB.

The change in value of RMB against other currencies is affected by changes in the PRC's political and economic conditions, among other factors. We cannot predict how the RMB will fluctuate in the future. The fluctuation in the exchange rate between RMB and other currencies may have a material and adverse effect on our business, results of operations and financial condition, and thus your investment.

As of the Latest Practicable Date, we did not have any outstanding hedging transactions to manage our exposure to foreign currency exchange risk. While we may enter into hedging transactions in the future, the availability and effectiveness of these transactions may be limited and we may not be able to successfully hedge our exposure or at all. In addition, our currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert RMB into foreign currency. As a result, fluctuations in exchange rates may have a material adverse effect on our results of operations.

The PRC legal system is evolving and has inherent uncertainties that could limit the legal protection available to you.

Unlike common law systems, the legal system in China is a civil law system based on written statutes and in which prior court decisions have limited value as precedents. Since 1979, PRC legislations and regulations have significantly enhanced the protections afforded to various forms of foreign investment in China. However, since these laws, regulations and legal requirements are relatively new and the PRC legal system continues to rapidly evolve, the interpretation and enforcement of these laws and regulations are not always uniform and enforcement of these laws and regulations may involve significant uncertainties, which may limit protections available to us and our Shareholders. These uncertainties may impede our ability to enforce the contracts we have entered into with our customers, suppliers and business partners which could materially adversely affect our business and operations. We cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws, or the interpretation or enforcement thereof, or the pre-emption of local regulations by national laws. Moreover, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

It may be difficult to effect service of process on, or to enforce any judgments obtained outside the PRC against, us, our Directors, or senior management members who live inside the PRC.

Substantially all of our existing Directors and senior management members reside in the PRC and substantially all of our assets and the assets of such person are located in the PRC. Accordingly, it may be difficult for investors to effect service of process on any of these persons or to enforce judgments obtained outside of the PRC against us or any of these persons, as the PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments awarded by courts in many developed countries, including the Cayman Islands, the United States, the United Kingdom and Japan. Hence, the recognition and enforcement in the PRC of judgments of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or even impossible.

Our primary source of funds in the form of dividends and other distributions from our operating subsidiaries in the PRC is subject to various legal restrictions and uncertainties which may limit our ability to pay dividends and make other distributions to our Shareholders.

We are a holding company established in the Cayman Islands, and we operate our core business through our subsidiaries and associated companies incorporated primarily in China. As a result, future profits available for distribution to our Shareholders will be dependent on profits available for distribution to us from these PRC subsidiaries. Any incurrence of debts or losses by these entities may impair our ability to pay dividends on our Shares. In addition, under PRC laws and regulations, some of these PRC subsidiaries are regarded as wholly foreign-owned enterprises and therefore dividends from these subsidiaries are required to be paid only out of net profit, calculated according to PRC accounting principles. In addition, these subsidiaries are required under the PRC law to set aside part of their net profit as statutory reserves which are not available for distribution as cash dividends. Since the availability of funds to pay dividends to our Shareholders and to service our indebtedness depends upon dividends received from these PRC subsidiaries, any restrictions on the availability and usage of funds from these subsidiaries may impact our ability to pay dividends to our Shareholders and to service our indebtedness.

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

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

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

Failure to comply with the SAFE regulations relating to the establishment of offshore special purpose vehicles by our beneficial owners may materially and adversely affect our business operations.

On 21 October 2005, the SAFE issued a public circular which became effective on 1 November 2005. The circular requires PRC residents to register with the local SAFE branch before establishing or controlling any company, referred to in the circular as an "offshore special purpose vehicle", outside of the PRC for the purpose of capital financing and to register again after completing an investment in or acquisition of any operating subsidiaries in the PRC, or the so called round-trip investment. In addition, any change of shareholding or any other material capital alteration in such offshore special purpose vehicle must be filed with the SAFE within 30 days starting from the date of shareholding transfer or capital alteration. Most of our beneficial owners fall within the definition of PRC residents and thus are required to comply with the relevant requirements in all material respects in connection with our investments and financing activities. If such beneficial owners fail to comply with the requirements in the SAFE circular, they and our PRC subsidiaries may be subject to fines and legal sanctions, which may consequently also materially and adversely affect our business.

Higher labor costs and inflation in China may adversely affect our business and our profitability.

New labor laws have been enacted in China and labor costs in China have also risen in recent years as a result of economic development. In addition, since 2009, inflation in China has increased. According to the National Bureau of Statistics of China, consumer price inflation in China was 5.9%, -0.7% and 3.3% in 2008, 2009 and 2010, respectively. Because we purchase raw materials from suppliers in China, higher labor cost and inflation in China increases the costs of labor and raw materials we must purchase for manufacturing. Recently released data indicated that China's inflation rates will continue to rise in 2011. As we expect our production staff to increase and our manufacturing operations to become more labor intensive when we commence silicon wafer and solar module production, rising labor costs may increase our operating costs and partially erode the cost advantage of our China-based operations and therefore negatively impact our profitability.

As a foreign company, our acquisitions of PRC companies may take longer and be subject to higher level of scrutiny by the PRC government, which may delay or prevent any intended acquisition.

In 2006, six PRC governmental and regulatory agencies, including MOFCOM and the CSRC, promulgated a rule entitled *Provisions Regarding Mergers and Acquisitions of Domestic Enterprises by Foreign Investors* (the "New M&A Rules"), which became effective on 8 September 2006 and were amended in June 2009. The New M&A Rules established additional procedures and requirements including the requirements that in certain instances foreign investors obtain MOFCOM's approval when they acquire equity or assets of a PRC domestic enterprise. In the future, we may want to grow our business in part by acquiring complementary businesses, although we do not have plans to do so at this time. Complying with the New M&A Rules to complete these transactions could be more time-consuming and costly, and could result in a more extensive evaluation by the PRC government and its increased control over the terms of the transaction, and any required approval processes may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

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

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

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares and an active trading market for our Shares may not develop.

Prior to the Global Offering, there has been no public market for our Shares. Although we have applied to list and trade the Shares on the Hong Kong Stock Exchange, we cannot assure you that an active public trading market for the Shares will develop or that the market price of our Shares will not decline below their initial Offer Price. The initial issue price range for our Shares was determined through negotiations between us and the Joint Bookrunners on behalf of the Underwriters and it may not be indicative of the market price for the Shares after this Global Offering is complete. You may not be able to resell your Shares at or above the Offer Price, and as a result, may lose all or part of the investment in such Shares.

The market price and trading volume for our Shares may be volatile.

The price and trading volume of the Shares may be highly volatile. Factors such as variations in our actual or anticipated operating results, changes in or failure to meet earnings estimates of securities analysts, market conditions in the solar power industry, regulatory actions and general economic and securities market conditions, among other things, could cause the market price of our Shares to change substantially. Any such developments may result in large and sudden changes in the volume and price at which the Shares will trade, and investors may realize less than the original sum invested. We can give no assurance that these developments will not occur in the future. In addition, shares of other companies listed on the Hong Kong Stock Exchange with significant operations and assets in China, including those in the solar power industry, have experienced substantial price volatility in the past. The Hong Kong Stock Exchange has from time to time experienced significant price and volume fluctuations which are not related to the operating performance of the companies listed on the Hong Kong Stock Exchange. As result, investors in our Shares may experience volatility in the market price of our Shares and a decrease in the value of our Shares regardless of our operating performance or prospects.

Potential investors will experience immediate and substantial dilution as a result of the Global Offering.

Potential investors will pay a price per Share that substantially exceeds the net tangible asset value per Share immediately prior to the Global Offering. As a result, purchasers of our Shares will therefore experience immediate dilution in our net tangible asset value of approximately HK$0.74 per Share, representing the difference between our unaudited pro forma adjusted net tangible asset value per share as of 31 December 2010 after giving effect to this Global Offering (net of underwriting commissions and other expenses) and an assumed Offer Price of HK$1.26, being the midpoint of the indicative Offer Price range. As a result, if the Company were to distribute its net tangible assets to the Shareholders immediately following the Global Offering, potential investors would receive less than the amount they paid for their Shares. If the Joint Bookrunners (on behalf of the International Underwriters) exercise the Over-allotment Option or if we issue additional Shares in the future, investors of our Shares may experience further dilution.

Sales of substantial amounts of our Shares in the public market after the Global Offering could cause the price of our Shares to decline.

Sales of substantial amounts of our Shares in the public market, or the perception that such sales may occur, could cause the price of our Shares to decline.

All Shares sold in this Global Offering will be freely transferable, subject to certain exceptions. We and certain of our Shareholders are expected to enter into lock-up agreements and, with limited exceptions, have agreed not to, among other things, sell or otherwise dispose of our Shares for a period of six months or 12 months, as applicable, after the Listing Date. There can be no assurance that those Shareholders, or other beneficial owners of our Shares, will not dispose of these Shares or that we will not sell additional Shares following the expiration of the lock-up period. In addition, we cannot predict whether substantial amounts of our Shares will be sold in the open market in anticipation of, or following, any divestiture by us or any of our existing Shareholders. Sales of substantial amounts of our Shares in the public market (including Shares issued in connection with an acquisition), or the perception that such sales may occur, could adversely affect the prevailing market price of our Shares and our ability to sell equity or equity-linked securities in the future.

Shareholders' interests may be diluted as a result of additional equity fund-raising.

After this Global Offering and the Capitalization Issue, assuming the Over-allotment Option is not exercised, we will have an aggregate of 3,440,000,000 Shares authorized but unissued and not reserved for specific purposes. In general, we may issue all of these Shares without any action or approval by our Shareholders. We may need to raise additional funds in the future to finance further expansion or investments relating to our existing operations or acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro rata basis to existing Shareholders, the percentage ownership of such Shareholders in our Company may be reduced and such new securities may confer rights and privileges that take priority over those conferred by the Shares.

We may not pay dividends.

Under Cayman Islands law, we may only pay dividends out of our profits or our Share premium account subject to our ability to service our debts as they fall due in the ordinary course of our business. Our ability to pay dividends will therefore depend on our ability to generate sufficient profits. We cannot give any assurance that we will declare dividends of any amounts, at any rate or at all in the future. In particular, in line with our planned expansion, we expect to incur significant capital expenditure in 2011 and 2012, as the result of which, we may not declare any dividends at all in the foreseeable future. Any declaration of dividends will be proposed by our Directors, and the amount of any dividends will depend on various factors, including, without limitation, market conditions, our strategic plans and prospects, our business opportunities, our financial condition and operating results, working capital requirements and anticipated cash needs, contractual restrictions and obligations, payment by subsidiaries of cash dividends to us and legal, tax and regulatory restrictions, and other factors that the Directors deem significant from time to time. Although we have paid dividends in the past, we cannot guarantee if and when we will pay dividends in the future. You should refer to the "Financial Information — Dividend and Dividend Policy" section in this prospectus for additional information regarding our dividend policy.

We may be required to withhold PRC income tax on any dividends we pay or distribute, and any gain you realize on the transfer of our Shares may also be subject to PRC withholding tax.

Pursuant to the EIT Law, we may be treated as a PRC resident enterprise for PRC tax purposes. See "— Risks Relating to Doing Business in the PRC — Our China-sourced income is subject to PRC withholding tax under the new Enterprise Income Tax Law of the PRC and we may be subject to PRC enterprise income tax at the rate of 25% when more detailed rules are promulgated." If we are so treated by the PRC tax authorities, we will be obligated to withhold PRC income tax at 10% or a lower treaty rate, such as 5% for Shareholders in Hong Kong, because the dividends payable on our Shares would be regarded as being derived from sources within the PRC. In addition, any gain realized by any overseas Shareholders from the transfer of our Shares could be regarded as being derived from sources within the PRC and be subject to PRC withholding tax at 10% or a lower treaty rate. Such PRC withholding tax would reduce your investment return on our Shares and may also materially and adversely affect the price of our Shares. See "Regulations — Tax."

You may face uncertainties and difficulties in protecting your interests under the laws of the Cayman Islands.

Our corporate affairs are governed by, among other things, our Articles of Association, the Companies Law and 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 and our Articles of Association. 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 laws of the Cayman Islands relating to the protection of the interests of minority Shareholders differ in some respects from those in established under statutes or judicial precedent in existence in Hong Kong, PRC and other jurisdictions. The remedies available to the minority Shareholders may be limited compared to the laws of other jurisdictions. As a result, these Shareholders may face more uncertainties and difficulties in protecting their interests in the face of actions taken by management, the Directors or single largest shareholder.